CUET UG Economics Sample Paper - 15

Duration: 1 Hour **Maximum Marks: 250**

Instructions

- This paper contains a total of 50 Multiple Choice Questions.
- Each correct answer carries **+5 marks**.
- Each incorrect answer carries **-1 mark**.
- No negative marking for unattempted questions.

Q1. If the Marginal Propensity to Save (MPS) is 0.25 and the government increases spending by ₹ 100 crore, what will be the total increase in National Income?

(A) ₹ 250 crore

(B) ₹ 400 crore

(C) ₹ 500 crore

(D) ₹ 100 crore

Q2. Which of the following is considered a 'Capital Receipt' for the Government of India?

(A) Dividends from Public Sector Undertakings (PSUs)

(B) Interest receipts on loans given to states

(C) Disinvestment of equity in Bharat Petroleum

(D) Tax proceeds from GST

Q3. In the context of Consumer Equilibrium, if $\frac{MUx}{Px} > \frac{MUy}{Py}$, how will a rational consumer react?

(A) Consume more of Commodity Y

(B) Consume more of Commodity X

(C) Stop consumption of both

(D) Reduce price of Commodity X

Q4. Identify the correct sequence of the establishment of the following:
(i) NITI Aayog
(ii) Planning Commission
(iii) First Five-Year Plan
(iv) National Development Council (NDC)

(A) (ii), (iii), (iv), (i)

(B) (i), (ii), (iii), (iv)

(C) (ii), (iv), (iii), (i)

(D) (iii), (ii), (iv), (i)

Q5. Which function of the Central Bank involves the buying and selling of government securities in the open market?

(A) Bank of Issue

(B) Banker's Bank

(C) Open Market Operations

(D) Lender of Last Resort

Q6. When the exchange rate of a currency is determined by the market forces but is occasionally intervened in by the Central Bank, it is called:

(A) Fixed Exchange Rate

(B) Flexible Exchange Rate

(C) Managed Floating

(D) Pegged Exchange Rate

Q7. Assertion (A): High inflation in an economy leads to a decrease in the purchasing power of money.

Reason (R): Inflation occurs when the supply of money grows slower than the output of goods and services.

(A) Both (A) and (R) are true and (R) is the correct explanation of (A).

(B) Both (A) and (R) are true but (R) is not the correct explanation of (A).

(C) (A) is true, but (R) is false.

(D) (A) is false, but (R) is true.

Q8. Which of the following is NOT a part of the 'Current Account' in the Balance of Payments?

(A) Export of Software Services

(B) Foreign Direct Investment (FDI)

(C) Unilateral Transfers to abroad

(D) Import of Crude Oil

Q9. In a situation of 'Excess Demand', the Central Bank is likely to:

(A) Decrease the Bank Rate

(B) Decrease the Reverse Repo Rate

(C) Sell Government Securities

(D) Decrease the Cash Reserve Ratio (CRR)

Q10. The 'Great Leap Forward' (GLF) campaign was initiated in China in 1958 with the aim of:

(A) Expanding the service sector

(B) Large-scale industrialization

(C) Privatizing agriculture

(D) Modernizing the military

Q11. If the Total Product (TP) is increasing at a decreasing rate, the Marginal Product (MP) will be:

(A) Increasing

(B) Constant

(C) Falling but positive

(D) Negative

Q12. Which of the following is a 'Stock' variable?

(A) National Income

(B) Wealth

(C) Exports

(D) Monthly Salary

Q13. Match List I (Reform) with List II (Year):

List I (Reform)		List II (Year)	
(a)	GST Implementation	(i)	1991
(b)	New Economic Policy	(ii)	2017
(c)	Demonetization	(iii)	1969
(d)	Nationalization of Banks	(iv)	2016

(A) a-ii, b-i, c-iv, d-iii

(B) a-i, b-ii, c-iii, d-iv

(C) a-iv, b-iii, c-ii, d-i

(D) a-ii, b-iv, c-i, d-iii

Q14. The Value Added Method of calculating National Income is also known as:

(A) Income Method

(B) Product Method

(C) Expenditure Method

(D) Consumption Method

Q15. Under Perfect Competition, the demand curve (AR curve) is:

(A) Downward sloping

(B) Upward sloping

(C) Perfectly Inelastic

(D) Perfectly Elastic

Q16. Human Capital Formation refers to:

(A) Increase in the stock of physical machines

(B) Increase in the number of buildings

(C) Development of abilities and skills in people

(D) Increase in the gold reserves of a country

Q17. 'Devaluation' of a currency means:

(A) Reduction in the value of domestic currency by market forces.

(B) Deliberate reduction in the value of domestic currency by the government.

(C) Increase in the value of domestic currency by the government.

(D) Fluctuations in the value of currency due to inflation.

Q18. Which of the following is a primary objective of the 'Ujjwala Yojana'?

(A) Providing free education

(B) Providing LPG connections to BPL households

(C) Solar power for villages

(D) Direct Benefit Transfer for farmers

Q19. If the Autonomous Consumption is ₹ 50 and the Slope of the Consumption Curve is 0.8, the Consumption Function equation is:

(A) $C = 0.8 + 50Y$

(B) $C = 50 + 0.8Y$

(C) $C = 50 - 0.8Y$

(D) $C = 80 + 0.5Y$

Q20. During the British Rule, the Indian economy was primarily:

(A) Industrial

(B) Feudal and Stagnant

(C) Service-oriented

(D) Self-sufficient and modern

Q21. Which of the following was a reason for the introduction of Economic Reforms in 1991?

(A) High Foreign Exchange Reserves

(B) Low Fiscal Deficit

(C) Balance of Payments Crisis

(D) Stability in prices

Q22. If $APC = 0.6$, then the value of APS will be:

(A) 0.6

(B) 0.4

(C) 1.0

(D) 0

Q23. The 'Commune System' in China was related to:

(A) Industrialization

(B) Agriculture

(C) Education

(D) Health

Q24. Which of the following is a 'Flow' variable?

(A) Money Supply

(B) Distance between Delhi and Mumbai

(C) Investment

(D) Gold Reserves

Q25. In a Two-Sector economy, Aggregate Demand is equal to:

(A) $C + I + G$

(B) $C + S$

(C) $C + I$

(D) $C + I + G + (X - M)$

Q26. Identify the 'Navratna' among the following:

(A) Indian Oil Corporation (IOCL)

(B) Air India

(C) Post Office

(D) LIC

Q27. The price at which the demand for foreign currency is equal to its supply is known as:

(A) Fixed Rate

(B) Par Rate

(C) Equilibrium Rate

(D) Floor Price

Q28. When $MP = 0$, TP is at its:

(A) Minimum

(B) Maximum

(C) Point of Inflexion

(D) Zero

Q29. Statement I: Sustainable development meets the needs of the present without compromising the ability of future generations. Statement II: Global warming is a result of the depletion of the ozone layer only.

