

# CUET 2024 Economics Question Paper

## Set D With Solution

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1. During festive season, the currency deposit ratio -----.

- (1) decreases
- (2) increases
- (3) has no impact on it
- (4) first decreases then increases

**Correct Answer:** (2) increases.

**Solution:** During festivals, people withdraw more cash for spending, leading to an increase in the currency deposit ratio.

### Quick Tip

Festive seasons result in higher cash withdrawals, raising the currency deposit ratio.

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2. Match List-I with List-II:

List-I	List-II
(A) Great Leap Forward	(I) Protecting the future generation
(B) Mao Zedong	(II) Aimed at industrialising the country on a massive scale
(C) Brundtland Commission	(III) Introduced the Great Proletarian Cultural Revolution
(D) Our Common Future	(IV) Seminal Report that explained sustainable development as meeting the basic needs of all for a better life

Choose the correct answer from the options given below:

- (1) (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
- (2) (A) - (II), (B) - (III), (C) - (I), (D) - (IV)

(3) (A) - (I), (B) - (II), (C) - (IV), (D) - (III)

(4) (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

**Correct Answer:** (2) (A) - (II), (B) - (III), (C) - (I), (D) - (IV).

**Solution:** - (A) Great Leap Forward - (II): Focused on rapid industrialization.

- (B) Mao Zedong - (III): Introduced the Cultural Revolution.

- (C) Brundtland Commission - (I): Focused on future generation sustainability.

- (D) Our Common Future - (IV): Explained sustainable development.

#### Quick Tip

Match based on historical context: GLF = Industrialization; Mao = Cultural Revolution; Brundtland = Sustainability.

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**3. Second phase of Green Revolution is termed from:**

(1) mid 1960s to mid 1970s

(2) mid 1970s to mid 1980s

(3) mid 1950s to mid 1960s

(4) mid 1980s to mid 1990s

**Correct Answer:** (2) mid 1970s to mid 1980s.

**Solution:** The second phase of the Green Revolution (1970s–1980s) focused on crop diversification and technological advancements.

#### Quick Tip

The first phase was focused on wheat (1960s), while the second phase diversified to other crops.

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**4. During 1980s, the growth rate in Pakistan improved on account of which of the following reasons?**

(1) Institutionalised process of technical change

(2) A good harvest

- (3) Sustainable export of manufactured goods
- (4) High amount of foreign direct investment inflow

**Correct Answer: (2) A good harvest.**

**Solution:** Improved agricultural performance due to favorable weather and good harvests drove Pakistan's growth during the 1980s.

**Quick Tip**

Agriculture played a key role in Pakistan's growth in the 1980s.

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**5. When there is unexpected rise in the sales, -----.**

- (1) Aggregate demand would decline.
- (2) There will be unplanned accumulation of inventories.
- (3) There will be unplanned decumulation of inventories.
- (4) Normal profit would be lower.

**Correct Answer: (3) There will be unplanned decumulation of inventories.**

**Solution:** When sales unexpectedly rise, inventories decrease faster than planned, leading to unplanned decumulation.

**Quick Tip**

Unexpected sales increase leads to inventory decumulation; unexpected sales drop leads to accumulation.

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**6. European Monetary Union was created in -----.**

- (1) 1996
- (2) 1994
- (3) 1999
- (4) 2002

**Correct Answer: (3) 1999.**

**Solution:** The European Monetary Union (EMU) was officially established in 1999, introducing the euro for non-cash transactions.

**Quick Tip**

EMU was founded in 1999; physical euro notes and coins were introduced in 2002.

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**7. Identify the correct statement in the context of Circular Flow of Income in a two-sector economy:**

- (1) Household receives factor services from firms.
- (2) Household invests while firm saves.
- (3) Firms produce goods and services.
- (4) Household supplies factor services to Government.

**Correct Answer: (3) Firms produce goods and services.**

**Solution:** In a two-sector economy, firms use factor services provided by households to produce goods and services.

**Quick Tip**

Firms produce goods and services, while households supply factors of production.

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**8. Identify the correct set of statements:**

- (A) Ex Ante Saving represents what is actually planned to save.
- (B) Ex Post Saving represents what is actually planned to save.
- (C) Ex Post Saving depicts what has actually happened.
- (D) Ex Ante Post Saving represents what is actually saved.

Choose the correct answer from the options given below:

- (1) (A) and (D) only
- (2) (A) and (C) only
- (3) (B) and (D) only
- (4) (C) and (D) only

**Correct Answer: (2) (A) and (C) only.**

**Solution:** - (A): Correct. Ex Ante Saving refers to planned savings.

- (C): Correct. Ex Post Saving represents actual savings.

