CUET UG Economics Sample Paper - 16

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 total deposits created by commercial banks are ₹ $10,000$ and the initial deposit was ₹ $2,000$, the Legal Reserve Ratio (LRR) is:

(A) 10%

(B) 20%

(C) 5%

(D) 25%

Q2. Identify the correct statement regarding "Giffen Goods":

(A) Demand increases as price increases.

(B) They have a high positive income effect.

(C) They are superior goods with no substitutes.

(D) The substitution effect is stronger than the income effect.

Q3. Which of the following is an example of an 'Invisibles' item in the Balance of Payments?

(A) Export of Tea

(B) Import of Machinery

(C) Shipping and Insurance services

(D) Gold purchase from abroad

Q4. The "White Revolution" (Operation Flood) was launched to increase the production of milk. Who is known as the 'Father' of this revolution?

(A) M.S. Swaminathan

(B) Verghese Kurien

(C) Hiralal Chaudhuri

(D) Sam Pitroda

Q5. When the value of the domestic currency is tied to the value of a single foreign currency or a basket of currencies, it is known as:

(A) Floating exchange rate

(B) Pegged exchange rate

(C) Market exchange rate

(D) Volatile exchange rate

Q6. If $MPS = 0$, what will be the value of the Investment Multiplier (K)?

(A) 0

(B) 1

(C) ∞

(D) 10

Q7. Assertion (A): The service sector is the largest contributor to India's GDP. Reason (R): The service sector also employs the largest percentage of the Indian workforce.

(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. Under the comparison of India, Pakistan, and China, which country reached the 'low growth' trap first historically due to political instability?

(A) India

(B) China

(C) Pakistan

(D) None of the above

Q9. A budget is a 'Surplus Budget' when:

(A) Estimated Receipts > Estimated Expenditure

(B) Estimated Receipts < Estimated Expenditure

(C) Revenue Receipts = Capital Expenditure

(D) Tax Revenue = Non-tax Revenue

Q10. Which of the following is NOT an objective of the NITI Aayog?

(A) To foster cooperative federalism.

(B) To design strategic and long-term policy frameworks.

(C) To allocate mandatory funds to state governments.

(D) To act as a knowledge and innovation hub.

Q11. If Price Elasticity of Supply is 2.0 and the price increases by 10%, the quantity supplied will increase by:

(A) 5%

(B) 10%

(C) 20%

(D) 2%

Q12. "Full Employment" in an economy implies:

(A) Zero unemployment

(B) Zero involuntary unemployment

(C) Zero voluntary unemployment

(D) Everyone in the country is working

Q13. Match List I (Concept) with List II (Definition):

List I (Concept)		List II (Definition)	
(a)	Repo Rate	(i)	Rate at which RBI lends for short-term
(b)	CRR	(ii)	Percentage of deposits kept in liquid form
(c)	SLR	(iii)	Percentage of deposits kept with RBI
(d)	Bank Rate	(iv)	Rate at which RBI lends for long-term

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

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

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

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

Q14. The problem of 'Double Counting' can be avoided by using:

(A) Value Added Method

(B) Final Expenditure Method

(C) Only (A)

(D) Both (A) and (B)

Q15. Which index is used to measure the rate of inflation in India at the retail level?

(A) WPI

(B) CPI

(C) GDP Deflator

(D) Sensex

Q16. Human Development Index (HDI) is a composite index of:

(A) Life expectancy, Literacy, and Per Capita Income

(B) Health, Wealth, and Happiness

(C) Population, Poverty, and Production

(D) Infrastructure, Industry, and Investment

Q17. Which type of deficit is calculated as: $Total\ Expenditure - Total\ Receipts\ (excluding\ bo$

(A) Revenue Deficit

(B) Fiscal Deficit

(C) Primary Deficit

(D) Budgetary Deficit

Q18. The "Green Revolution" was most successful in which of the following states?

(A) Bihar and Odisha

(B) Punjab and Haryana

(C) Kerala and Tamil Nadu

(D) Gujarat and Rajasthan

Q19. If the MPC is 0.9, the value of the multiplier is:

(A) 1

(B) 5

(C) 10

(D) 0.1

Q20. Which of the following is a "Merit Good"?

(A) Liquor

(B) Education

(C) Tobacco

(D) Luxury Cars

Q21. The "Dual Pricing" system in China was related to:

(A) Exports and Imports

(B) Industrial and Agricultural goods

(C) Farmers and Industrial units

(D) Rural and Urban workers

Q22. Nominal GNP is GNP measured at:

(A) Constant Prices

(B) Current Prices

(C) Base Year Prices

(D) International Prices

Q23. What was the main motive of the British behind infrastructure development in India?

(A) To develop the Indian economy

(B) To provide better facilities to Indians

(C) To subserve various colonial interests

(D) To promote Indian exports

Q24. A firm under Monopolistic Competition earns "Normal Profits" in the long run because:

(A) Products are homogeneous

(B) There is freedom of entry and exit

(C) There are few sellers

(D) Selling costs are zero

Q25. Real Flow refers to the flow of:

(A) Money between firms and households

(B) Goods and services between firms and households

(C) Factors of production and money

(D) Only services

Q26. Fiscal Policy in India is implemented by:

(A) Reserve Bank of India

(B) Ministry of Finance

(C) SEBI

(D) NITI Aayog

Q27. Small Scale Industries (SSIs) are important because they:

(A) Are capital-intensive

(B) Are labor-intensive

(C) Promote regional inequality

(D) Do not require electricity

Q28. The 'Point of Satiety' is the point where:

(A) MU is maximum

(B) TU is maximum and MU is zero

(C) TU and MU are equal

(D) TU is zero

Q29. The "Special Economic Zones" (SEZ) policy was introduced in India in:

(A) 1991

(B) 2000

(C) 2005

(D) 2015

Q30. Which of the following is an "External Leakage" in the circular flow of income?