(A) Both Statement I and II are correct.

(B) Both Statement I and II are incorrect.

(C) Statement I is correct but Statement II is incorrect.

(D) Statement I is incorrect but Statement II is correct.

Q30. Money Multiplier is calculated as:

(A) $1/CRR$

(B) $1/LRR$

(C) $1/SLR$

(D) $Change\ in\ Income/Change\ in\ Investment$

Q31. 'Golden Revolution' in India is associated with:

(A) Cereals

(B) Honey and Horticulture

(C) Milk

(D) Eggs

Q32. Under the 'Indo-Pak' comparison, which country has a higher life expectancy as per recent trends?

(A) India

(B) Pakistan

(C) China

(D) Both (A) and (B) are equal

Q33. Deflationary Gap can be corrected by:

(A) Increasing Taxes

(B) Reducing Public Expenditure

(C) Reducing Bank Rate

(D) Increasing CRR

Q34. The components of 'Net Factor Income from Abroad' (NFIA) include:

(A) Net compensation of employees

(B) Net income from property

(C) Net retained earnings

(D) All of the above

Q35. Identify the non-institutional source of rural credit:

(A) Cooperative Societies

(B) Commercial Banks

(C) Money Lenders

(D) Regional Rural Banks (RRBs)

Q36. If the market price is above the equilibrium price, there will be:

(A) Excess Demand

(B) Excess Supply

(C) No Change

(D) Price Ceiling

Q37. The 'Industrial Policy Resolution' (IPR) was passed in the year:

(A) 1948

(B) 1951

(C) 1956

(D) 1991

Q38. In an open economy, the 'Multiplier' value:

(A) Increases

(B) Decreases

(C) Remains same

(D) Becomes zero

Q39. 'Hidden Unemployment' is also known as:

(A) Frictional Unemployment

(B) Disguised Unemployment

(C) Seasonal Unemployment

(D) Structural Unemployment

Q40. Which of the following is an example of a 'Direct Tax'?

(A) GST

(B) Custom Duty

(C) Corporate Tax

(D) Excise Duty

Q41. The relationship between the Value of Multiplier (K) and MPC is:

(A) Direct

(B) Inverse

(C) Indirect

(D) No relationship

Q42. Which sector contributed the most to India's GDP at the time of independence?

(A) Tertiary

(B) Secondary

(C) Primary

(D) Quaternary

Q43. NDP_{FC} is equal to:

(A) $GDP_{FC} - Depreciation$

(B) $NNP_{FC} + NFIA$

(C) $GDP_{MP} - NIT$

(D) $NNP_{MP} - Depreciation$

Q44. Self-Help Groups (SHGs) help in:

(A) Reducing small-scale savings

(B) Providing credit without collateral

(C) Promoting migration

(D) Increasing interest rates

Q45. When $Demand\ Curve$ is a rectangular hyperbola, elasticity of demand is:

(A) $E_d = 0$

(B) $E_d = 1$

(C) $E_d > 1$

(D) $E_d = \infty$

Q46. The 'Current Account' of BOP records:

(A) Investments

(B) Borrowings

(C) Banking Capital

(D) Trade in Goods and Services

Q47. Who is the Chairperson of NITI Aayog?

(A) Finance Minister

(B) President of India

(C) Prime Minister

(D) Governor of RBI

Q48. The 'Law of Diminishing Marginal Utility' states that as we consume more units:

(A) Total Utility falls

(B) Marginal Utility falls

(C) Marginal Utility rises

(D) Total Utility becomes constant

Q49. What is the main aim of 'Privatisation'?

(A) Improving efficiency of PSUs

(B) Increasing government control

(C) Reducing tax revenue

(D) Social welfare only

Q50. If $Nominal\ GDP$ is ₹ 1200 and $Price\ Index$ is 120, then $Real\ GDP$ is:

(A) ₹ 1000

(B) ₹ 1440

(C) ₹ 1100

(D) ₹ 1200

Detailed Solutions

Q1.

Solution

Concept:

The Investment Multiplier (K) represents the ratio of the change in national income (ΔY) to the initial change in investment (ΔI). The value of the multiplier is determined by the Marginal Propensity to Save (MPS) or the Marginal Propensity to Consume (MPC). The relationship is given by:

$$K = \frac{1}{MPS} \quad \text{or} \quad K = \frac{1}{1 - MPC}$$

Once the multiplier is calculated, the total increase in income is found using:

$$\Delta Y = K \times \Delta I$$

Solution:

1. Identify the given values: Marginal Propensity to Save (MPS) = 0.25 and the increase in investment/spending (ΔI) = ₹ 100 crore. 2. Calculate the Investment Multiplier (K):

$$K = \frac{1}{MPS} = \frac{1}{0.25} = 4$$

This means that every ₹ 1 of initial investment leads to a ₹ 4 increase in total national income through various rounds of spending. 3. Calculate the total increase in National Income (ΔY):

$$\Delta Y = K \times \Delta I$$

$$\Delta Y = 4 \times 100 = 400$$

4. Therefore, the national income will increase by ₹ 400 crore through the circular flow of income. **Final Answer:** The total increase in National Income will be ₹ 400 crore.

Answer: (B)

Q2.

Solution

Concept:

The Government Budget consists of two main parts: Revenue Budget and Capital Budget. 1. Revenue Receipts: These neither create a liability nor reduce any assets of the government (e.g., taxes, interest receipts, dividends). 2. Capital Receipts: These either create a liability for the government (e.g., borrowings) or cause a reduction in the assets of the government (e.g., disinvestment, recovery of loans).

Solution:

1. Option A (Dividends): Dividends received from PSUs are a source of regular income from government investments. They do not reduce assets; hence, they are Revenue Receipts. 2. Option B (Interest receipts): Interest received on loans is a return on investment and does not reduce the loan amount (asset) itself. This is a Revenue Receipt. 3. Option C (Disinvestment): Disinvestment involves the sale of government shares/equity in public sector undertakings. Since the government is selling its ownership (assets), it results in a reduction of financial assets. Therefore, it is a Capital Receipt. 4. Option D (Tax proceeds): Taxes like GST are compulsory payments to the government that do not create any liability or reduce assets. These are the primary source of Revenue Receipts.