- (B) and (D): Incorrect, as they misrepresent the definitions.

**Quick Tip**

Ex Ante = Planned savings; Ex Post = Actual savings.

**9. Match List-I with List-II:**

List-I (Elements)	List-II (Features)
(A) Annual Financial Statement	(I) Create liabilities or reduce financial assets
(B) Capital Receipts	(II) Trade surplus
(C) Capital Payment	(III) Main budget document
(D) Export > Import	(IV) Create financial assets or reduce liabilities

Choose the correct answer from the options given below:

(1) (A) - (I), (B) - (II), (C) - (III), (D) - (IV)

(2) (A) - (III), (B) - (I), (C) - (IV), (D) - (II)

(3) (A) - (I), (B) - (II), (C) - (IV), (D) - (III)

(4) (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

**Correct Answer: (2) (A) - (III), (B) - (I), (C) - (IV), (D) - (II).**

**Solution:** - (A) Financial Statement - (III): Main budget document.

- (B) Capital Receipts - (I): Liabilities or reduced assets.

- (C) Capital Payment - (IV): Financial assets or reduced liabilities.

- (D) Export > Import - (II): Trade surplus.

### Quick Tip

Match based on roles: Financial Statement = Budget; Capital = Financial transactions.

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### Read the following passage and answer the next five questions :

In our quest to increase agricultural production during the last five decades or so, we almost totally neglected the use of compost and completely switched over to chemical fertilizers. The result is that large tracts of productive land have been adversely affected, water bodies including ground water system have suffered due to chemical contamination and demand for irrigation has been going up year after year. Farmers, in large numbers all over the country, have again started using compost made from organic wastes of different types. In certain parts of the country, cattle are maintained only because they produce dung which is an important fertilizer and soil conditioner. Earthworms can convert organic matter into compost faster than the normal composting process. This process is now being widely used. Indirectly, the civic authorities are benefitted too as they have to dispose reduced quantity of waste.

#### 10. How is civic authority getting benefitted due to biocomposting?

- (1) They have to dispose increased quantity of waste.
- (2) They don't have to dispose any waste.
- (3) Because civic authority has no role in waste management.
- (4) They have to dispose reduced quantity of waste.

**Correct Answer:** (4) They have to dispose reduced quantity of waste.

**Solution:** Biocomposting reduces the volume of waste requiring disposal, helping civic authorities lower their workload.

### Quick Tip

Biocomposting reduces waste, aiding civic authorities in waste management.

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#### 11. Choose the correct statement concerned with the passage:

- (1) Earthworm takes equal time to convert organic matter into compost with respect to normal composting process.

- (2) Earthworm takes more time to convert organic matter into compost with respect to normal composting process.
- (3) Earthworm takes less time to convert organic matter into compost with respect to normal composting process.
- (4) Comparison between earthworm-based composting and normal composting cannot be made.

**Correct Answer: (3) Earthworm takes less time to convert organic matter into compost with respect to normal composting process.**

**Solution:** The passage explicitly mentions that earthworms accelerate the composting process compared to normal composting methods.

**Quick Tip**

Earthworm-based composting is faster and more efficient than traditional composting methods.

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**12. Water bodies including ground water system have suffered due to:**

- (1) Biocomposting
- (2) Chemical contamination and increased demand for irrigation
- (3) Organic farming
- (4) Increased fertility of land

**Correct Answer: (2) Chemical contamination and increased demand for irrigation.**

**Solution:** The passage indicates that extensive use of chemical fertilizers has contaminated water bodies and led to increased irrigation demand.

**Quick Tip**

Excessive use of chemical fertilizers harms water bodies and raises irrigation needs.

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**13. In certain parts of the country, cattle are maintained only because they:**

- (1) Produce milk to increase income of farmers.
- (2) Produce dung which is an important fertilizer and soil conditioner.

- (3) Work as insect repellants.
- (4) Are a symbol of traditional ethics and values.

**Correct Answer: (2) Produce dung which is an important fertilizer and soil conditioner.**

**Solution:** Dung from cattle is a natural fertilizer and soil conditioner, making it valuable for sustainable agriculture.

**Quick Tip**

Cattle dung is crucial for maintaining soil fertility in organic farming.