(A) Investment

(B) Government Spending

(C) Imports

(D) Exports

Q31. The first phase of the Green Revolution $(mid - 1960s\ to\ mid - 1970s)$ was restricted to:

(A) Rice and Wheat

(B) Cotton and Jute

(C) Pulses and Oilseeds

(D) Sugarcane

Q32. Autonomous Investment is a type of investment which:

(A) Varies with the level of income

(B) Is independent of the level of income

(C) Is done by the private sector for profit

(D) Decreases when income increases

Q33. In the Balance of Payments, "Errors and Omissions" are used to:

(A) Balance the Current and Capital accounts

(B) Hide illegal transactions

(C) Calculate Net Factor Income

(D) Measure inflation

Q34. Identify the secondary sector activity:

(A) Banking

(B) Forestry

(C) Manufacturing

(D) Mining

Q35. GNP_{MP} is equal to:

(A) $GDP_{MP} + NFIA$

(B) $GDP_{MP} - Depreciation$

(C) $NNP_{MP} + Depreciation$

(D) Both (A) and (C)

Q36. The "Task Force on Projections of Minimum Needs and Effective Consumption Demand" (1979) was related to:

(A) Industrial growth

(B) Poverty line definition

(C) Population control

(D) Education reforms

Q37. Personal Disposable Income is:

(A) $Personal\ Income - Personal\ Taxes$

(B) $National\ Income - Corporate\ Taxes$

(C) $GDP - Depreciation$

(D) *Total Savings*

Q38. The "Indus Waters Treaty" (1960) is an agreement between:

(A) India and China
(B) India and Pakistan
(C) Pakistan and Afghanistan
(D) India and Bangladesh

Q39. A "Price Floor" is usually set:

(A) Below the equilibrium price to protect consumers
(B) Above the equilibrium price to protect producers (farmers)
(C) Exactly at the equilibrium price
(D) By market forces of demand and supply

Q40. "Demographic Dividend" refers to:

(A) Increase in the total population
(B) Increase in the proportion of the working-age population
(C) Decrease in the birth rate
(D) Increase in the elderly population

Q41. Which of the following is NOT a qualitative tool of monetary policy?

(A) Margin Requirements
(B) Moral Suasion
(C) Variable Reserve Ratio
(D) Selective Credit Control

Q42. The "Karve Committee" (1955) was formed for the development of:

(A) Heavy Industries

(B) Village and Small Scale Industries

(C) Agricultural Cooperatives

(D) Foreign Trade

Q43. If $SAVING = -100 + 0.2Y$, then the Break-even point (where $S = 0$) occurs at an income of:

(A) 100

(B) 500

(C) 200

(D) 1000

Q44. Appreciation of domestic currency means:

(A) Domestic currency becomes cheaper in terms of foreign currency

(B) Domestic currency becomes more expensive in terms of foreign currency

(C) Government reduces the value of the currency

(D) Market demand for foreign currency increases

Q45. "Land Ceiling" refers to:

(A) Fixing the maximum amount of land a person can own

(B) Fixing the price of land

(C) Increasing the size of land holdings

(D) Rent control for land

Q46. Which of the following is a non-tax revenue for the government?

(A) Income Tax

(B) Escheats

(C) Corporate Tax

(D) Customs Duty

Q47. In a perfectly competitive market, the firm's Marginal Revenue (MR) is always:

(A) Greater than AR

(B) Less than AR

(C) Equal to AR

(D) Zero

Q48. The "World Trade Organization" (WTO) was established in 1995 as the successor to:

(A) IMF

(B) World Bank

(C) GATT

(D) UNCTAD

Q49. Involuntary Unemployment occurs when:

(A) People are not willing to work at the existing wage rate

(B) People are willing to work but do not find jobs at the existing wage rate

(C) People leave jobs to find better ones

(D) Machines replace humans

Q50. Which of the following is a "Capital Expenditure"?

(A) Payment of salaries

(B) Interest payments on loans

(C) Purchase of machinery

(D) Subsidies on fertilizers

Detailed Solutions

Q1.

Solution

Concept:
The Money Multiplier process explains how the banking system creates money through the fractional reserve system. The relationship between the total money supply (or total deposits), the initial primary deposit, and the Legal Reserve Ratio (LRR) is given by the formula:

$$\text{Total Deposits} = \text{Initial Deposit} \times \frac{1}{LRR}$$

Alternatively, the Money Multiplier (M) is defined as $1/LRR$.
Solution:
1. Identify the given variables from the problem: - Total Deposits created = ₹ $10,000$ - Initial Deposit = ₹ $2,000$ 2. Set up the equation based on the money creation formula:

$$10,000 = 2,000 \times \frac{1}{LRR}$$

3. Solve for the multiplier ($1/LRR$):

$$\frac{1}{LRR} = \frac{10,000}{2,000} = 5$$

4. Now, solve for LRR:

$$LRR = \frac{1}{5}$$

5. Convert the fraction into a percentage:

$$LRR = 0.20 \times 100 = 20\%$$

6. This implies that banks must keep 20% of their deposits as legal reserves and can lend out the remaining 80%.
Final Answer: The Legal Reserve Ratio (LRR) is 20%.

Answer: (B)

Q2.

Solution

Concept:
Giffen goods are a special category of inferior goods that occupy a large proportion of a consumer's budget and lack close substitutes. They represent an exception to the Law of Demand. For these goods, the "income effect" is negative and so strong that it outweighs the "substitution effect."
Solution:
1. According to the Law of Demand, there is an inverse relationship between price and quantity demanded. However, for Giffen goods, this relationship is direct. 2. When the price of a Giffen good (like a basic staple food) increases, the consumer's real income (purchasing power) falls. 3. Because the good is an essential inferior item, the consumer is forced to cut back on superior goods (like meat) and buy even more of the basic staple (the Giffen good) to meet their calorie needs. 4. Therefore, as the price increases, the quantity demanded also increases, resulting in an upward-sloping demand curve. 5. Option B is incorrect because they have a high negative income effect, not positive. Option D is incorrect because the income effect must be stronger than the substitution effect for the law of demand to fail.
Final Answer: The correct statement is that demand increases as price increases.

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

Q3.

Solution

Concept:
The Balance of Payments (BOP) Current Account records the trade in goods, services, and unilateral transfers. 1. **Visibles:** Refer to the export and import of physical, tangible goods (merchandise). 2. **Invisibles:** Refer to the export and import of services, income, and transfers which cannot be seen crossing borders physically.
Solution:
1. **Option A (Export of Tea):** Tea is a physical commodity. Its movement can be tracked at customs. Therefore, it is a "Visible" item. 2. **Option B (Import of Machinery):** Machinery is a tangible capital good. It is a "Visible" item. 3. **Option C (Shipping and Insurance services):** These are services provided by one country to another. They are intangible and do not have a physical form that crosses a border like a box. Hence, they are classified as "Invisibles." 4. **Option D (Gold purchase):** Gold is a physical asset/commodity. When traded, it is treated as a "Visible" item (or part of capital account depending on context, but never an invisible service).
Final Answer: Shipping and Insurance services are examples of 'Invisibles'.