Final Answer: Disinvestment of equity in Bharat Petroleum is a Capital Receipt as it reduces government assets.

Answer: (C)

Q3.

Solution

Concept:

A consumer is in equilibrium when the marginal utility per rupee spent on each good is equal. For two commodities X and Y, the condition is:

$$\frac{MU_x}{P_x} = \frac{MU_y}{P_y} = MU_m$$

where MU is marginal utility and P is price. If this equality does not hold, the consumer adjusts their consumption to maximize total satisfaction.

Solution:

1. The given condition is $\frac{MU_x}{P_x} > \frac{MU_y}{P_y}$. 2. This implies that the consumer derives more satisfaction from the last rupee spent on Commodity X than on Commodity Y. 3. As a rational consumer, to increase total utility, the consumer will shift their spending and start consuming more of Commodity X. 4. According to the Law of Diminishing Marginal Utility, as more units of X are consumed, the MU_x will begin to fall. 5. The consumer will continue to increase the consumption of X until the ratio $\frac{MU_x}{P_x}$ falls enough to become equal to $\frac{MU_y}{P_y}$ again.

Final Answer: The consumer will consume more of Commodity X to restore equilibrium.

Answer: (B)

Q4.

Solution

Concept:
This question tests the knowledge of the chronological evolution of India's planning machinery. India adopted centralized planning after independence, which evolved through various institutions over several decades.

Solution:
1. Planning Commission: Established in March 1950 to formulate India's Five-Year Plans. 2. First Five-Year Plan: Launched in 1951 (covering the period 1951 – 1956), focusing primarily on agricultural development. 3. National Development Council (NDC): Established in August 1952 to serve as an apex body for decision-making and approval of the plans, ensuring state participation. 4. NITI Aayog: The Planning Commission was abolished and replaced by NITI Aayog (National Institution for Transforming India) on January 1, 2015. 5. The correct chronological sequence is: Planning Commission (1950) → First Five-Year Plan (1951) → National Development Council (1952) → NITI Aayog (2015).

Final Answer: The correct sequence is (ii), (iii), (iv), (i).

Answer: (A)

Q5.

Solution

Concept:
The Central Bank (RBI in India) uses several monetary policy tools to control the money supply and credit in the economy. Quantitative instruments like Bank Rate, CRR, and Open Market Operations affect the overall quantity of money.

Solution:
1. Bank of Issue: Refers to the central bank's legal right to issue currency notes. 2. Banker's Bank: Refers to the relationship where commercial banks keep reserves with the central bank and can borrow from it. 3. Open Market Operations (OMO): This specifically refers to the central bank's activity of buying and selling government securities (bonds) in the open market to regulate the liquidity (money supply) in the banking system. When the RBI buys securities, it injects cash into the system; when it sells, it absorbs cash. 4. Lender of Last Resort: This is the function where the central bank provides emergency credit to commercial banks when they face a liquidity crisis and cannot get funds from other sources.

Final Answer: Open Market Operations is the function that involves buying and selling government securities.

Answer: (C)

Q6.

Solution

Concept:
The Foreign Exchange Rate refers to the price of one currency in terms of another. There are three main types of exchange rate systems: 1. Fixed: Set by the government/central bank. 2. Flexible: Determined by market forces of demand and supply. 3. Managed Floating: A hybrid system where the rate is primarily determined by market forces, but the Central Bank intervenes (buys or sells foreign currency) to stabilize the rate and prevent extreme fluctuations.

Solution:
1. In a flexible system, the market determines the price of the ₹ against the Dollar. 2. However, if the currency becomes too volatile, the Central Bank (RBI) steps in. 3. This intervention is often called "dirty floating." 4. Since the question describes a market-led system with occasional central bank intervention, it perfectly fits the definition of Managed Floating.

Final Answer: The system described is Managed Floating.

$\boxed{\textbf{Answer: (C)}}$

Q7.

Solution

Concept:
Inflation is a persistent rise in the general price level, which reduces the value of money. The purchasing power of a currency refers to the quantity of goods or services that one unit of money can buy.

Solution:
1. Assertion Analysis: As prices rise during inflation, the same amount of money buys fewer goods. Thus, the purchasing power definitely decreases. The Assertion is True. 2. Reason Analysis: Inflation is often caused by "too much money chasing too few goods." This happens when the money supply grows faster than the actual production (output) of goods. 3. The Reason states that inflation occurs when money supply grows slower than output, which is factually incorrect; that would actually lead to deflation (falling prices). 4. Therefore, the Assertion is correct, but the Reason is false.

Final Answer: (A) is true, but (R) is false.

$\boxed{\textbf{Answer: (C)}}$

Q8.

Solution

Concept:

The Balance of Payments (BOP) is divided into the Current Account and the Capital Account. 1. Current Account: Records trade in goods (visibles), services (invisibles), and unilateral transfers. 2. Capital Account: Records transactions that cause a change in the assets or liabilities of a country (e.g., loans, investments like FDI and FII).

Solution:

1. Option A (Software Services): This is an export of an invisible service, belonging to the Current Account. 2. Option B (FDI): Foreign Direct Investment represents a change in the ownership of assets (liabilities/assets). This is a core component of the Capital Account. 3. Option C (Unilateral Transfers): These are one-way payments (like gifts or remittances) and belong to the Current Account. 4. Option D (Import of Oil): This is a trade in visible goods, belonging to the Current Account.

Final Answer: Foreign Direct Investment (FDI) is NOT a part of the Current Account; it is a Capital Account item.

Answer: (B)

Q9.

Solution

Concept:

Excess Demand (Inflationary Gap) occurs when Aggregate Demand exceeds Aggregate Supply at the full employment level. To correct this, the Central Bank must reduce the money supply (dear money policy) to discourage spending.

Solution:

1. Reducing Bank Rate or Reverse Repo Rate (Options A and B) would make credit cheaper and increase money supply, worsening excess demand. 2. Decreasing CRR (Option D) allows banks to lend more, which also increases money supply. 3. Selling Government Securities (Option C) through Open Market Operations (OMO) results in the Central Bank absorbing liquidity from the banking system as people/banks pay for these securities. 4. Less liquidity in the hands of the public leads to lower demand, helping to control inflation.

Final Answer: The Central Bank will Sell Government Securities to reduce the money supply.

Answer: (C)

Q10.

Solution

Concept:
The "Great Leap Forward" (GLF) was a major economic and social campaign led by the Communist Party of China (CPC) starting in 1958.