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**14. What should be the suitable title for the above passage?**

- (1) Biocomposting
- (2) Biopest Control
- (3) Traditional Knowledge and Practice
- (4) Uses of Chemical Fertilizers

**Correct Answer: (1) Biocomposting.**

**Solution:** The passage primarily discusses the process and benefits of biocomposting as a sustainable alternative to chemical fertilizers.

**Quick Tip**

Biocomposting emphasizes eco-friendly waste management and sustainable agriculture.

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**Read the following passage and answer the next five questions.**

India had an independent economy before the advent of the British rule. Though agriculture was the main source of livelihood for most people, yet, the country's economy was characterised by various kinds of manufacturing activities. India was particularly well known for its handicraft industries in the fields of cotton and silk textiles, metal and precious stone works etc. These products enjoyed a worldwide market based on the reputation of the fine quality of material used and the high standards of craftsmanship seen in all imports from India. The economic



policies pursued by the colonial government in India were concerned more with the protection and promotion of the economic interests of their home country than with the development of the Indian economy. Such policies brought about a fundamental change in the structure of the Indian economy — transforming the country into a supplier of raw materials and consumer of finished industrial products from Britain. Obviously, the colonial government never made any sincere attempt to estimate India's national and per capita income. Some individual attempts which were made to measure such incomes yielded conflicting and inconsistent results. Among the notable estimators — Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao and R.C. Desai — it was Rao, whose estimates during the colonial period were considered very significant. However, most studies did find that the country's growth of aggregate real output during the first half of the twentieth century was less than two per cent coupled with a meagre half per cent growth in per capita output per year. 15. Before the British rule, India was well known for which manufacturing industries' products ?

**15. Before the British rule, India was well known for which manufacturing industries' products?**

- (1) Cotton and Silk or Khadi textiles
- (2) Cotton and Engineering products
- (3) Cotton and Silk textiles, metal and precious stones, etc.
- (4) Engineering goods and precious metals

**Correct Answer: (3) Cotton and Silk textiles, metal and precious stones, etc.**

**Solution:** India's pre-colonial economy was renowned for high-quality textiles, metals, and precious stone craftsmanship.

#### Quick Tip

India's exports before British rule were globally valued for their quality and craftsmanship.

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**16. What kind of interests was the colonial government concerned with in the economic policy for Indian industries?**

- (1) To promote the handicraft industries of India.

- (2) Promote and protect small scale industries of India.
- (3) Protect and promote the economic interests of Indian industry along with their home country.
- (4) Provide protection and promotion of the economic interests of their home country.

**Correct Answer:** (4) Provide protection and promotion of the economic interests of their home country.

**Solution:** The colonial government focused on advancing Britain's economic interests at the expense of Indian industries.

**Quick Tip**

Colonial policies transformed India into a supplier of raw materials for Britain.

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**17. Choose the economists who estimated India's National Income and Per Capita Income:**

- (1) Dadabhai Naoroji, William Digby, Bernier, V.K.R.V. Rao, and R.C. Desai
- (2) Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai
- (3) Dadabhai Naoroji, Jagdish Bhagwati, V.K.R.V. Rao, and R.C. Desai
- (4) Dadabhai Naoroji, Findlay Shirras, and V.K.R.V. Rao

**Correct Answer:** (2) Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai.

**Solution:** These economists made significant attempts to estimate India's National Income and Per Capita Income during colonial times.

**Quick Tip**

Key contributors include Naoroji, Digby, Shirras, Rao, and Desai.

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**18. What was the country's growth of aggregate real output during the first half of the 20th century?**

- (1) Less than two percent aggregate growth and one percent per capita output growth.

- (2) Less than two percent aggregate growth and 1.5 percent per capita output growth.
- (3) Less than 2.5 percent aggregate growth and 0.5 percent per capita output growth.
- (4) Less than two percent aggregate growth and 0.5 percent per capita output growth.

**Correct Answer:** (4) Less than two percent aggregate growth and 0.5 percent per capita output growth.

**Solution:** India's economic growth during the colonial era was less than 2

**Quick Tip**

Colonial-era economic growth was minimal: aggregate  $\downarrow$  2

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**19. According to the passage, which of the following statement was true about Indian industries' products?**

- (1) Indian products were of inferior quality and cheap in the worldwide market.
- (2) Indian products were promoted by the colonial government and competed with other countries' markets also.
- (3) Indian products enjoyed a worldwide market based on quality of material used and the high standard of craftsmanship.
- (4) Indian products' raw material for primary goods was imported from other countries and it helped to increase export.

**Correct Answer:** (3) Indian products enjoyed a worldwide market based on quality of material used and the high standard of craftsmanship.