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

Q4.

Solution

Concept:
The White Revolution, also known as Operation Flood, was the world's largest dairy development program. Launched in 1970, it transformed India from a milk-deficient nation into the world's largest milk producer. It followed the pattern of the Green Revolution but focused on animal husbandry and dairy cooperatives.

Solution:
1. The program was based on the "Anand model" of dairy cooperatives (Amul). 2. Dr. Verghese Kurien was the chairman and founder of the National Dairy Development Board (NDDB) and the mastermind behind this revolution. 3. He is globally recognized as the "Milkman of India." 4. M.S. Swaminathan (Option A) is associated with the Green Revolution (agriculture). Hiralal Chaudhuri (Option C) is associated with the Blue Revolution (fisheries). Sam Pitroda (Option D) is associated with the Yellow Revolution (oilseeds/telecom).

Final Answer: Dr. Verghese Kurien is known as the 'Father' of the White Revolution.

Answer: (B)

Q5.

Solution

Concept:
Exchange rate regimes define how a nation's currency is valued against others. 1. **Floating:** Determined entirely by market forces. 2. **Fixed/Pegged:** The government or central bank sets and maintains the currency value against another currency (like the USD) or a basket of currencies. 3. **Managed Floating:** Market-determined but with occasional central bank intervention.

Solution:
1. When a country decides to keep its currency value stable relative to another "anchor" currency, it "pegs" its currency. 2. This is often done by developing nations to ensure stability in international trade and to control inflation. 3. For example, several Middle Eastern currencies are pegged to the US Dollar. 4. "Volatile" is a characteristic of a market, not a formal exchange rate system name.

Final Answer: This system is known as the Pegged exchange rate.

Answer: (B)

Q6.

Solution

Concept:

The Investment Multiplier (K) measures the relationship between the change in national income and the change in investment. It is inversely related to the Marginal Propensity to Save (MPS). The formula is:

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

Solution:

1. In this problem, the value of the Marginal Propensity to Save (MPS) is given as 0. 2. This implies that households do not save any part of their additional income; they consume the entirety of it ($MPC = 1$). 3. Applying the formula for the multiplier:

$$K = \frac{1}{0}$$

4. In mathematics, any finite number divided by zero is undefined or tends toward infinity. 5. Economically, this means that an initial increase in investment will trigger an endless chain of spending rounds, leading to an infinite increase in national income (theoretically).

Final Answer: The value of the Investment Multiplier will be Infinity (∞).

Answer: (C)

Q7.

Solution

Concept:

The structural transformation of an economy is measured by the contribution of sectors to GDP and their share in total employment. Usually, as an economy develops, both GDP share and employment share shift from Agriculture to Industry and Services.

Solution:

1. **Assertion (A) Analysis:** It is a well-established fact in the Indian economy that the Service (Tertiary) sector contributes more than 50% to India's Gross Value Added (GVA). Therefore, the Assertion is True. 2. **Reason (R) Analysis:** While the Service sector dominates in terms of income, it does not employ the most people. The Agricultural (Primary) sector still employs approximately $43-45\%$ of the Indian workforce, making it the largest employer. Thus, the Reason is False. 3. Since the Service sector's growth in India has been "jobless" to an extent, it has failed to absorb the majority of the workforce despite its high income contribution.

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

Answer: (C)

Q8.

Solution

Concept:
The developmental path of India, Pakistan, and China started similarly in the late 1940s and 1950s. However, divergence occurred due to political stability and policy implementation.
Solution:
1. All three nations adopted economic planning and a dominant public sector initially. 2. China saw rapid growth post-1978 reforms. India saw steady growth followed by an acceleration post-1991. 3. Pakistan, despite having better per capita income than India in the 1960s and 1970s, fell into a "low growth" trap due to frequent military coups, political instability, and over-dependence on foreign aid and remittances. 4. This lack of institutional stability hindered long-term industrial and agricultural investment compared to its neighbors.
Final Answer: Pakistan is the country that reached the low growth trap first due to instability.

Answer: (C)

Q9.

Solution

Concept:
A Government Budget is a statement of estimated receipts and estimated expenditures for a financial year. Based on the relationship between these two, a budget can be Balanced, Surplus, or Deficit.
Solution:
1. **Balanced Budget:** When Estimated Government Receipts = Estimated Government Expenditure. 2. **Deficit Budget:** When Estimated Government Receipts < Estimated Government Expenditure (the government spends more than it earns). 3. **Surplus Budget:** When Estimated Government Receipts > Estimated Government Expenditure. 4. A surplus budget is generally used during periods of high inflation to reduce the amount of money in circulation by taking more from the public (as revenue) than the government pumps back in (as spending).
Final Answer: A budget is a 'Surplus Budget' when Estimated Receipts > Estimated Expenditure.

Answer: (A)

Q10.

Solution

Concept:
NITI Aayog (National Institution for Transforming India) was created as a policy "Think Tank" to replace the Planning Commission. Its philosophy is based on "Bottom-Up" planning and "Cooperative Federalism."

Solution:
1. **Option A:** One of its core mandates is to involve states in policy-making (Cooperative Federalism). This is a correct objective. 2. **Option B:** It focuses on long-term policy and strategic planning rather than short-term five-year plans. This is a correct objective. 3. **Option C:** Unlike the old Planning Commission, NITI Aayog does **not** have the power to allocate funds or grants to states. This power now rests with the Ministry of Finance (based on Finance Commission recommendations). Therefore, this is NOT an objective. 4. **Option D:** It serves as a hub for research, best practices, and innovation. This is a correct objective.

Final Answer: The objective that does NOT belong to NITI Aayog is the allocation of mandatory funds to state governments.

Answer: (C)

Q11.