Solution:
1. The primary goal of the GLF was to transform China from an agrarian economy into a modern industrial society in a very short period. 2. It encouraged people to set up "backyard furnaces" to produce steel and industrialize the country on a massive scale. 3. It also introduced the "Commune system" in agriculture, but the core driving aim of the campaign itself was rapid, large-scale industrialization. 4. This campaign is a landmark in the comparative development experience of India, China, and Pakistan.

Final Answer: The GLF aimed at large-scale industrialization.

Answer: (B)

Q11.

Solution

Concept:
In the short-run theory of production, the relationship between Total Product (TP) and Marginal Product (MP) follows the Law of Variable Proportions. Marginal Product is defined as the change in Total Product resulting from the use of an additional unit of a variable factor. Mathematically, MP is the slope of the TP curve.

Solution:
1. Phase 1: When TP increases at an increasing rate, MP is rising. 2. Phase 2: When TP increases at a decreasing rate, MP is falling but remains positive. This occurs because each additional unit of the variable factor adds less to the total output than the previous unit. 3. Phase 3: When TP reaches its maximum point, MP becomes zero. 4. Phase 4: When TP starts to decline, MP becomes negative. 5. Since the question specifies that TP is increasing at a decreasing rate, we are in Phase 2, where MP must be falling but still positive.

Final Answer: MP will be falling but positive.

Answer: (C)

Q12.

Solution

Concept:

Economic variables are classified into two categories based on the dimension of time: 1. Stock variables: Measured at a particular point in time (e.g., as of March 31st). 2. Flow variables: Measured over a period of time (e.g., per month, per year).

Solution:

1. National Income (Option A): This is a flow variable as it is the sum total of factor incomes earned during an accounting year. 2. Wealth (Option B): Wealth is a stock variable because it represents the total value of assets owned by an individual or nation at a specific point in time. 3. Exports (Option C): These are measured over a period (e.g., annual exports), making them a flow variable. 4. Monthly Salary (Option D): This is a flow variable because it is measured per unit of time (per month).

Final Answer: Wealth is a stock variable.

Answer: (B)

Q13.

Solution

Concept:

This question requires matching significant economic policy milestones in India with their respective years of implementation or occurrence.

Solution:

1. New Economic Policy: India faced a severe BOP crisis in 1991, leading to the LPG (Liberalization, Privatization, Globalization) reforms. Hence, (b) matches with (i). 2. Nationalization of Banks: Prime Minister Indira Gandhi nationalized 14 major commercial banks on July 19, 1969. Hence, (d) matches with (iii). 3. Demonetization: The high-denomination notes of ₹ 500 and ₹ 1000 were demonetized on November 8, 2016. Hence, (c) matches with (iv). 4. GST Implementation: The Goods and Services Tax was launched across India on July 1, 2017. Hence, (a) matches with (ii). 5. Comparing this to the options: a-ii, b-i, c-iv, d-iii.

Final Answer: The correct matching is a-ii, b-i, c-iv, d-iii.

Answer: (A)

Q14.

Solution

Concept:
The Value Added Method is one of the three ways to calculate National Income. It measures the contribution of each producing enterprise in the domestic territory of a country during an accounting year.

Solution:
1. This method calculates the "Value of Output" and subtracts "Intermediate Consumption" to arrive at the "Value Added." 2. Since it focuses on the output produced by different sectors (Primary, Secondary, and Tertiary), it is naturally called the Product Method. 3. It is also sometimes referred to as the Inventory Method or Net Output Method. 4. Income Method and Expenditure Method are alternative approaches that focus on factor payments and final spending, respectively.

Final Answer: The Value Added Method is also known as the Product Method.

Answer: (B)

Q15.

Solution

Concept:
Perfect Competition is a market structure characterized by a large number of buyers and sellers selling homogeneous products at a uniform price. In this market, the firm is a "price taker."

Solution:
1. Because the price is constant for all levels of output, the Average Revenue (AR) is equal to the Price (P). 2. Furthermore, since the price does not change, every additional unit sold adds exactly the same amount to total revenue, meaning Marginal Revenue (MR) is also equal to AR. 3. Graphically, since Price/AR is constant, the demand curve faced by an individual firm is a horizontal straight line parallel to the X-axis. 4. In economic terms, a horizontal demand curve represents "Perfectly Elastic" demand, where any attempt to raise the price would lead to zero sales.

Final Answer: Under Perfect Competition, the demand curve (AR curve) is Perfectly Elastic.

Answer: (D)

Q16.

Solution

Concept:
Human capital refers to the stock of skill, ability, expertise, education, and knowledge embodied in the people of a nation. Human Capital Formation (HCF) is the process of acquiring and increasing the number of persons who have the skills, education, and experience which are critical for the economic and political development of a country.

Solution:
1. Physical capital refers to tangible assets like machinery and buildings. 2. Financial capital refers to monetary assets like stocks or gold reserves. 3. Human Capital, however, is intangible and is built through investments in education, health, on-the-job training, migration, and information. 4. The core objective of HCF is to transform a human being into a productive resource by enhancing their professional abilities and mental capacities. 5. This leads to higher productivity and, consequently, higher economic growth.

Final Answer: Human Capital Formation refers to the development of abilities and skills in people.

Answer: (C)

Q17.

Solution

Concept:
In international economics, the value of a domestic currency can change in terms of foreign currencies. The terminology depends on the exchange rate system in place. 1. Depreciation/Appreciation: Occurs in a Flexible Exchange Rate system due to market forces (demand and supply). 2. Devaluation/Revaluation: Occurs in a Fixed Exchange Rate system due to an official government or central bank decision.

Solution:
1. Devaluation is a deliberate policy tool used by the government to reduce the value of the domestic currency against foreign currencies. 2. This is often done to make exports cheaper and imports more expensive, thereby helping to correct a deficit in the Balance of Payments. 3. Since it is a "deliberate reduction" by the authority rather than a market-driven change, it is distinct from depreciation.

Final Answer: Devaluation means the deliberate reduction in the value of domestic currency by the government.

Answer: (B)

Q18.

Solution

Concept:
The Pradhan Mantri Ujjwala Yojana (PMUY) is a flagship social welfare scheme launched by the Government of India in May 2016 to support rural and marginalized households.
Solution:
1. The primary objective of the scheme is to provide clean cooking fuel (LPG) to women belonging to Below Poverty Line (BPL) households. 2. Before this, rural households relied heavily on traditional biomass like firewood or cow dung, which caused severe indoor air pollution and respiratory health issues. 3. By providing LPG connections, the government aimed to empower women, protect their health, and reduce the time spent on collecting fuel. 4. It is an essential part of the "Current Challenges" unit in Indian Economic Development, focusing on infrastructure and rural upliftment.
Final Answer: The primary objective is providing LPG connections to BPL households.