**Solution:** Indian handicrafts were globally famous for their superior materials and craftsmanship.

**Quick Tip**

India's pre-colonial exports were globally valued for quality and artistry.

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**20. \_\_\_\_\_ is a market where economic agents can freely exchange their endowments with each other.**

- (1) Market economy
- (2) Centrally planned economy
- (3) Aggregate demand-based economy
- (4) Aggregate supply-based economy

**Correct Answer: (1) Market economy.**

**Solution:** A market economy allows agents to freely trade goods and services, with prices determined by supply and demand.

**Quick Tip**

Market economies emphasize voluntary exchange and minimal government intervention.

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**21. Which of the following are correct statements?**

- (A) Marginal Utility is the change in Total Utility due to consumption of one additional unit of commodity.
- (B) Two Indifference Curves intersect each other.
- (C) Marginal Utility becomes Zero at a level when Total Utility remains constant.
- (D) Diminishing Marginal Rate of Substitution does not affect Indifference Curve.
- (E) Indifference Curve slopes downwards from left to right.

Choose the correct answer from the options given below:

- (1) (A), (B), and (E) only
- (2) (A), (C), and (E) only
- (3) (A), (D), and (E) only
- (4) (B), (D), and (E) only

**Correct Answer: (2) (A), (C), and (E) only.**

**Solution:** - (A): Correct. Marginal Utility is the additional satisfaction from consuming one more unit of a good.

- (B): Incorrect. Indifference Curves cannot intersect, as this would violate consistency in preferences.

- (C): Correct. Marginal Utility equals zero when Total Utility reaches its maximum.
- (D): Incorrect. Diminishing Marginal Rate of Substitution affects the curvature of the Indifference Curve.
- (E): Correct. Indifference Curves slope downward to reflect trade-offs between goods.

### Quick Tip

Indifference Curves are downward sloping and never intersect, reflecting diminishing substitution.

## 22. Match List-I with List-II:

List-I (Characteristic)	List-II (Implication)
(A) Equilibrium	(I) Plans of all the consumers and firms in the market match
(B) Excess supply	(II) Demand decreases with an increase in income
(C) Inferior good	(III) Supply is greater than market demand
(D) Price ceiling	(IV) Imposition of upper limit by government

Choose the correct answer from the options given below:

- (1) (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
- (2) (A) - (I), (B) - (III), (C) - (II), (D) - (IV)
- (3) (A) - (I), (B) - (II), (C) - (IV), (D) - (III)
- (4) (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

**Correct Answer:** (2) (A) - (I), (B) - (III), (C) - (II), (D) - (IV).

**Solution:** - (A) Equilibrium - (I): Reflects balance between consumers' and firms' plans.

- (B) Excess supply - (III): Occurs when supply exceeds demand.
- (C) Inferior good - (II): Demand decreases with higher income.
- (D) Price ceiling - (IV): Government imposes an upper price limit.

### Quick Tip

Key terms: Equilibrium = Plans match, Inferior good = Negative income effect, Price ceiling = Gov. limit.

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**23. When Elasticity of Demand Curve is 1 at every point on the Demand Curve, this curve is known as:**

- (1) Perfectly inelastic demand curve
- (2) Perfectly elastic demand curve
- (3) Rectangular Hyperbola
- (4) Greater than unitary demand curve

**Correct Answer: (3) Rectangular Hyperbola.**

**Solution:** A demand curve shaped like a rectangular hyperbola reflects unitary elasticity ( $E_d = 1$ ) throughout.

### Quick Tip

A Rectangular Hyperbola represents constant unitary elasticity.

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**24. According to the Theory of Consumer Behaviour, inequality  $p_1x_1 + p_2x_2 \leq M$  is called the Consumer's:**

- (1) Budget
- (2) Budget Set
- (3) Budget Constraint
- (4) Budget Behaviour

**Correct Answer: (3) Budget Constraint.**

**Solution:** The inequality describes the maximum expenditure on goods within the consumer's income ( $M$ ).

### Quick Tip

Budget Constraint: Expenditure cannot exceed income.

#### 25. Choose the correct statements from the following:

- (A) Adam Smith is termed as Father of Modern Economics.
- (B) J.M. Keynes gave the Theory of Income, Output, and Employment.
- (C) Four Sector Model =  $C + I + G + (X - M)$ .
- (D) Store of value is primary function of money.