Solution

Concept:
Price Elasticity of Supply (E_s) measures the responsiveness of the quantity supplied of a commodity to a change in its price. The formula is:

$$E_s = \frac{\text{Percentage change in quantity supplied}}{\text{Percentage change in price}}$$

Solution:
1. From the question, we have the following data: - Price Elasticity of Supply (E_s) = 2.0 - Percentage change in price = 10% 2. Substitute these values into the standard formula:

$$2.0 = \frac{\text{Percentage change in quantity supplied}}{10\%}$$

3. Rearrange the equation to solve for the unknown percentage:

$$\text{Percentage change in quantity supplied} = 2.0 \times 10\%$$

$$\text{Percentage change in quantity supplied} = 20\%$$

4. This result indicates that the supply is highly elastic; the producers respond to a price increase with a proportionately larger increase in output.

Final Answer: The quantity supplied will increase by 20%.

Answer: (C)

Q12.

Solution

Concept:

Full employment does not mean that every single person in a country is working or that there is zero unemployment. In macroeconomics, full employment refers to a situation where all those who are able and willing to work at the prevailing wage rate find work.

Solution:

1. Even at full employment, there can be "Natural Unemployment," which includes frictional and structural unemployment. 2. Frictional unemployment occurs when people are between jobs, while structural unemployment occurs due to changes in technology or industry structure. 3. However, there is no "Involuntary Unemployment" at the full employment level. 4. Involuntary unemployment is a situation where people are willing to work at the existing wage rate but cannot find jobs. 5. Voluntary unemployment (people choosing not to work at the existing wage) can still exist, but it is not counted as a failure of the economy to provide jobs.

Final Answer: Full employment implies zero involuntary unemployment.

Answer: (B)

Q13.

Solution

Concept:

The Reserve Bank of India (RBI) uses various quantitative instruments to regulate the money supply. These tools affect the cost and availability of credit in the economy.

Solution:

1. **Repo Rate (a):** This is the rate at which the RBI lends money to commercial banks for short-term needs, usually against government securities. Hence, (a) matches with (i). 2. **CRR (Cash Reserve Ratio) (b):** This is the percentage of a bank's total deposits that it is legally required to keep with the RBI in the form of cash. Hence, (b) matches with (iii). 3. **SLR (Statutory Liquidity Ratio) (c):** This is the percentage of deposits that banks must maintain with themselves in the form of liquid assets like cash, gold, or unencumbered securities. Hence, (c) matches with (ii). 4. **Bank Rate (d):** This is the rate at which the RBI is prepared to buy or rediscount bills of exchange or other commercial papers. It is the long-term lending rate without collateral. Hence, (d) matches with (iv).

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

Answer: (A)

Q14.

Solution

Concept:

Double counting refers to the error of counting the value of the same product more than once while calculating national income. This usually happens when the value of intermediate goods is added to the value of final goods.

Solution:

1. There are two standard ways to avoid this problem: 2. **Value Added Method:** This method calculates the value added by each production unit by subtracting intermediate consumption from the value of output ($Value\ Added = Value\ of\ Output - Intermediate\ Consumption$). By only counting the "addition," we avoid counting the same inputs repeatedly. 3. **Final Expenditure Method:** This method only considers the expenditure on "Final Goods" (goods meant for final consumption or investment). Since the price of a final good already includes the value of all intermediate goods used, double counting is avoided. 4. Both methods are designed to ensure that the national income represents the true market value of unique goods and services produced.

Final Answer: The problem is avoided using both (A) and (B).

Answer: (D)

Q15.

Solution

Concept:

Inflation is the rate of increase in prices over a given period. In India, multiple indices are used to track price movements at different stages of the supply chain.

Solution:

1. **WPI (Wholesale Price Index):** Tracks changes in the price of goods traded and sold in bulk by wholesale businesses to other businesses. It does not include services. 2. **CPI (Consumer Price Index):** Measures the weighted average of prices of a basket of consumer goods and services (like food, medical care, transportation). It reflects the cost of living for the end consumer at the retail level. 3. **GDP Deflator:** A comprehensive measure that covers all goods and services produced in the economy, but it is not available on a monthly basis like CPI. 4. The RBI currently uses CPI (specifically CPI-Combined) as its primary anchor for monetary policy to control inflation at the retail level.

Final Answer: The Consumer Price Index (CPI) is used to measure inflation at the retail level.

Answer: (B)

Q16.

Solution

Concept:
The Human Development Index (HDI) was developed by the United Nations Development Programme (UNDP) to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, rather than economic growth alone. It is a geometric mean of normalized indices for three dimensions of human development.

Solution:
1. Health Dimension: This is assessed by life expectancy at birth. It reflects the longevity and health standards of a population. 2. Education Dimension: This is measured by the mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age. This reflects the knowledge level and literacy. 3. Standard of Living Dimension: This is measured by Gross National Income (GNI) per capita at Purchasing Power Parity (PPP). This reflects the economic power and purchasing capacity. 4. Together, these three indicators provide a broader view of human well-being than simple GDP figures.

Final Answer: HDI is a composite index of Life expectancy, Literacy, and Per Capita Income.

Answer: (A)

Q17.

Solution

Concept:
Budgetary deficits occur when the government's expenditure exceeds its receipts. The Fiscal Deficit is the most widely used measure of the government's borrowing requirements.

Solution:
1. Fiscal Deficit is the excess of total budget expenditure over total budget receipts excluding borrowings. 2. The formula is:

$$\text{Fiscal Deficit} = \text{Total Expenditure} - (\text{Revenue Receipts} + \text{Capital Receipts excluding Borrowings})$$

3. It indicates the total amount of money that the government needs to borrow from the market and the central bank to meet its expenses. 4. Revenue Deficit (Option A) only considers the difference between revenue expenditure and revenue receipts. Primary Deficit (Option C) is calculated by subtracting interest payments from the fiscal deficit.

Final Answer: The deficit described is the Fiscal Deficit.

Answer: (B)

Q18.

Solution

Concept:
The Green Revolution in India involved the introduction of High Yielding Variety (HYV) seeds, particularly for wheat and rice, accompanied by modern irrigation, fertilizers, and pesticides. However, the adoption of these technologies was geographically uneven in the first phase.

Solution:
1. The new technology required significant capital investment and reliable irrigation facilities. 2. The states of Punjab and Haryana, along with parts of Western Uttar Pradesh, already had well-developed canal irrigation systems. 3. The farmers in these regions were relatively more prosperous and could afford the expensive inputs like chemical fertilizers and HYV seeds. 4. As a result, these states witnessed a massive surge in food grain production, leading to self-sufficiency and the creation of a large buffer stock for the nation. 5. Eastern and Southern states adopted these technologies much later in the second phase of the revolution.