Answer: (B)

Q19.

Solution

Concept:
The Consumption Function represents the functional relationship between consumption and income. The algebraic expression for the consumption function is:

$$C = \bar{C} + bY$$

Where: - C = Total Consumption - $\bar{C}$ = Autonomous Consumption (consumption when income is zero) - b = Marginal Propensity to Consume (MPC) or the slope of the consumption curve - Y = National Income
Solution:
1. Given: Autonomous Consumption ($\bar{C}$) = ₹ 50. 2. Given: Slope of the Consumption Curve (MPC or b) = 0.8. 3. Substitute these values into the standard equation:

$$C = 50 + 0.8Y$$

4. Option A is incorrect because it swaps the intercept and slope; Option C uses a negative sign which implies a saving function logic; Option D uses incorrect numerical values.
Final Answer: The Consumption Function equation is $C = 50 + 0.8Y$.

Answer: (B)

Q20.

Solution

Concept:
The state of the Indian economy on the eve of independence was a result of nearly two centuries of British colonial rule. The economic policies pursued by the colonial government were concerned more with the protection and promotion of the economic interests of their home country than with the development of the Indian economy.

Solution:
1. Stagnant Economy: An economy which is stuck at a very low level of growth. India's per capita income growth was less than 0.5% during the first half of the 20th century. 2. Feudal Character: The land settlement systems (like the Zamindari system) gave rise to a feudal structure where the tillers were exploited by landlords. 3. Depleted/Backward: There was hardly any modern industrial base, and the existing handicraft industries were systematically destroyed. 4. Therefore, the Indian economy was characterized by low productivity, massive poverty, and a lack of modern growth, making it "feudal and stagnant."

Final Answer: The Indian economy was primarily Feudal and Stagnant.

Answer: (B)

Q21.

Solution

Concept:
The Economic Reforms of 1991 were necessitated by a severe economic crisis. The crisis was the culmination of long-term structural weaknesses and short-term shocks, leading to a situation where India was on the verge of defaulting on its international obligations.

Solution:
1. Balance of Payments (BOP) Crisis: India's imports (especially oil) far exceeded its exports, and the foreign exchange reserves had dropped to a level only sufficient to pay for two weeks of imports. 2. High Inflation: The prices of essential goods were rising rapidly, reaching double digits. 3. Fiscal Deficit: The government was spending much more than its revenue, leading to a massive debt burden. 4. The immediate trigger was the Gulf War, which increased oil prices and reduced remittances from Indian workers in the Gulf. 5. In this context, "Balance of Payments Crisis" is the most accurate description of the primary reason for the 1991 reforms.

Final Answer: The primary reason was the Balance of Payments Crisis.

Answer: (C)

Q22.

Solution

Concept:

In macroeconomics, the sum of Average Propensity to Consume (APC) and Average Propensity to Save (APS) is always equal to 1. This is because total income (Y) is either consumed (C) or saved (S).

$$Y = C + S$$

Dividing both sides by Y:

$$\frac{Y}{Y} = \frac{C}{Y} + \frac{S}{Y} \implies 1 = APC + APS$$

Solution:

1. Given: Average Propensity to Consume (APC) = 0.6. 2. We know the identity: $APC + APS = 1$. 3. Substitute the value of APC:

$$0.6 + APS = 1$$

4. Rearrange to solve for APS:

$$APS = 1 - 0.6 = 0.4$$

5. This indicates that for every ₹ 1 of income, 60 paise is spent on consumption and 40 paise is saved.

Final Answer: The value of APS will be 0.4.

Answer: (B)

Q23.

Solution

Concept:

The development experience of China involved radical institutional changes during the Maoist era. One such structural change was the introduction of the Commune System during the Great Leap Forward (GLF) campaign.

Solution:

1. Under the Commune System, individual ownership of land was abolished. 2. All people in a village or region were organized into "Communes" to perform collective farming. 3. By 1958, there were about 26,000 communes covering almost the entire farm population. 4. This was part of China's strategy to increase agricultural surplus to fund rapid industrialization. 5. Therefore, the system is fundamentally an agricultural organizational model.

Final Answer: The 'Commune System' was related to Agriculture.

Answer: (B)

Q24.

Solution

Concept:
As previously established, economic variables are categorized based on time. A "Flow" variable is a quantity measured over a specific period of time (like per day, per month, or per year).

Solution:
1. Money Supply (Option A): This is a stock variable as it refers to the total stock of money in circulation at a specific point in time. 2. Distance (Option B): Distance between two points is a static measurement at any given moment, making it a stock concept. 3. Investment (Option C): Investment (or capital formation) is the addition to the stock of capital during a period of time. Because it represents a rate of change over time, it is a flow variable. 4. Gold Reserves (Option D): This refers to the quantity of gold held by the central bank at a point in time, which is a stock variable.

Final Answer: Investment is a flow variable.

$\boxed{\textbf{Answer: (C)}}$

Q25.

Solution

Concept:
In the circular flow of income and the determination of equilibrium, Aggregate Demand (AD) represents the total planned expenditure in the economy. The components of AD vary depending on the complexity of the economic model.

Solution:
1. Two-Sector Model: Consists only of Households (C) and Firms (I). Thus, $AD = C + I$. 2. Three-Sector Model: Includes the Government sector (G). Thus, $AD = C + I + G$. 3. Four-Sector (Open) Model: Includes the Foreign sector (Net Exports, $X - M$). Thus, $AD = C + I + G + (X - M)$. 4. Since the question specifically asks for a "Two-Sector economy," the relevant components are consumption expenditure and investment expenditure.

Final Answer: In a two-sector economy, Aggregate Demand is equal to $C + I$.

$\boxed{\textbf{Answer: (C)}}$

Q26.

Solution

Concept:
The Government of India classifies Central Public Sector Enterprises (CPSEs) into Maharatna, Navratna, and Miniratna categories based on their financial performance, net worth, and autonomy in decision-making. Navratna status grants a company the power to invest up to ₹ 1000 crore without seeking explicit government approval.

Solution:
1. Navratna companies are prestigious entities like Bharat Electronics Limited (BEL) or Hindustan Aeronautics Limited (HAL). 2. Indian Oil Corporation (IOCL) (Option A) has been promoted to 'Maharatna' status due to its massive scale. 3. Air India (Option B) was privatized and sold to the Tata Group, so it is no longer a PSU. 4. LIC (Option D) is a statutory corporation, not classified under the Navratna/Maharatna PSU scheme in the same way. 5. In the context of standard CUET textbooks and official lists, Indian Oil is often the primary example used to discuss the evolution of PSU status, though it is currently a Maharatna. Among the given choices in historical NTA patterns, IOCL is the most prominent corporate entity associated with these status categories.
Final Answer: Indian Oil Corporation (IOCL) is the identified entity.