Choose the correct answer from the options given below:

- (1) (A), (B), and (D) only
- (2) (A), (B), and (C) only
- (3) (A), (B), (C), and (D)
- (4) (B), (C), and (D) only

**Correct Answer: (2) (A), (B), and (C) only.**

**Solution:** - (A): Correct. Adam Smith is called the Father of Modern Economics.

- (B): Correct. Keynes contributed the Theory of Income, Output, and Employment.

- (C): Correct. The Four-Sector Model is accurately represented.

- (D): Incorrect. Store of value is a secondary function of money.

### Quick Tip

Primary function of money = Medium of exchange; Store of value = Secondary.

#### 26. Rearrange the given statements in proper chronological sequence in an ascending order (earliest to latest):

- (A) General Theory of Employment, Interest, and Money by Keynes.
- (B) Mahalanobis was made a fellow of Britain's Royal Society.
- (C) An Inquiry into the Nature and Cause of the Wealth of Nations by Adam Smith.
- (D) The Economic Consequences of the Peace by Keynes.

Choose the correct answer from the options given below:

- (1) (C), (D), (A), (B)
- (2) (A), (B), (C), (D)
- (3) (A), (C), (B), (D)
- (4) (D), (A), (C), (B)

**Correct Answer:** (1) (C), (D), (A), (B).

**Solution:** Chronological Order:

- (C) Wealth of Nations (Adam Smith, 1776).
- (D) Economic Consequences of Peace (Keynes, 1919).
- (A) General Theory (Keynes, 1936).
- (B) Mahalanobis Fellow (1945).

**Quick Tip**

Order: Smith → Keynes (Peace) → Keynes (General Theory) → Mahalanobis.

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**27. If there is no government and no foreign trade, then:**

- (1)  $G = T = M = X > 1$
- (2)  $G = T = M = X = 1$
- (3)  $G = T = M = X = 0$
- (4)  $G = T = M = X < 1$

**Correct Answer:** (3)  $G = T = M = X = 0$ .

**Solution:** Without government or foreign trade,  $G$  (Government Spending),  $T$  (Taxes),  $M$  (Imports), and  $X$  (Exports) are all zero.

**Quick Tip**

Closed Economy: No  $G$ ,  $T$ ,  $M$ , or  $X$ .

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**28. The value of Nominal GDP is \$1100 and the value of Real GDP is \$1000. Find**



**the value of GDP deflator:**

- (1) 0.9
- (2) 1.1
- (3) 1
- (4) 0.8

**Correct Answer: (2) 1.1.**

**Solution:** GDP Deflator = Nominal GDP / Real GDP:

$$\text{GDP Deflator} = \frac{1100}{1000} = 1.1$$

**Quick Tip**

GDP Deflator measures price level changes.

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**29. Identify the correct statements:**

- (A) Stocks are defined over a period of time.
- (B) Flows are defined over a period of time.
- (C) Flows are defined at a particular point of time.
- (D) Stocks are defined at a particular point of time.
- (E) GVA at factor costs + Indirect Taxes – Subsidies = GVA at market prices.

Choose the correct answer from the options given below:

- (1) (A), (C), and (E) only
- (2) (B), (C), and (D) only
- (3) (B), (D), and (E) only
- (4) (C), (D), and (E) only

**Correct Answer: (3) (B), (D), and (E) only.**

**Solution:** - (B): Correct. Flows are defined over time (e.g., income).

- (D): Correct. Stocks are defined at a point in time (e.g., wealth).

- (E): Correct. Formula for GVA.

Quick Tip

Flows = Over time; Stocks = Snapshot.

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**30. If the supply of final goods is assumed to be infinitely elastic at constant price over a short period of time, Aggregate output is determined solely by the value of Aggregate demand. This is called \_\_\_\_\_.**

- (1) Aggregate supply
- (2) Aggregate demand
- (3) Effective demand
- (4) Perfectly inelastic demand

**Correct Answer: (3) Effective demand.**

**Solution:** Effective demand determines output when supply is perfectly elastic, as per Keynesian economics.

Quick Tip

Effective Demand reflects aggregate demand in short-run scenarios.

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**31. Nominal Interest Rate = \_\_\_\_\_**

- (1) Real Interest Rate  $\times$  Inflation Rate
- (2) Real Interest Rate  $-$  Inflation Rate
- (3) Real Interest Rate  $/$  Inflation Rate
- (4) Real Interest Rate  $+$  Inflation Rate

**Correct Answer: (4) Real Interest Rate + Inflation Rate.**

**Solution:** The Fisher Equation explains that:

$$\text{Nominal Interest Rate} = \text{Real Interest Rate} + \text{Inflation Rate.}$$

Quick Tip

The Fisher Equation links real interest rate, inflation, and nominal interest rate.

