CUET Economics 2025 Question Paper With Solutions

Time Allowed :1 Hour	**Maximum Marks :**250	**Total Questions :**50

General Instructions

Read the following instructions very carefully and strictly follow them:

The test is of 1 hour duration.

2. The question paper consists of 50 questions. The maximum marks are 250.
3. 5 marks are awarded for every correct answer, and 1 mark is deducted for every wrong answer.

1. The following data shows the number of students in different streams in a school:

Stream	Number of Students
Science	120
Commerce	80
Arts	100

Which type of graph is best suited to represent this data?

(1) Bar Graph

(2) Pie Chart

(3) Line Graph

(3) None of them

Correct Answer: (1) Bar Graph

Solution:

Given:

$$\text{Stream data: Science} = 120, \text{Commerce} = 80, \text{Arts} = 100$$

Step 1: Analyzing the Data The data shows the number of students in different streams. There are discrete categories (Science, Commerce, Arts), and we are interested in comparing their quantities.

Step 2: Choosing the Appropriate Graph - A Bar Graph is ideal for comparing discrete categories. Each category (stream) can be represented by a bar with height proportional to the number of students.

- A Pie Chart could also represent the distribution of students across streams, but it's more effective when showing proportions, not direct comparisons between categories.

- A Line Graph is used to represent data points over a continuous range (e.g., time) and is not suitable for this discrete category-based data.

Answer: The correct answer is option (1): Bar Graph.

Quick Tip

Bar Graphs are best for comparing discrete data across different categories.

2. The following data represents the income of a country for a year:

Particulars	Amount (in Crores)
Net Domestic Product (NDP) at market price	8000
Indirect Taxes	1000
Subsidies	500
Depreciation	600

Calculate the National Income (NI) of the country.

(1) 8500 Crores

(2) 9000 Crores

(3) 9500 Crores

(4) 10000 Crores

Correct Answer: (1) 8500 Crores

Solution:

Given:

NDP at market price = 8000 Crores

Indirect Taxes = 1000 Crores

Subsidies = 500 Crores

Depreciation = 600 Crores

Step 1: Formula for National Income (NI) The National Income (NI) is calculated as:

$$\text{NI} = \text{NDP at market price} + \text{Net Indirect Taxes}$$

Since depreciation is already considered in NDP at market price, we don't need to subtract it separately.

Step 2: Calculate Net Indirect Taxes Net Indirect Taxes is the difference between Indirect Taxes and Subsidies:

$$\text{Net Indirect Taxes} = \text{Indirect Taxes} - \text{Subsidies}$$

Substitute the values:

$$\text{Net Indirect Taxes} = 1000 - 500 = 500\,\text{Crores}$$

Step 3: Calculate National Income Now, substitute the value of NDP at market price and Net Indirect Taxes into the National Income formula:

$$\text{NI} = 8000 + 500 = 8500\,\text{Crores}$$

Answer: The correct answer is option (1): 8500 Crores.

Quick Tip

National Income (NI) is calculated by adding Net Indirect Taxes to NDP at market price. Depreciation is already accounted for in NDP.

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3. A country's exports are valued at 800 crore, and its imports are valued at 950 crore in a given year. Due to a trade agreement, the country receives a 10% bonus on its export value from a partner nation. What is the effective trade balance of the country after accounting for the bonus?

(1) 30 crore surplus

(2) 30 crore deficit

(3) 70 crore deficit

(4) 70 crore surplus

Correct Answer: (2) 30 crore deficit

Solution:

Given:

$$\text{Exports} = 800\,\text{crore}, \quad \text{Imports} = 950\,\text{crore}, \quad \text{Bonus} = 10\%\,\text{of exports}$$

Step 1: Formula for Trade Balance The trade balance is calculated as the difference between the value of exports (including any bonuses) and imports:

$$\text{Trade Balance} = \text{Effective Exports} - \text{Imports}$$

A positive trade balance indicates a surplus, while a negative trade balance indicates a deficit.

Step 2: Calculate the Bonus on Exports The bonus is 10% of the export value:

$$\text{Bonus} = 0.10 \times 800 = 80\,\text{crore}$$

Step 3: Calculate Effective Exports Add the bonus to the original export value:

$$\text{Effective Exports} = 800 + 80 = 880\,\text{crore}$$

Step 4: Calculate Trade Balance Substitute the values into the trade balance formula:

$$\text{Trade Balance} = 880 - 950 = -70\,\text{crore}$$

Since the result is negative, the country has a trade deficit of 70 crore.

Answer: The correct answer is option (2): 70 crore deficit.

Quick Tip

Remember: When calculating trade balance, include any adjustments like bonuses or subsidies to exports before subtracting imports. A negative result always indicates a trade deficit.

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4. Which of the following best explains why a country might impose tariffs on imported goods?

(1) To increase the volume of imports and promote free trade

(2) To protect domestic industries from foreign competition

(3) To reduce the country's export revenue

(4) To eliminate the trade deficit completely

Correct Answer: (2) To protect domestic industries from foreign competition

Solution:

Explanation: Tariffs are taxes imposed by a government on imported goods. They increase the price of imported products, making them less competitive compared to domestically produced goods. This protects domestic industries by encouraging consumers to buy local products, thereby supporting local employment and production.

- Option (1) is incorrect because tariffs typically reduce the volume of imports by making them more expensive, rather than promoting free trade.

- Option (3) is incorrect because tariffs are not designed to reduce export revenue; they primarily affect imports.

- Option (4) is incorrect because tariffs may reduce a trade deficit but are not guaranteed to eliminate it completely, as trade balances depend on multiple factors.

Answer: The correct answer is option (2): To protect domestic industries from foreign competition.

> Quick Tip
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> Remember: Tariffs are a trade barrier used to shield domestic industries from cheaper foreign goods, but they may lead to higher prices for consumers.

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5. What is the primary impact of a country devaluing its currency on its exports and imports?

(1) Exports become more expensive, and imports become cheaper

(2) Exports become cheaper, and imports become more expensive

(3) Both exports and imports become cheaper

(4) Both exports and imports become more expensive

Correct Answer: (2) Exports become cheaper, and imports become more expensive

Solution:

Explanation: Currency devaluation occurs when a country deliberately reduces the value of its currency relative to other currencies. This makes the country's goods cheaper for foreign buyers, as they need to spend less of their own currency to purchase the same quantity of exports.

As a result, exports become more competitive and tend to increase. Conversely, imports become more expensive because more of the devalued domestic currency is required to buy foreign goods, which may reduce import demand.

- Option (1) is incorrect because devaluation makes exports cheaper, not more expensive, and imports more expensive, not cheaper.
- Option (3) is incorrect because devaluation does not make imports cheaper; it increases their cost in domestic currency.
- Option (4) is incorrect because devaluation does not make exports more expensive; it reduces their price in foreign markets.

Answer: The correct answer is option (2): Exports become cheaper, and imports become more expensive.

Quick Tip

Remember: Currency devaluation boosts exports by making them cheaper abroad but discourages imports by raising their cost domestically.