Final Answer: The Green Revolution was most successful in Punjab and Haryana.

Answer: (B)

Q19.

Solution

Concept:
The Investment Multiplier (K) measures the ratio of a change in income to an initial change in investment. It is directly related to the Marginal Propensity to Consume (MPC). The formula is:

$$K = \frac{1}{1 - MPC}$$

Solution:
1. Identify the given value: Marginal Propensity to Consume (MPC) = 0.9. 2. Substitute the value into the multiplier formula:

$$K = \frac{1}{1 - 0.9}$$

3. Simplify the denominator:

$$K = \frac{1}{0.1}$$

4. Perform the division:

$$K = 10$$

5. This means that for every ₹ 1 increase in investment, the national income will eventually increase by ₹ 10 through multiple rounds of spending.

Final Answer: The value of the multiplier is 10.

Answer: (C)

Q20.

Solution

Concept:

In economics, goods are categorized based on their social benefit and the nature of their consumption. 1. Merit Goods: Goods that are socially desirable but are often under-consumed if left to the market (e.g., healthcare, education). 2. Demerit Goods: Goods that have harmful effects on society and individuals (e.g., tobacco, liquor).

Solution:

1. Education provides positive externalities; the benefit of an educated person extends to the whole society through higher productivity and better civic sense. 2. Because the social benefit is higher than the private benefit, the government often provides these goods for free or at a subsidized rate. 3. Liquor (Option A) and Tobacco (Option C) are demerit goods because they impose costs on society (health issues, accidents). 4. Luxury Cars (Option D) are normal or luxury goods, the consumption of which does not necessarily provide a specific "merit" or "externality" to society as a whole.

Final Answer: Education is a classic example of a Merit Good.

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

Q21.

Solution

Concept:

During the economic transition in China, the government introduced various unique institutional reforms. One such reform was the "Dual Pricing" system, which was a transitionary mechanism to shift from a planned economy to a market-oriented economy without causing sudden price shocks.

Solution:

1. Under this system, prices were fixed in two ways for the same commodity. 2. Farmers and industrial units were required to buy and sell a fixed quantity of inputs and outputs on the basis of prices fixed by the government (Plan prices). 3. Any quantity produced or required beyond this fixed quota could be purchased or sold at prices determined by the market (Market prices). 4. This allowed the state to maintain control over essential supplies while simultaneously encouraging producers to increase efficiency and output to earn higher profits in the open market. 5. This system was crucial in the early phases of China's "Open Door" policy.

Final Answer: The Dual Pricing system was related to both farmers and industrial units.

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

Q22.

Solution

Concept:
Gross National Product (GNP) can be measured in two ways depending on the price level used for valuation: 1. Nominal GNP: Valued at the prices of the current year. 2. Real GNP: Valued at the prices of a base year (constant prices).
Solution:
1. Nominal GNP (also called GNP at current prices) measures the value of all final goods and services produced by the residents of a country in a year, calculated using the prices prevailing in that same year. 2. Because it uses current prices, Nominal GNP can increase even if the actual physical output of goods remains the same, simply due to inflation. 3. Therefore, it is not considered a reliable indicator of the real growth of an economy compared to Real GNP. 4. Real GNP, by using constant prices, eliminates the effect of price changes and shows only the change in physical output.
Final Answer: Nominal GNP is GNP measured at Current Prices.

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

Q23.

Solution

Concept:
The British colonial administration in India developed infrastructure such as railways, ports, water transport, posts, and telegraphs. However, the objective behind these developments was not the growth of the Indian people.
Solution:
1. Railways: Developed to transport finished British goods into the interiors of India and to move raw materials from the hinterlands to the ports for export to Britain. 2. Roads: Built primarily for mobilizing the army within India and for drawing out raw materials from the countryside to the nearest railway station or port. 3. Telegraph: Introduced to maintain law and order and improve administrative efficiency for the colonial rulers. 4. Therefore, every infrastructural project was designed to subserve the economic and political interests of the British Empire, rather than the development of the Indian economy.
Final Answer: The main motive was to subserve various colonial interests.

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

Q24.

Solution

Concept:
Monopolistic Competition is a market structure that combines elements of both Monopoly and Perfect Competition. It is characterized by many sellers, product differentiation, and freedom of entry and exit.

Solution:
1. In the short run, a firm in monopolistic competition can earn supernormal profits or incur losses. 2. However, because there are no barriers to entry, the existence of supernormal profits attracts new firms into the industry. 3. As new firms enter and produce close substitutes, the market share of each existing firm decreases, and its demand curve shifts to the left. 4. This process continues until all firms earn only "Normal Profits" ($AR = AC$). 5. Similarly, if firms were making losses, some would exit the market, shifting the demand for remaining firms to the right until losses are eliminated.

Final Answer: Normal profits are earned because there is freedom of entry and exit.

Answer: (B)

Q25.

Solution

Concept:
The circular flow of income involves two types of flows between the different sectors of the economy (Households and Firms): 1. Real Flow: The flow of physical goods and services. 2. Money Flow: The flow of payments for those goods and services.

Solution:
1. In a simple two-sector model: - Households provide "Factor Services" (land, labor, capital, enterprise) to firms. - In return, Firms provide "Goods and Services" to households. 2. These physical movements of services and products are called "Real Flows" because they do not involve the exchange of money at that specific stage of the cycle. 3. Money Flow, on the other hand, refers to factor payments (wages, rent, interest, profit) and consumption expenditure.

Final Answer: Real Flow refers to the flow of goods and services between firms and households.

Answer: (B)

Q26.

Solution

Concept:
Fiscal Policy refers to the use of government spending and taxation to influence the economy. In India, while the Central Bank (RBI) manages the monetary side, the government manages the fiscal side through the annual budget.
Solution:
1. Fiscal policy involves decisions regarding public expenditure, taxes, and public debt. 2. These decisions are taken by the executive branch of the government. 3. In India, the Ministry of Finance, under the Government of India, prepares the Union Budget and determines the tax rates and spending priorities. 4. Monetary policy, which deals with interest rates and money supply, is the domain of the Reserve Bank of India (RBI). 5. SEBI regulates the securities market, and NITI Aayog is a policy think tank without direct executive power to implement tax or spend laws.
Final Answer: Fiscal Policy in India is implemented by the Ministry of Finance.

