

CUET UG Economics Question Paper 2024 Set A with Correct Answer

1. _____ 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 something that is analyzed after the fact or based on actual outcomes, while Ex-Ante refers to predictions made beforehand.

Quick Tip

Ex-Post is used in economics to describe what has already occurred, while Ex-Ante is used to describe expectations before the event.

2. 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: (3) 400 crore.

Solution: The investment multiplier (K) is the ratio of the change in income (Y) to the change in investment (I). The formula is $K = \frac{\Delta Y}{\Delta I}$. Rearranging the formula, we get $\Delta I = \frac{\Delta Y}{K} = \frac{800}{5} = 400$ crore.

Quick Tip

Remember the formula $K = \frac{\Delta Y}{\Delta I}$ for solving investment multiplier questions. A higher multiplier means a small investment change can result in a significant income change.

3. 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 loan to the commercial banks.

Choose 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) is true because CRR (Cash Reserve Ratio) is a quantitative tool used to control the money supply. - (D) is true because selling a bond reduces the reserves in the banking system. - (E) is true as RBI controls money supply by adjusting the rate at which it lends to commercial banks. - (B) is false as there is no such thing as "upright" operations, only "outright" operations exist. - (C) is false because a fall in the bank rate usually increases the money supply.

Quick Tip

To remember: CRR, SLR, and OMO (Open Market Operations) are key tools to control the money supply. OMO can be either buying or selling bonds.

4. 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) 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.

Solution: The paradox of thrift refers to a situation where increased saving by individuals leads to a decrease in aggregate demand and overall economic growth. When everyone tries to save more, consumption falls, leading to lower demand, and eventually, the total savings might decline as income levels drop.

Quick Tip

The paradox of thrift illustrates that saving too much can reduce overall demand in the economy, slowing down growth and leading to less income for everyone, which can paradoxically result in less total savings.

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

Correct Answer: (4) (A) - (III), (B) - (IV), (C) - (I), (D) - (II).

Solution: - (A) Bank Rate is also known as the penal interest rate, making option (III) correct. - (B) Marginal Standing Facility allows the central bank to borrow funds from commercial banks, making option (IV) correct. - (C) Repo Rate involves pledging securities in order to repurchase, making option (I) correct. - (D) Reverse Repo Rate is the minimum rate at which funds are provided for the long term, making option (II) correct.

Quick Tip

To differentiate: Bank Rate is the penal interest rate, and Repo Rate deals with the repurchase of securities, while Reverse Repo Rate refers to central banks borrowing from commercial banks.

6. 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) It accepts deposits and gives loans to people.

Solution: The Central Bank does not directly accept deposits from or lend money to individuals. These are functions performed by commercial banks. The Central Bank focuses on controlling monetary policy, managing currency issuance, and serving as a banker to the government.

Quick Tip

Remember, the Central Bank is primarily responsible for regulating the economy and financial systems, not for dealing directly with individuals' banking needs.

7. 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 specifies the presentation of the Union Budget, which includes a detailed annual financial statement.

Quick Tip

Article 112 is important for understanding how the government manages its finances through the annual budget process.

8. 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 are non-recurring and involve items that increase the liabilities of the government or reduce its assets. Examples include loans raised by the government, borrowings from the public, and the sale of assets.

Quick Tip

Capital receipts often involve borrowing or asset sales, while revenue receipts involve regular income like taxes or fees.

9. 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 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: - (D) Gold Standard was used in the 19th and early 20th centuries. - (B) Bretton Woods Conference occurred in 1944. - (A) Smithsonian Agreement was signed in 1971. - (C) Establishment of WTO happened in 1995.

Quick Tip

Memorize key dates: Gold Standard ended in the 20th century, Bretton Woods set the post-WWII monetary order, and WTO succeeded GATT in 1995.

10. 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: Under a flexible (floating) exchange rate system, when the value of the domestic currency increases in comparison to a foreign currency, it is known as appreciation. This means that more foreign currency can be purchased with the same amount of domestic currency.

Quick Tip

In a flexible exchange rate system, "appreciation" refers to an increase in the value of the domestic currency, while "depreciation" refers to a decrease in value.

11. 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 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) - (III), (C) - (IV), (D) - (II)

(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 system refers to a fixed exchange rate system, making option (II) correct. - (B) Managed floating is also known as dirty floating, making option (III) correct. - (C) Bretton Woods Conference led to the setting up of the IMF and World Bank, making option (I) correct. - (D) The third element in the Balance of Payments (BOP) is the Error and Omission Account, making option (IV) correct.