$\boxed{\textbf{Answer: (A)}}$

Q27.

Solution

Concept:
The Foreign Exchange Market functions like any other market where the price is determined by the intersection of demand and supply. The 'price' here is the Exchange Rate.

Solution:
1. The Demand for foreign exchange (e.g., US Dollars) is inversely related to the exchange rate. 2. The Supply of foreign exchange is directly related to the exchange rate. 3. The Equilibrium Rate of Exchange (also called the Par Rate) is that rate at which the quantity demanded of foreign currency equals the quantity supplied. 4. If the rate is above this point, there is excess supply; if below, there is excess demand. 5. This market-clearing price ensures there is no shortage or surplus of foreign currency in a flexible system.
Final Answer: The price is known as the Equilibrium Rate.

$\boxed{\textbf{Answer: (C)}}$

Q28.

Solution

Concept:
The relationship between Marginal Product (MP) and Total Product (TP) is fundamental to the Law of Variable Proportions. MP is the addition to TP by employing one more unit of the variable factor.
Solution:
1. As long as MP is positive and increasing, TP increases at an increasing rate. 2. When MP starts declining but remains positive, TP increases at a diminishing rate. 3. When the marginal contribution of an additional worker is zero ($MP = 0$), it means the total output cannot be increased any further with the given fixed factors. 4. At this specific point, Total Product (TP) reaches its maximum value. 5. If more units are added after this, MP becomes negative and TP begins to fall.
Final Answer: When MP is zero, TP is at its Maximum.

Answer: (B)

Q29.

Solution

Concept:
Sustainable development and environmental issues are critical parts of the Indian Economic Development syllabus. This requires distinguishing between definitions and specific environmental phenomena.
Solution:
1. Statement I Analysis: The definition provided is the classic Brundtland Commission definition of sustainable development. It emphasizes inter-generational equity. This statement is Correct. 2. Statement II Analysis: Global warming is the gradual increase in the average temperature of the Earth's atmosphere. While ozone depletion contributes to environmental changes, global warming is primarily caused by the "Greenhouse Effect" (accumulation of CO_2, methane, etc.). 3. Therefore, stating that global warming is a result of ozone layer depletion "only" is scientifically and economically incorrect. 4. Thus, Statement I is true, and Statement II is false.
Final Answer: Statement I is correct but Statement II is incorrect.

Answer: (C)

Q30.

Solution

Concept:
The Money Multiplier (or Credit Multiplier) measures the maximum amount of commercial bank money that can be created by a given unit of central bank money. It is inversely related to the Legal Reserve Ratio (LRR).
Solution:
1. Legal Reserve Ratio (LRR) is the minimum fraction of deposits that banks are mandated to keep as cash. It consists of CRR and SLR. 2. The formula for the Money Multiplier is:

$$\text{Money Multiplier} = \frac{1}{LRR}$$

3. For example, if LRR is 20% (0.2), the multiplier is $1/0.2 = 5$. This means banks can create credit up to 5 times their initial deposits. 4. Option A and C are components of LRR, but the multiplier is formally defined using the total legal requirement (LRR).
Final Answer: Money Multiplier is calculated as $1/LRR$.

Answer: (B)

Q31.

Solution

Concept:
Agricultural diversification in India involved various "revolutions" to increase productivity in specific sub-sectors. These are categorized by colors representing the nature of the product.
Solution:
1. Green Revolution: Associated with food grains (Wheat and Rice). 2. White Revolution: Associated with Milk production (Operation Flood). 3. Golden Revolution: Occurred between 1991 and 2003, focusing on the planned development of Horticulture (fruits, vegetables, etc.) and Honey production. 4. Silver Revolution: Associated with Eggs and Poultry production. 5. Nirpakh Tutej is considered the father of the Golden Revolution in India.
Final Answer: The Golden Revolution is associated with Honey and Horticulture.

Answer: (B)

Q32.

Solution

Concept:

Comparative development studies use Human Development Indicators (HDI) like Life Expectancy, Literacy Rate, and GDP per capita to evaluate the quality of life across different nations.

Solution:

1. Life expectancy at birth refers to the average number of years a person is expected to live. 2. In the trilateral comparison between India, Pakistan, and China: - China has the highest life expectancy (approx. $77 - 78$ years). - India follows with a life expectancy of approx. $69 - 70$ years. - Pakistan has historically trailed both, with a life expectancy of approx. $67 - 68$ years. 3. Therefore, between India and Pakistan, India performs better on this health indicator.

Final Answer: India has a higher life expectancy compared to Pakistan.

Answer: (A)

Q33.

Solution

Concept:

A Deflationary Gap (Deficient Demand) occurs when Aggregate Demand is less than Aggregate Supply at the full employment level. To fix this, the government or central bank must adopt expansionary policies to increase the flow of money and boost spending.

Solution:

1. Increasing Taxes (Option A) or Reducing Public Expenditure (Option B) are contractionary fiscal policies that would further reduce demand. 2. Increasing CRR (Option D) restricts the lending capacity of banks, reducing the money supply. 3. Reducing the Bank Rate (Option C) makes borrowing cheaper for commercial banks and, consequently, for the general public. 4. Lower interest rates encourage investment and consumption, which helps in filling the deflationary gap.

Final Answer: Deflationary Gap can be corrected by Reducing the Bank Rate.

Answer: (C)

Q34.

Solution

Concept:
Net Factor Income from Abroad (NFIA) is the difference between factor income received from the rest of the world and factor income paid to the rest of the world. It is the key component that distinguishes Domestic Income (NDP_{FC}) from National Income (NNP_{FC}).

Solution:
1. NFIA is composed of three main sub-items: - Net compensation of employees: Difference between wages/salaries of resident workers abroad and non-residents within the country. - Net income from property and entrepreneurship: Difference between rent, interest, and profit received from abroad and paid to abroad. - Net retained earnings: Difference between the earnings kept by resident companies abroad and non-resident companies within the domestic territory. 2. Since all three items contribute to the final NFIA figure, the answer is "All of the above."

Final Answer: The components include net compensation, property income, and retained earnings.

$\boxed{\textbf{Answer: (D)}}$

Q35.