Answer: (B)

Q27.

Solution

Concept:
Small Scale Industries (SSIs) are defined based on the maximum investment allowed in the assets of a unit. They play a pivotal role in the economic development of a country like India due to their unique production characteristics.
Solution:
1. SSIs are generally "labor-intensive," meaning they use more labor per unit of capital compared to large-scale industries. 2. In a country with a large population and unemployment challenges, SSIs provide significant employment opportunities. 3. They also promote "balanced regional development" because they can be established in rural and semi-urban areas with limited infrastructure. 4. They require less gestation period and help in the mobilization of local resources and entrepreneurial skills. 5. Large industries, by contrast, are usually capital-intensive and concentrated in urban centers.
Final Answer: SSIs are important because they are labor-intensive.

Answer: (B)

Q28.

Solution

Concept:
The Point of Satiety is a specific level of consumption where a consumer derives maximum possible satisfaction from a commodity. It is a critical point in the study of the Law of Diminishing Marginal Utility.

Solution:
1. Total Utility (TU) increases at a diminishing rate as long as Marginal Utility (MU) is positive. 2. As the consumer continues to consume, the marginal utility (the satisfaction from the last unit) eventually drops to zero. 3. At the point where $MU = 0$, the consumer has no desire for an additional unit; any further consumption would lead to negative utility (disutility). 4. Therefore, at this exact moment, the Total Utility reaches its peak (Maximum). 5. Graphically, the TU curve is at its highest point while the MU curve intersects the X-axis.

Final Answer: The 'Point of Satiety' is where TU is maximum and MU is zero.

Answer: (B)

Q29.

Solution

Concept:
Special Economic Zones (SEZs) are specifically delineated duty-free enclaves deemed to be foreign territory for the purposes of trade operations, duties, and tariffs. The policy was designed to instill confidence in investors and signal India's commitment to an export-led growth strategy.

Solution:
1. The SEZ policy was first announced by the Government of India in April 2000. 2. This was done to overcome the hurdles faced on account of multiple controls and clearances, absence of world-class infrastructure, and an unstable fiscal regime. 3. Later, the SEZ Act was passed in 2005 to provide a stable legal framework for the long term. 4. However, the initial introduction of the policy itself, as per standard economic textbooks and historical timelines, occurred in the year 2000.

Final Answer: The SEZ policy was introduced in the year 2000.

Answer: (B)

Q30.

Solution

Concept:
The circular flow of income represents the movement of money and goods between different sectors. In an open economy, there are "Injections" (which add to the flow) and "Leakages" (which reduce the flow).
Solution:
1. Leakages (also known as withdrawals) are parts of income that do not return to the domestic circular flow through consumption spending. 2. The three main leakages are: - Savings (S): Money kept aside by households. - Taxes (T): Money paid to the government. - Imports (M): Money spent on foreign goods, which flows out of the domestic economy. 3. Since imports involve domestic residents sending money to the "External" (foreign) sector, they are considered an external leakage. 4. Investment, Government Spending, and Exports are all "Injections" that increase the total flow of income.
Final Answer: Imports are an "External Leakage" in the circular flow of income.

Answer: (C)

Q31.

Solution

Concept:
The Green Revolution was implemented in two distinct phases to ensure that the transition to modern agriculture was manageable and focused on areas with existing infrastructure.
Solution:
1. The first phase spanned from the mid-1960s to the mid-1970s. 2. During this period, the application of High Yielding Variety (HYV) seeds was strictly limited to states with assured irrigation, such as Punjab, Haryana, and Western Uttar Pradesh. 3. In terms of crops, the primary success was concentrated in Wheat and, to a lesser extent, Rice. 4. Other crops like pulses, oilseeds, and jute did not see significant productivity gains until much later, as the technology was not yet adapted for them. 5. This led to what economists often call the "Wheat Revolution" because of the staggering growth in wheat yields compared to other food grains.
Final Answer: The first phase was primarily restricted to Rice and Wheat.

Answer: (A)

Q32.

Solution

Concept:

In Keynesian economics, investment is classified into two types based on its relationship with the level of national income: Induced Investment and Autonomous Investment.

Solution:

1. Induced Investment is profit-motivated and changes as the level of income or demand in the economy changes. 2. Autonomous Investment, on the other hand, is the investment that is not influenced by changes in the level of income. It is generally made by the government for social welfare or infrastructure. 3. The curve for autonomous investment is a horizontal straight line parallel to the X-axis (Income axis). 4. This means that whether the national income is ₹ 100 crore or ₹ 1000 crore, the level of autonomous investment remains constant. 5. It is usually driven by exogenous factors like technological innovations, new discoveries, or government policy.

Final Answer: Autonomous Investment is independent of the level of income.

Answer: (B)

Q33.

Solution

Concept:

The Balance of Payments (BOP) must always balance in an accounting sense. However, because data is collected from numerous sources (customs, banks, etc.), it is difficult to record every single transaction perfectly.

Solution:

1. The "Errors and Omissions" entry acts as a balancing item. 2. It represents the discrepancy between the sum of the current and capital accounts and the actual change in foreign exchange reserves. 3. If the total of the current and capital account does not equal the official reserve transactions, this "plug figure" is used to ensure that the overall BOP identity ($Current\ Account + Capital\ Account + Errors\ and\ Omissions = 0$) holds true. 4. It does not measure inflation, nor is it used to hide illegal acts; it is simply a mathematical necessity for accurate bookkeeping.

Final Answer: They are used to balance the Current and Capital accounts.

Answer: (A)

Q34.

Solution

Concept:

Economic activities are classified into three sectors: 1. Primary: Direct use of natural resources (Agriculture, Mining, Forestry). 2. Secondary: Transformation of raw materials into finished goods (Manufacturing, Construction, Utilities). 3. Tertiary: Provision of services (Banking, Education, Transport).

Solution:

1. **Banking (Option A):** This is a service provided to businesses and individuals, making it part of the Tertiary sector. 2. **Forestry (Option B):** This involves the direct exploitation of nature, making it part of the Primary sector. 3. **Manufacturing (Option C):** This involves the use of machines and labor to convert raw materials (like cotton) into finished goods (like cloth). This is the core of the Secondary sector. 4. **Mining (Option D):** Extraction of minerals from the earth is a Primary sector activity.