Quick Tip

To recall: The Bretton Woods Conference established the IMF and World Bank. Managed floating is also known as dirty floating, and the third element in BOP refers to the Error and Omission Account.

12. 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 refers to a process where more workers are employed in temporary, irregular, or part-time jobs rather than stable, permanent employment. This makes workers more vulnerable to job loss, lack of benefits, and income instability.

Quick Tip

Casualization often leads to a more insecure and vulnerable workforce, as workers are shifted from permanent to temporary roles.

13. 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 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: - (D) Nationalization of RBI occurred in 1949. - (C) The Third Five Year Plan was introduced in 1961. - (A) NABARD was established in 1982. - (B) The FRBMA was enacted in 2003.

Quick Tip

Memorize key events: Nationalization of RBI in 1949, Third Five Year Plan in 1961, NABARD in 1982, and FRBMA in 2003.

14. _____ 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 refers to the maximum rate at which resources can be used without depleting them and ensures that waste generated does not exceed the environment's ability to absorb it.

Quick Tip

Carrying capacity is important in sustainable development, as it ensures that resources are used in a way that they can regenerate and the environment can handle waste without being overwhelmed.

15. 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 _____ years.

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

Correct Answer: (3) 6 – 14.

Solution: The Right to Education Act provides free and compulsory education to children aged 6 to 14 years in India, making it a fundamental right under Article 21A of the Constitution.

Quick Tip

The Right to Education Act ensures free and compulsory education for all children between 6 and 14 years of age, as part of the government's effort to provide universal education.

16. 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 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: The correct order of electricity generation capacity in India is Thermal (B), Hydro (D), New and Renewable Energy (C), and Nuclear (A).

Quick Tip

Thermal power contributes the most to India's electricity generation, followed by hydroelectric, renewable energy, and nuclear energy.

17. Arrange the following items in correct sequence:

(A) Competition Act

(B) FEMA

(C) FERA

(D) MRTP

Choose 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: - (D) MRTP (Monopolies and Restrictive Trade Practices Act) was enacted in 1969. - (C) FERA (Foreign Exchange Regulation Act) was passed in 1973. - (B) FEMA (Foreign Exchange Management Act) replaced FERA in 1999. - (A) Competition Act was introduced in 2002.

Quick Tip

The MRTP Act was an earlier regulatory framework for competition, later replaced by the Competition Act. FERA was also replaced by FEMA for managing foreign exchange in India.

18. 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 a social and economic campaign initiated by the Chinese Communist Party in 1958, led by Mao Zedong. Its goal was to rapidly transform China from an agrarian society into a socialist society through rapid industrialization and collectivization.

Quick Tip

The Great Leap Forward aimed to boost China's industrial output but ended in economic disaster, contributing to widespread famine and millions of deaths.

19. 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 industrializing 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 from the options given below:

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

Correct Answer: (3) (A) - (II), (B) - (III), (C) - (IV), (D) - (I).

Solution: - (A) Great Leap Forward was aimed at industrializing the country on a massive scale, making option (II) correct. - (B) Mao Zedong introduced the Great Proletarian Cultural Revolution, making option (III) correct. - (C) The Brundtland Commission's report was titled

”Our Common Future” and explained sustainable development, making option (IV) correct.
- (D) ”Our Common Future” focused on protecting the future generation, making option (I) correct.

Quick Tip

The Great Leap Forward aimed at rapid industrialization, and Mao Zedong’s Cultural Revolution reshaped China’s cultural landscape. The Brundtland Commission highlighted sustainability and intergenerational equity.

20. 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 in India started in the mid-1970s and extended into the mid-1980s, focusing on extending the benefits of the first phase to other crops and regions.

Quick Tip

The second phase of the Green Revolution expanded beyond wheat and rice to other crops and aimed to reach more regions, improving agricultural productivity.

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

- (1) Institutionalized 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: Pakistan’s growth rate in the 1980s improved primarily due to a series of good harvests that contributed significantly to the agricultural sector’s growth.

Quick Tip

Agricultural output is a crucial factor for economic growth in developing countries like Pakistan, where a good harvest can substantially improve growth rates.

22. 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, businesses will see a reduction in their inventory levels, resulting in unplanned decumulation of inventories until they can replenish stock to meet demand.

Quick Tip

Unplanned decumulation happens when businesses sell more than expected, leading to a decrease in their inventory without prior planning.

23. 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 the festive season, people tend to withdraw more cash for spending, which increases the currency deposit ratio as more currency circulates in the economy compared to deposits.