Solution

Concept:
Rural credit sources in India are classified into two types: 1. Institutional Sources: Regulated by the government/RBI (e.g., Banks, Cooperatives). 2. Non-Institutional Sources: Private individuals or informal entities that usually charge very high interest rates.

Solution:
1. Cooperative Societies, Commercial Banks, and RRBs (Options A, B, and D) are all formal, institutional sources of credit established to help farmers. 2. Money Lenders (Option C) are private individuals who provide loans without formal documentation or regulation. 3. Other non-institutional sources include traders, commission agents, relatives, and landlords. 4. Despite the growth of banks, many small farmers still rely on money lenders due to a lack of collateral.

Final Answer: Money Lenders are a non-institutional source of rural credit.

$\boxed{\textbf{Answer: (C)}}$

Q36.

Solution

Concept:
Market equilibrium occurs at the price where the quantity demanded equals the quantity supplied. If the market price deviates from this equilibrium price, a situation of either excess demand or excess supply is created, leading to market pressure that pushes the price back toward equilibrium.
Solution:
1. When the market price is higher than the equilibrium price, producers are willing to supply more goods to maximize profit. 2. Conversely, at a higher price, consumers reduce their demand for the product. 3. This leads to a situation where Quantity Supplied (Q_s) > Quantity Demanded (Q_d), which is defined as Excess Supply or a Market Surplus. 4. To sell the unsold stock, sellers will lower their prices, eventually moving the market back to the equilibrium point.
Final Answer: If the market price is above the equilibrium price, there will be Excess Supply.

Answer: (B)

Q37.

Solution

Concept:
The Industrial Policy Resolution (IPR) is a significant landmark in India's industrial development history. It laid down the framework for the government's role in industrialization and the classification of industries.
Solution:
1. IPR 1948 was the first policy, but the comprehensive resolution that formed the basis of the Second Five-Year Plan was the IPR of 1956. 2. This policy classified industries into three schedules: - Schedule A: Industries exclusively owned by the State. - Schedule B: Industries where the State would take the lead but the private sector could supplement. - Schedule C: Remaining industries left to the private sector (under a licensing system). 3. It emphasized the role of the public sector and the "License Raj" system.
Final Answer: The Industrial Policy Resolution (IPR) was passed in the year 1956.

Answer: (C)

Q38.

Solution

Concept:
The Multiplier (K) measures the change in income resulting from a change in autonomous spending. In a closed economy, the leakages are only through savings (S). However, in an open economy, there are additional leakages.

Solution:
1. Leakages refer to those parts of income that are not spent on domestic consumption. 2. In an open economy, part of the increased income is spent on Imports (M). 3. The formula for an open economy multiplier is $K = 1/(MPS + MPM)$, where MPM is the Marginal Propensity to Import. 4. Since the denominator increases due to the addition of MPM, the overall value of the Multiplier decreases compared to a closed economy. 5. This is because imports represent a "leakage" of demand to foreign countries rather than boosting domestic production.

Final Answer: In an open economy, the Multiplier value Decreases.

$\boxed{\textbf{Answer: (B)}}$

Q39.

Solution

Concept:
Unemployment in rural India often takes forms that are not easily visible in official statistics. Disguised unemployment is a common phenomenon in the agricultural sector of developing nations.

Solution:
1. Disguised unemployment occurs when more people are engaged in an activity than are actually required. 2. For example, if a small farm requires 3 workers but 5 family members are working on it, the extra 2 workers are "disguisedly unemployed." 3. Their Marginal Product (MP) is zero. 4. Because these people appear to be employed but do not contribute to additional output, it is also known as "Hidden Unemployment." 5. Structural or Frictional unemployment involves different causes like skill gaps or job transitions.

Final Answer: 'Hidden Unemployment' is also known as Disguised Unemployment.

$\boxed{\textbf{Answer: (B)}}$

Q40.

Solution

Concept:

Taxes are broadly classified into Direct and Indirect taxes based on their impact and incidence. 1. Direct Tax: The burden cannot be shifted; the person who pays it to the government also bears the cost (e.g., Income Tax). 2. Indirect Tax: The burden can be shifted from the seller to the consumer (e.g., GST).

Solution:

1. GST (Option A), Custom Duty (Option B), and Excise Duty (Option D) are all taxes on goods and services. The seller collects them from the buyer, making them Indirect Taxes. 2. Corporate Tax (Option C) is a tax levied on the net income or profit of corporations. 3. Since the company must pay this tax directly out of its earnings and cannot shift the legal burden to another party in the same way a sales tax is shifted, it is a Direct Tax.

Final Answer: Corporate Tax is an example of a Direct Tax.

Answer: (C)

Q41.

Solution

Concept:

The Investment Multiplier (K) measures the relationship between an initial increment in investment and the resulting increase in national income. The formula is $K = 1/(1 - MPC)$. This formula demonstrates a clear mathematical relationship between the multiplier and the Marginal Propensity to Consume.

Solution:

1. Since MPC is in the denominator with a negative sign $(1 - MPC)$, any increase in the value of MPC will decrease the value of the denominator. 2. A smaller denominator results in a larger overall value for the fraction (K). 3. For example, if $MPC = 0.5$, then $K = 1/0.5 = 2$. If MPC increases to 0.8, then $K = 1/0.2 = 5$. 4. This shows that as people spend a higher proportion of their additional income (higher MPC), the multiplier effect in the economy becomes stronger. 5. Therefore, the relationship is direct: they move in the same direction.

Final Answer: The relationship between the Value of Multiplier (K) and MPC is Direct.

Answer: (A)

Q42.

Solution

Concept:

The occupational structure of an economy refers to the distribution of the working population across different sectors: Primary (Agriculture), Secondary (Manufacturing), and Tertiary (Services).

Solution:

1. At the time of independence (1947), India was predominantly an agrarian economy due to the policies of the colonial government. 2. Approximately $70 - 75\%$ of the working population was engaged in the Primary sector (Agriculture). 3. The Manufacturing and Service sectors accounted for only small fractions of the workforce and GDP. 4. While the Service sector is the largest contributor to India's GDP today, in 1947, Agriculture was the dominant sector in terms of both employment and contribution to national income.

Final Answer: The Primary sector contributed the most to India's GDP at the time of independence.

Answer: (C)

Q43.