Final Answer: Manufacturing is the secondary sector activity.

Answer: (C)

Q35.

Solution

Concept:

National Income aggregates are derived from one another by making adjustments for Depreciation, Net Indirect Taxes (NIT), and Net Factor Income from Abroad (NFIA).

Solution:

1. **Option A Analysis:** $GNP_{MP} = GDP_{MP} + NFIA$. To move from "Domestic" to "National," we add the net income earned by residents from abroad. This is a correct identity. 2. **Option B Analysis:** $GDP_{MP} - Depreciation$ results in NDP_{MP}. This is not equal to GNP_{MP}. 3. **Option C Analysis:** $NNP_{MP} + Depreciation = GNP_{MP}$. To move from "Net" to "Gross," we must add back the consumption of fixed capital (Depreciation). This is also a correct identity. 4. Since both equations A and C correctly define Gross National Product at Market Price, the correct choice is (D).

Final Answer: Both (A) and (C) are correct.

Answer: (D)

Q36.

Solution

Concept:
Poverty in India has been measured using various methodologies over the decades. One of the earliest scientific attempts to define a "poverty line" was based on nutritional requirements and consumption patterns.

Solution:
1. In 1979, the Planning Commission of India constituted a "Task Force on Projections of Minimum Needs and Effective Consumption Demand." 2. This task force defined the poverty line based on a per capita daily calorie intake: 2400 kcal for rural areas and 2100 kcal for urban areas. 3. The logic was that rural individuals perform more physical labor and thus require more energy. 4. By assigning a monetary value to the basket of goods required to meet these calorie needs, the "Poverty Line" was established. 5. This approach shifted the focus from general development to identifying those who could not meet their basic survival needs.

Final Answer: The Task Force was related to the Poverty line definition.

Answer: (B)

Q37.

Solution

Concept:
Personal Disposable Income (PDI) represents the amount of money that households actually have available to spend or save after fulfilling all their legal tax obligations to the government.

Solution:
1. Personal Income includes all types of income received by households (wages, rent, interest, and transfer payments). 2. However, households cannot spend their entire personal income because they must pay direct taxes, such as Income Tax. 3. They may also have to pay miscellaneous fees or fines to the government (Non-tax payments). 4. Therefore:

$$\text{PDI} = \text{Personal Income} - \text{Personal Direct Taxes} - \text{Miscellaneous Receipts of Govt}$$

5. Option B refers to Private Income adjustments, and Option C refers to Net Domestic Product, which are different aggregates altogether.

Final Answer: PDI is Personal Income minus Personal Taxes.

Answer: (A)

Q38.

Solution

Concept:
The Indus Waters Treaty is a water-distribution treaty between India and Pakistan, brokered by the World Bank (then the IBRD). It is considered one of the most successful international treaties, surviving multiple conflicts between the two nations.
Solution:
1. The treaty was signed in Karachi on September 19, 1960, by Indian Prime Minister Jawaharlal Nehru and Pakistani President Ayub Khan. 2. It divides the six rivers of the Indus system into two categories: - Eastern Rivers (Sutlej, Beas, Ravi): Allocated to India for unrestricted use. - Western Rivers (Indus, Jhelum, Chenab): Allocated to Pakistan, with India having limited rights for non-consumptive use (like run-of-the-river power projects). 3. This treaty is a key point of study in the comparative development and resource management history of the Indian subcontinent.
Final Answer: The treaty is an agreement between India and Pakistan.

Answer: (B)

Q39.

Solution

Concept:
A Price Floor (or Minimum Support Price) is a government-mandated legal minimum price for a good or service. It is a form of market intervention used when the government feels the equilibrium price determined by market forces is too low for producers.
Solution:
1. In a free market, if there is a bumper crop, the supply increases significantly, pushing the equilibrium price down. 2. This can make farming unviable for small farmers. 3. To protect the interests of producers (especially farmers), the government sets a "Price Floor" above the equilibrium price. 4. Since the price is higher than the market-clearing price, it leads to "Excess Supply" or a surplus, which the government usually buys to create buffer stocks. 5. A Price Ceiling, conversely, is set below equilibrium to protect consumers from high prices.
Final Answer: A Price Floor is set above the equilibrium price to protect producers.

Answer: (B)

Q40.

Solution

Concept:
Demographic Dividend is an economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population is larger than the non-working-age share of the population.

Solution:
1. The "Working-age population" is generally defined as the age group of 15 to 64 years. 2. When birth rates decline, the number of young dependents decreases relative to the working population. 3. With fewer people to support and more people in the productive labor force, an economy has a window of opportunity for rapid economic growth, provided there are enough jobs and adequate investment in human capital. 4. India is currently in a phase where its demographic dividend is at its peak, as a large portion of its population is young and entering the workforce.

Final Answer: It refers to the increase in the proportion of the working-age population.

Answer: (B)

Q41.

Solution

Concept:
The Reserve Bank of India (RBI) uses two types of instruments for monetary policy: Quantitative (which affect the total volume of credit) and Qualitative (which affect the direction or use of credit).

Solution:
1. **Quantitative Tools:** These include Repo Rate, Bank Rate, Open Market Operations, and Variable Reserve Ratios (like CRR and SLR). They aim to control the overall money supply. 2. **Qualitative Tools:** These include Margin Requirements (difference between loan value and collateral value), Moral Suasion (persuasion of banks), and Selective Credit Control (restricting credit for specific sectors). 3. Option C, the "Variable Reserve Ratio," is a quantitative tool because it changes the total amount of money banks can lend by altering the mandatory reserves they must keep. 4. Therefore, it is the odd one out among the listed qualitative measures.

Final Answer: Variable Reserve Ratio is NOT a qualitative tool.

Answer: (C)

Q42.

Solution

Concept:
The Karve Committee, also known as the Village and Small-Scale Industries Committee, was established in 1955 during the preparation of the Second Five-Year Plan.

Solution:
1. The committee explored the possibility of using small-scale industries to promote rural development and employment. 2. It emphasized that small-scale units are more labor-intensive and can be established in decentralized locations. 3. The recommendations of this committee led to the government providing protection and concessions to small-scale industries (SSIs), such as reserving certain products exclusively for the small-scale sector. 4. This was a critical part of India's strategy to achieve growth with equity.