Quick Tip

The currency deposit ratio typically rises during festive seasons as people withdraw cash for spending, causing a relative decrease in bank deposits.

24. 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 established in 1999, marking the launch of the euro as an official currency and the implementation of a unified monetary policy among member states.

Quick Tip

The EMU introduced the euro in 1999 and laid the foundation for coordinated monetary policy among Eurozone members.

25. 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 model, firms produce goods and services, while households supply factor services (like labor) to firms and receive income in return.

Quick Tip

In the two-sector model, households provide labor and other factors to firms, and in return, firms produce goods and services.

26. 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 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) Ex Ante Saving refers to what is planned to be saved. - (C) Ex Post Saving refers to what has actually been saved or happened.

Quick Tip

Ex Ante Saving refers to planned savings, while Ex Post Saving shows what was actually saved after the fact.

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

Correct Answer: (4) (A) - (III), (B) - (IV), (C) - (I), (D) - (II).

Solution: - (A) Annual Financial Statement is the main budget document, making option (III) correct. - (B) Capital Receipts create financial assets or reduce liabilities, making option (IV) correct. - (C) Capital Payments create liabilities or reduce financial assets, making option (I) correct. - (D) Export > Import leads to a trade surplus, making option (II) correct.

Quick Tip

Remember: The Annual Financial Statement is the core budget document, and a trade surplus occurs when exports exceed imports.

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.

28. 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: The passage mentions that biocomposting helps civic authorities because they have to dispose of a reduced quantity of waste due to the conversion of organic matter into compost.

Quick Tip

Biocomposting reduces the amount of waste that civic authorities have to manage, improving efficiency in waste disposal.

29. 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 clearly states that earthworms can convert organic matter into compost faster than the normal composting process.

Quick Tip

Earthworm-based composting is more efficient in terms of time compared to regular composting methods.

30. 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 mentions that water bodies, including the groundwater system, have suffered due to chemical contamination and the increasing demand for irrigation caused by the switch from compost to chemical fertilizers.

Quick Tip

Chemical fertilizers, unlike organic compost, often lead to contamination of water bodies and depletion of groundwater resources due to the increased need for irrigation.

31. 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: The passage mentions that in certain parts of the country, cattle are maintained because their dung serves as an important fertilizer and soil conditioner, especially in areas that prioritize organic farming practices.

Quick Tip

Cattle dung is a valuable resource for farmers as it is used for composting and improving soil fertility.

32. 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 focuses on the use of biocomposting, particularly the role of earthworms and organic waste in producing compost, and how this method is helping reduce waste and improve soil health.

Quick Tip

The passage highlights biocomposting as an alternative to chemical fertilizers, emphasizing the benefits of using organic matter and earthworms to improve soil fertility.

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.

33. 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: The passage mentions that India was particularly well known for its handicraft industries in the fields of cotton and silk textiles, as well as metal and precious stone works, which had a global market.

Quick Tip

Before British rule, India's handicraft industries, including textiles and metal works, were renowned for their quality and craftsmanship, enjoying a global market.

34. 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 passage clearly states that the colonial government's policies were more focused on promoting the economic interests of Britain rather than the development of Indian industries.

Quick Tip

The colonial government's economic policies primarily benefited their home country, transforming India into a supplier of raw materials and a consumer of British goods.

35. 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: The passage lists these five individuals as notable estimators who attempted to measure India's national and per capita income during the colonial period.

Quick Tip

Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai were key figures in estimating India's national and per capita income.

36. What was the country's growth of aggregate real output during the first half of the

20th century?

- (1) The country's growth of aggregate real output was less than two percent coupled with a meagre one percent growth in per capita output per year.
- (2) The country's growth of aggregate real output was less than two percent coupled with a meagre one and a half percent growth in per capita output per year.
- (3) The country's growth of aggregate real output was less than two and a half percent coupled with a meagre half percent growth in per capita output per year.
- (4) The country's growth of aggregate real output was less than two percent coupled with a meagre half percent growth in per capita output per year.

Correct Answer: (4) The country's growth of aggregate real output was less than two percent coupled with a meagre half percent growth in per capita output per year.

Solution: The passage states that the country's aggregate real output grew at less than two percent, with a meagre half percent growth in per capita output per year.

Quick Tip

During the first half of the 20th century, India's economic growth was slow, with real output growth under 2

37. 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 the 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: The passage highlights that before British rule, India's handicraft industries produced high-quality products, which were renowned globally for their craftsmanship and material quality.

Quick Tip

Indian handicraft products, especially textiles, metalwork, and precious stone crafts, were famous worldwide due to their superior quality and craftsmanship.