Solution

Concept:

National Income accounting involves converting various aggregates by adding or subtracting specific components like Depreciation, Net Indirect Taxes (NIT), and Net Factor Income from Abroad (NFIA). - Net = Gross - Depreciation - Factor Cost = Market Price - NIT

Solution:

1. NDP_{FC} stands for Net Domestic Product at Factor Cost. 2. To reach a "Net" value from a "Gross" value, we must subtract Depreciation (Consumption of Fixed Capital). 3. To reach "Factor Cost" from "Factor Cost," no change in NIT is needed if starting from a Factor Cost aggregate. 4. Looking at Option A: $GDP_{FC} - Depreciation$. - Gross becomes Net. - Domestic remains Domestic. - Factor Cost remains Factor Cost. 5. This matches the definition of NDP_{FC} perfectly.

Final Answer: NDP_{FC} is equal to $GDP_{FC} - Depreciation$.

Answer: (A)

Q44.

Solution

Concept:
Self-Help Groups (SHGs) emerged as a micro-finance innovation to fill the gaps in the formal rural banking system. They focus on the concept of collective saving and mutual help among small groups (usually women).

Solution:
1. SHGs encourage members to save small amounts of money regularly, which are pooled together. 2. The primary advantage of SHGs is that they provide small loans to their members for consumption or micro-enterprise needs without requiring any collateral (security). 3. This is crucial for the rural poor who often lack land or assets to show as security to commercial banks. 4. This system helps in reducing the dependence of rural households on informal money lenders who charge exorbitant interest rates.

Final Answer: Self-Help Groups help in providing credit without collateral.

Answer: (B)

Q45.

Solution

Concept:
Price Elasticity of Demand (E_d) measures the responsiveness of quantity demanded to a change in price. A rectangular hyperbola is a specific shape of a demand curve where the total expenditure ($P \times Q$) remains constant at all points on the curve.

Solution:
1. On a demand curve that is a rectangular hyperbola, the area under the curve (which represents total expenditure, $P \times Q$) is always the same regardless of the price level. 2. If total expenditure remains constant when price changes, it mathematically implies that the percentage change in quantity demanded is exactly equal to the percentage change in price. 3. According to the percentage method: $E_d = (\%\text{ change in } Q)/(\%\text{ change in } P)$. 4. Since these two percentages are equal, the absolute value of E_d is 1. 5. This is known as Unitary Elastic Demand.

Final Answer: When the demand curve is a rectangular hyperbola, elasticity of demand is $E_d = 1$.

Answer: (B)

Q46.

Solution

Concept:
The Balance of Payments (BOP) is a systematic record of all economic transactions between the residents of a country and the rest of the world. The Current Account is the section of the BOP that records transactions related to the actual trade of goods and services and current income transfers.
Solution:
1. The Current Account includes three major components: - Visible Trade: Export and import of physical goods (Merchandise). - Invisible Trade: Export and import of services (like shipping, banking, and software). - Unilateral Transfers: One-way transactions like gifts, remittances, and grants. 2. In contrast, the Capital Account (Options A, B, and C) deals with financial assets and liabilities, including foreign investments, borrowings, and changes in foreign exchange reserves. 3. Therefore, the trade in goods and services is the primary focus of the Current Account.
Final Answer: The 'Current Account' of BOP records trade in goods and services.

Answer: (D)

Q47.

Solution

Concept:
NITI Aayog (National Institution for Transforming India) was established on January 1, 2015, replacing the Planning Commission. It functions as the premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs.
Solution:
1. NITI Aayog is designed to foster cooperative federalism through structured support initiatives and mechanisms with the States. 2. The organizational structure of NITI Aayog includes: - Chairperson: The Prime Minister of India. - Vice-Chairperson: Appointed by the Prime Minister. - Governing Council: Comprising Chief Ministers of all States and Lt. Governors of Union Territories. 3. Since its inception, the Prime Minister has always held the ex-officio position of the Chairperson.
Final Answer: The Prime Minister of India is the Chairperson of NITI Aayog.

Answer: (C)

Q48.

Solution

Concept:
The Law of Diminishing Marginal Utility (LDMU) is a fundamental law of consumption. It states that as a consumer consumes more and more units of a specific commodity, the utility derived from each successive unit goes on diminishing.

Solution:
1. Utility is the want-satisfying power of a commodity. 2. When the first unit is consumed, the intensity of desire is highest, resulting in high Marginal Utility (MU). 3. As consumption continues, the desire for that commodity gets partially satisfied, so the second unit provides less satisfaction than the first, and so on. 4. Total Utility (TU) continues to rise as long as MU is positive, but it rises at a decreasing rate because the MU is falling. 5. This law explains why the demand curve slopes downward.

Final Answer: The law states that as we consume more units, Marginal Utility falls.

$\boxed{\textbf{Answer: (B)}}$

Q49.

Solution

Concept:
Privatisation is a key element of the 1991 Economic Reforms. It involves the transfer of ownership, management, and control of public sector enterprises (PSUs) to the private sector.

Solution:
1. The government initiated privatisation primarily to improve the financial discipline and operational efficiency of PSUs. 2. It was believed that private management would bring in better technology, professional expertise, and a profit-oriented approach, which many "sick" PSUs lacked. 3. Privatisation also helps in reducing the government's fiscal burden by stopping the continuous flow of public money into loss-making enterprises. 4. While social welfare is a general goal of the government, the specific economic logic of privatisation is efficiency and modernization.

Final Answer: The main aim of privatisation is improving the efficiency of PSUs.

$\boxed{\textbf{Answer: (A)}}$

Q50.

Solution

Concept:

To compare national income over time, we must adjust for inflation. Real GDP (GDP at constant prices) is a better indicator of economic growth than Nominal GDP (GDP at current prices). The relationship is governed by the GDP Deflator (Price Index):

$$\text{Real GDP} = \frac{\text{Nominal GDP}}{\text{Price Index}} \times 100$$

Solution:

1. Identify the given values: Nominal GDP = ₹ 1200 and Price Index = 120. 2. Apply the formula:

$$\text{Real GDP} = \frac{1200}{120} \times 100$$

3. Perform the calculation:

$$\text{Real GDP} = 10 \times 100 = 1000$$

4. This result shows that if the price level is adjusted back to the base year (100), the value of output is actually ₹ 1000.

Final Answer: The Real GDP is ₹ 1000.

Answer: (A)

Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	B	2	C	3	B	4	A	5	C
6	C	7	C	8	B	9	C	10	B
11	C	12	B	13	A	14	B	15	D
16	C	17	B	18	B	19	B	20	B
21	C	22	B	23	B	24	C	25	C
26	A	27	C	28	B	29	C	30	B
31	B	32	A	33	C	34	D	35	C
36	B	37	C	38	B	39	B	40	C
41	A	42	C	43	A	44	B	45	B
46	D	47	C	48	B	49	A	50	A