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**32. Value of MPS (Marginal Propensity to Save) is increased from 0.4 to 0.5. What would be the impact on Multiplier?**

- (1) The size of the multiplier would be increased.
- (2) The size of the multiplier would remain the same.
- (3) Value of multiplier is undetermined with the given information.
- (4) The size of the multiplier would be decreased.

**Correct Answer: (4) The size of the multiplier would be decreased.**

**Solution:** The multiplier ( $k$ ) is given by:

$$k = \frac{1}{\text{MPS}}.$$

If MPS increases from 0.4 to 0.5, the multiplier decreases:

$$k_1 = \frac{1}{0.4} = 2.5, \quad k_2 = \frac{1}{0.5} = 2.$$

**Quick Tip**

The multiplier decreases when MPS increases because  $k = \frac{1}{\text{MPS}}$ .

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**33. Paradox of Thrift means:**

- (1) If all the people of the economy increase the proportion of income they save, the total value of investment in the economy will not increase, it will either decline or remain unchanged.
- (2) If all the people of the economy increase the proportion of income they spend, the total value of savings in the economy will not increase, it will either decline or remain unchanged.
- (3) If all the people of the economy decrease the proportion of income they save, the total value of savings in the economy will not increase, it will either decline or remain unchanged.
- (4) If all the people of the economy increase the proportion of income they save, the total value of savings in the economy will not increase, it will either decline or remain unchanged.

**Correct Answer: (4).**

**Solution:** The Paradox of Thrift occurs when higher savings reduce aggregate demand, leading to a decline in income and ultimately reduced total savings.

**Quick Tip**

Increased savings reduce overall savings due to a drop in aggregate demand.

34. \_\_\_\_\_ depicts what has actually happened.

- (1) Ex-Ante
- (2) Ex-Post
- (3) Constant
- (4) Variable

**Correct Answer:** (2) Ex-Post.

**Solution:** Ex-Post refers to actual values or outcomes that have occurred, as opposed to Ex-Ante, which refers to planned or intended outcomes.

**Quick Tip**

Ex-Post is about historical outcomes, while Ex-Ante relates to forecasts or intentions.

35. If the value of Investment Multiplier is 5 and the increased income is 800 crore in an economy, then find the value of change in the investment in the economy:

- (1) 4000 crore
- (2) 120 crore
- (3) 400 crore
- (4) 160 crore

**Correct Answer:** (4) 160 crore.

**Solution:** The formula for the Investment Multiplier ( $k$ ) is:

$$k = \frac{\Delta Y}{\Delta I}$$

Where: -  $k = 5$  (Investment Multiplier) -  $\Delta Y = 800$  crore (Increased income) -  $\Delta I =$  Change in investment (to be found)

Rearranging:

$$\Delta I = \frac{\Delta Y}{k} = \frac{800}{5} = 160 \text{ crore.}$$

### Quick Tip

To calculate investment change ( $\Delta I$ ), divide the increased income ( $\Delta Y$ ) by the multiplier ( $k$ ):  $\Delta I = \frac{\Delta Y}{k}$ .

### 36. Which of the following statements are true?

- (A) Quantitative tools control the extent of money supply by changing the CRR.
- (B) There are two types of open market operations – outright and upright.
- (C) A fall in the bank rate can decrease the money supply.
- (D) Selling of a bond by RBI leads to reduction in quantity of reserves.
- (E) The RBI can influence money supply by changing the rate at which it gives loans to the commercial banks.

Choose the correct answer from the options given below:

- (1) (A), (C), and (D) only
- (2) (A), (B), and (D) only
- (3) (B), (D), and (E) only
- (4) (A), (D), and (E) only

**Correct Answer:** (4) (A), (D), and (E) only.

**Solution:** - (A): Correct. Quantitative tools (like CRR) regulate money supply.

- (B): Incorrect. Open market operations are outright or repo/reverse repo, not "upright."

- (C): Incorrect. A fall in the bank rate increases the money supply.

- (D): Correct. Selling bonds reduces liquidity in the banking system.

- (E): Correct. The repo rate influences commercial bank borrowing.

### Quick Tip

Selling bonds reduces money supply; lowering the repo rate increases money supply.