Final Answer: The committee was formed for the development of Village and Small Scale Industries.

Answer: (B)

Q43.

Solution

Concept:
The break-even point in an economy is the level of income where Total Consumption (C) equals National Income (Y). Since $Y = C + S$, at the break-even point, Savings (S) must be equal to zero.

Solution:
1. Given the Saving Function: $S = -100 + 0.2Y$. 2. To find the break-even point, set $S = 0$:

$$0 = -100 + 0.2Y$$

3. Rearrange the equation to solve for Y:

$$100 = 0.2Y$$

4. Divide both sides by 0.2:

$$Y = \frac{100}{0.2} = \frac{1000}{2}$$

5. Therefore, $Y = 500$. 6. At an income of ₹ 500, the economy is consuming exactly what it earns, and there are no net savings.

Final Answer: The break-even point occurs at an income of 500.

Answer: (B)

Q44.

Solution

Concept:
Appreciation of a currency occurs in a flexible exchange rate system when the value of the domestic currency increases in terms of a foreign currency due to market forces of demand and supply.

Solution:
1. If the exchange rate was initially \$1 = ₹ 80 and it changes to \$1 = ₹ 75, the Indian Rupee has appreciated. 2. This means it now takes fewer Rupees to buy one US Dollar. 3. Consequently, the domestic currency has become "more expensive" or "stronger" relative to the foreign currency. 4. Note: If the government intentionally increases the value in a fixed system, it is called "Revaluation."

Final Answer: Appreciation means domestic currency becomes more expensive in terms of foreign currency.

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

Q45.

Solution

Concept:
Land Ceiling is a form of land reform introduced in India to promote equity in the agricultural sector. It aimed to reduce the concentration of land ownership in the hands of a few large landlords (Zamindars).

Solution:
1. The policy involves the government fixing the maximum size of agricultural landholding that an individual or a family can own. 2. Any land held by a person in excess of the ceiling limit is taken over by the government. 3. This surplus land is then redistributed among landless laborers and small farmers. 4. The primary goal was to ensure that the "tiller of the soil" became the owner, thereby incentivizing higher productivity and reducing exploitation.

Final Answer: Land Ceiling refers to fixing the maximum amount of land a person can own.

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

Q46.

Solution

Concept:

Government receipts are classified into Revenue Receipts and Capital Receipts. Revenue receipts are further divided into Tax Revenue (Income Tax, GST, etc.) and Non-Tax Revenue. Non-tax revenue refers to receipts from sources other than taxes.

Solution:

1. **Tax Revenue:** Includes Direct taxes like Income Tax (Option A) and Corporate Tax (Option C), and Indirect taxes like Customs Duty (Option D). 2. **Non-Tax Revenue:** These are funds earned by the government through its various services and administrative functions. Examples include: - Interest receipts on loans given to states. - Dividends and profits from public sector enterprises. - Fees and Fines. - **Escheats (Option B):** This refers to the claim of the state to the property of a person who dies without leaving a legal heir or a will. 3. Therefore, Escheats is a classic example of a non-tax source of income.

Final Answer: Escheats is a non-tax revenue for the government.

Answer: (B)

Q47.

Solution

Concept:

In a Perfectly Competitive market, a firm is a "Price Taker." This means the firm must sell its output at the prevailing market price (P) determined by industry demand and supply.

Solution:

1. Since the price remains constant for every unit sold, the Average Revenue (AR), which is $Total\ Revenue/Quantity$, is equal to the Price (P). 2. Marginal Revenue (MR) is the additional revenue earned from selling one more unit. Since the price does not change, the additional revenue from the next unit is also equal to the Price (P). 3. Mathematically: If $P = 10$, then $TR = 10Q$. $AR = 10Q/Q = 10$. $MR = d(TR)/dQ = 10$. 4. Therefore, in perfect competition: $Price = AR = MR$. 5. The demand curve (AR curve) is a horizontal straight line parallel to the X-axis.

Final Answer: In a perfectly competitive market, MR is always equal to AR.

Answer: (C)

Q48.

Solution

Concept:
The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. It was established to facilitate free trade through the reduction of tariffs and non-tariff barriers.
Solution:
1. Before the WTO, the international trade regime was governed by the General Agreement on Tariffs and Trade (GATT), which was established in 1948. 2. GATT was limited in scope as it primarily focused on trade in goods and lacked a strong dispute settlement mechanism. 3. After the "Uruguay Round" of negotiations (1986 – 1994), the WTO was created on January 1, 1995, to succeed GATT. 4. The WTO expanded the scope to include trade in services (GATS), intellectual property (TRIPS), and a much more robust legal framework for resolving trade disputes.
Final Answer: WTO was established as the successor to GATT.

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

Q49.

Solution

Concept:
Unemployment is generally classified into Voluntary and Involuntary. Involuntary unemployment is a central theme in Keynesian macroeconomics, reflecting a situation where the economy is not operating at its full potential.
Solution:
1. Voluntary unemployment occurs when people choose not to work at the current wage rate (perhaps waiting for a higher wage). 2. Involuntary unemployment occurs when there are people who are physically fit, mentally capable, and willing to work at the prevailing market wage rate but cannot find a job. 3. This usually happens during a recession or when there is a "Deficient Demand" in the economy ($AD < AS$). 4. In this case, the labor market does not clear, and there is a surplus of labor (unemployed workers).
Final Answer: It occurs when people are willing to work but do not find jobs at the existing wage rate.

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

Q50.

Solution

Concept:

Government expenditure is divided into Revenue Expenditure and Capital Expenditure. 1. **Revenue Expenditure:** Does not create assets or reduce liabilities (e.g., salaries, subsidies). 2. **Capital Expenditure:** Either creates a physical or financial asset for the government or reduces a financial liability.

Solution:

1. **Salaries and Subsidies (Options A and D):** These are recurring expenses that do not result in the creation of any asset. They are revenue expenditures. 2. **Interest Payments (Option B):** This is the cost of servicing old debt; it does not reduce the principal amount (liability). Hence, it is a revenue expenditure. 3. **Purchase of Machinery (Option C):** This involves spending money to acquire a productive physical asset. Since an asset is created, it is classified as Capital Expenditure. 4. Other examples include the construction of roads, bridges, and the repayment of the principal amount of loans.

Final Answer: Purchase of machinery is a "Capital Expenditure."

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

Answer Key

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