38. _____ 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 is characterized by free exchanges of goods and services where economic agents such as consumers and producers interact based on supply and demand.

Quick Tip

In a market economy, prices and transactions are determined by the forces of supply and demand, with minimal government intervention.

39. 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 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) Marginal Utility is indeed the change in Total Utility due to the consumption of one additional unit. - (C) Marginal Utility becomes zero when Total Utility reaches a constant level. - (E) The Indifference Curve slopes downward from left to right because as the quantity of one good decreases, the quantity of the other good must increase to maintain the same utility.

Quick Tip

Marginal Utility measures the additional satisfaction from consuming an extra unit of a good, while Indifference Curves represent combinations of goods that yield the same satisfaction level.

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

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

Solution: - (A) Equilibrium refers to the point where the plans of all the consumers and firms match, making option (I) correct. - (B) Excess supply means supply is greater than market demand, making option (III) correct. - (C) An inferior good sees a decrease in demand when income increases, making option (II) correct. - (D) Price ceiling refers to the imposition of an upper limit by the government, making option (IV) correct.

Quick Tip

Equilibrium is achieved when market demand matches supply, while price ceilings are government-imposed limits on prices.

41. 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 with unitary elasticity at every point is a rectangular hyperbola, where the total revenue remains constant at all points along the curve.

Quick Tip

A rectangular hyperbola represents a situation where price and quantity changes offset each other, keeping total revenue constant.

42. 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 $p_1x_1 + p_2x_2 \leq M$ represents the consumer's budget constraint, showing the combinations of goods the consumer can afford within their income.

Quick Tip

The budget constraint limits the consumer's choices based on income and prices of goods.

43. 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 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) Adam Smith is indeed known as the Father of Modern Economics. - (B) J.M. Keynes is famous for the Theory of Income, Output, and Employment. - (C) The four-sector model represents consumption (C), investment (I), government spending (G), and net exports ($X - M$).

Quick Tip

Adam Smith and Keynes made significant contributions to economics, and the four-sector model includes consumption, investment, government spending, and net exports.

44. 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 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: - (C) Adam Smith's "Wealth of Nations" was published in 1776. - (D) Keynes's "The Economic Consequences of the Peace" was published in 1919. - (A) Keynes's "General Theory of Employment, Interest and Money" was published in 1936. - (B) Mahalanobis was made a fellow of Britain's Royal Society in 1945.

Quick Tip

Key works in economics include Adam Smith's "Wealth of Nations" (1776) and Keynes's "General Theory of Employment, Interest and Money" (1936).

45. 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: If there is no government and no foreign trade, then government spending (G), taxes (T), imports (M), and exports (X) all equal zero. There would be no government-related economic activity or external trade.

Quick Tip

In a closed economy with no government and no foreign trade, all variables related to government spending, taxes, imports, and exports are set to zero.

46. 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: The GDP deflator is calculated as $\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} = \frac{1100}{1000} = 1.1$.

Quick Tip

The GDP deflator measures the level of prices of all new, domestically produced, final goods and services in an economy.

47. 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) $\text{GVA at factor costs} + \text{Indirect Taxes} - \text{Subsidies} = \text{GVA at market prices}$.

Choose 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) Flows are defined over a period of time. - (D) Stocks are defined at a particular point of time. - (E) GVA at factor costs plus indirect taxes minus subsidies gives GVA at market prices.

Quick Tip

Stocks are measured at a point in time, while flows are measured over a period of time.
Gross Value Added (GVA) at market prices includes taxes and subsidies.

48. 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 _____ Principle.

- (1) Aggregate supply
- (2) Aggregate demand

- (3) Effective demand
- (4) Perfectly inelastic demand

Correct Answer: (3) Effective demand.

Solution: The principle of effective demand states that in the short term, when prices are constant and supply is infinitely elastic, aggregate output is determined by aggregate demand.

Quick Tip

Effective demand is key to determining output in the short run when prices are constant and supply is elastic.

49. 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 nominal interest rate is equal to the real interest rate plus the inflation rate, as per the Fisher equation.

Quick Tip

The Fisher equation states that nominal interest rate is the sum of the real interest rate and the inflation rate.

50. 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 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 is inversely related to the MPS. The formula for the multiplier is $\text{Multiplier} = \frac{1}{\text{MPS}}$. When MPS increases from 0.4 to 0.5, the multiplier decreases because the

denominator increases.

Quick Tip

As MPS increases, the size of the multiplier decreases since the multiplier is inversely related to MPS (Multiplier = $\frac{1}{MPS}$).