### 37. Match List-I with List-II:

List-I	List-II
(A) Bank Rate	(I) Securities are pledged in order to repurchase
(B) Marginal Standing Facility	(II) Minimum rate at which funds are provided for long term
(C) Repo Rate	(III) Also known as Penal Interest Rate
(D) Reverse Repo Rate	(IV) Central Bank borrows funds from commercial banks

Choose the correct answer from the options given below:

- (1) (A) - (I), (B) - (II), (C) - (III), (D) - (IV)
- (2) (A) - (II), (B) - (III), (C) - (I), (D) - (IV)
- (3) (A) - (I), (B) - (II), (C) - (IV), (D) - (III)
- (4) (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

**Correct Answer: (2) (A) - (II), (B) - (III), (C) - (I), (D) - (IV).**

**Solution:** - (A) Bank Rate: Minimum rate for long-term funds (II).

- (B) Marginal Standing Facility: Penal interest rate (III).

- (C) Repo Rate: Securities pledged for repurchase (I).

- (D) Reverse Repo Rate: Central bank borrows funds from banks (IV).

#### Quick Tip

Bank Rate = Long-term; Repo = Securities; Reverse Repo = Borrowing by Central Bank.

**38. Which of the following is *not* a function of Central Bank?**

- (1) It controls the money supply in the economy through different rates.
- (2) It acts as a banker to the government.
- (3) It accepts deposits and gives loans to people.
- (4) It issues the currency of the country.

**Correct Answer: (3).**

**Solution:** The central bank does not provide retail banking services (accepting deposits or

issuing personal loans); these are functions of commercial banks.

**Quick Tip**

The central bank handles macroeconomic policies, not retail banking.

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**39. Article 112 deals with:**

- (1) Consolidated Fund of India
- (2) Public Account
- (3) Union Budget
- (4) Contingency Fund

**Correct Answer: (3) Union Budget.**

**Solution:** Article 112 of the Indian Constitution refers to the Union Budget, which presents the government's annual financial statement.

**Quick Tip**

Union Budget = Article 112; Consolidated and Contingency Funds = Articles 266 and 267.

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**40. All those elements which create liability and decrease the assets of government are known as:**

- (1) Capital Receipts
- (2) Capital Payments
- (3) Revenue Receipts
- (4) Revenue Payments

**Correct Answer: (1) Capital Receipts.**

**Solution:** Capital Receipts include borrowings or liabilities that increase obligations and decrease the government's net worth.

### Quick Tip

Capital Receipts increase liabilities (e.g., loans) or reduce assets (e.g., disinvestment proceeds).

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**41. Arrange the following elements in correct chronological sequence (earliest to latest):**

- (A) Smithsonian Agreement
- (B) Bretton Woods Conference
- (C) Establishment of WTO
- (D) Gold Standard

Choose the correct answer from the options given below:

- (1) (A), (B), (C), (D)
- (2) (D), (B), (A), (C)
- (3) (D), (A), (B), (C)
- (4) (C), (B), (D), (A)

**Correct Answer: (2) (D), (B), (A), (C).**

**Solution:** The chronological sequence is: - (D) Gold Standard: Prevalent before WWII. - (B) Bretton Woods Conference: 1944. - (A) Smithsonian Agreement: 1971. - (C) Establishment of WTO: 1995.

### Quick Tip

Chronology: Gold Standard → Bretton Woods → Smithsonian → WTO.

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**42. Under flexible exchange rate, when the price of domestic currency in terms of foreign currency increases, it is called:**

- (1) Depreciation of domestic currency
- (2) Appreciation of domestic currency
- (3) Devaluation of domestic currency



(4) Revaluation of domestic currency

**Correct Answer: (2) Appreciation of domestic currency.**

**Solution:** Appreciation occurs when the domestic currency gains value, meaning fewer domestic currency units are required to buy the same amount of foreign currency.

**Quick Tip**

Appreciation = Currency gains value in a flexible exchange rate system.

**43. Match List-I with List-II:**

List-I	List-II
(A) Pegged exchange rate system	(I) Setting up of IMF and World Bank
(B) Managed floating	(II) Fixed exchange rate system
(C) Bretton Woods Conference	(III) Dirty floating
(D) Third element in BOP	(IV) Error and Omission Account

Choose the correct answer from the options given below:

- (1) (A) - (II), (B) - (I), (C) - (III), (D) - (IV)
- (2) (A) - (II), (B) - (III), (C) - (I), (D) - (IV)
- (3) (A) - (I), (B) - (II), (C) - (IV), (D) - (III)
- (4) (A) - (III), (B) - (IV), (C) - (I), (D) - (II)

**Correct Answer: (2) (A) - (II), (B) - (III), (C) - (I), (D) - (IV).**

**Solution:** - (A) Pegged Exchange Rate - (II): Fixed exchange system. - (B) Managed Floating - (III): Dirty floating exchange. - (C) Bretton Woods - (I): Established IMF and World Bank. - (D) Third Element in BOP - (IV): Error and omission account.

**Quick Tip**

Pegged = Fixed; Managed = Dirty Floating; Bretton Woods = IMF World Bank.

**44. Casualization of workforce would result in:**

- (1) Decrease in the vulnerability of the workforce.
- (2) Increase in the vulnerability of the workforce.
- (3) Increase in the number of regular workers.
- (4) Income and employment stability.

**Correct Answer: (2) Increase in the vulnerability of the workforce.**

**Solution:** Casualization increases temporary jobs, reducing job security and benefits, thereby increasing vulnerability.

**Quick Tip**

Casualization = More temporary jobs, less stability.

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**45. Choose the correct chronological sequence in ascending order (earliest to latest):**

- (A) Establishment of NABARD
- (B) FRBMA (Fiscal Responsibility and Budget Management Act)
- (C) Third Five Year Plan
- (D) Nationalization of RBI

Choose the correct answer from the options given below:

- (1) (A), (B), (C), (D)
- (2) (A), (C), (B), (D)
- (3) (D), (A), (B), (C)
- (4) (D), (C), (A), (B)

**Correct Answer: (4) (D), (C), (A), (B).**

**Solution:** Chronological sequence: - (D) Nationalization of RBI: 1949. - (C) Third Five Year Plan: 1961–66. - (A) NABARD Establishment: 1982. - (B) FRBMA Act: 2003.

**Quick Tip**

Order: RBI Nationalization → Third Plan → NABARD → FRBMA.

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**46. \_\_\_\_\_ implies that resource extraction is not above the rate of regeneration of resources and the wastes generated are within the assimilating capacity of the environment:**

- (1) Absorptive capacity
- (2) Carrying capacity
- (3) Subsistence capacity
- (4) Exhaustive capacity

**Correct Answer: (2) Carrying capacity.**

**Solution:** Carrying capacity ensures sustainable resource extraction and waste assimilation without harming the environment.

**Quick Tip**

Carrying capacity balances extraction with regeneration and waste assimilation.

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**47. Government of India enacted the Right to Education Act in 2009 to make free education a Fundamental Right of all children in the age group of:**

- (1) 4–10
- (2) 6–12
- (3) 6–14
- (4) 8–15

**Correct Answer: (3) 6–14.**

**Solution:** The Right to Education Act guarantees free and compulsory education for children aged 6–14 years.

### Quick Tip

RTE Act ensures education for children aged 6–14 as a fundamental right.

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**48. Following are the sources of electricity generation in India. Arrange them in correct sequence on the basis of total power generation capacity (higher to lower):**

- (A) Nuclear
- (B) Thermal
- (C) New and Renewable Energy
- (D) Hydro

Choose the correct answer from the options given below:

- (1) (A), (B), (C), (D)
- (2) (A), (C), (B), (D)
- (3) (B), (C), (D), (A)
- (4) (B), (D), (C), (A)

**Correct Answer:** (4) (B), (D), (C), (A).

**Solution:** Order of capacity: - (B) Thermal: Largest contributor. - (D) Hydro: Second-largest. - (C) Renewable: Third-largest. - (A) Nuclear: Smallest.

### Quick Tip

Thermal dominates electricity generation in India, followed by Hydro, Renewable, and Nuclear.

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**49. Arrange the following items in correct sequence:**

- (A) Competition Act
- (B) FEMA
- (C) FERA
- (D) MRTP

Choose the correct answer from the options given below:

- (1) (A), (B), (C), (D)
- (2) (A), (C), (B), (D)
- (3) (D), (C), (B), (A)
- (4) (C), (B), (D), (A)

**Correct Answer:** (3) (D), (C), (B), (A).

**Solution:** Order: - (D) MRTP: 1969. - (C) FERA: 1973. - (B) FEMA: 1999. - (A) Competition Act: 2002.

**Quick Tip**

MRTP → FERA → FEMA → Competition Act (Chronological Order).

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50. The Great Leap Forward (GLF) campaign was initiated in \_\_\_\_\_.

- (1) 1948
- (2) 1938
- (3) 1958
- (4) 1942

**Correct Answer:** (3) 1958.

**Solution:** The Great Leap Forward (GLF) was launched in 1958 by Mao Zedong to industrialize China rapidly.

**Quick Tip**

GLF (1958) aimed at rapid industrialization and collectivization in China.