

CUET-UG Economics Sample Paper-11

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. When the production possibility frontier (PPF) is concave to the origin, it indicates:

- (A) Constant opportunity cost
- (B) Decreasing opportunity cost
- (C) Increasing opportunity cost
- (D) Zero opportunity cost

Q2. A consumer is in equilibrium when the marginal rate of substitution (MRS) of good X for good Y is 2. If the price of good X is ₹ 10, what must be the price of good Y for the consumer to be in equilibrium?

- (A) ₹ 5
- (B) ₹ 10
- (C) ₹ 20
- (D) ₹ 2.5

Q3. Which of the following would lead to a rightward shift in the demand curve for a normal good?

- (A) A decrease in the price of the good itself
- (B) An increase in the price of a complementary good
- (C) A decrease in consumer income



(D) An increase in the price of a substitute good

Q4. If the demand for a product is perfectly inelastic ($E_d = 0$), a 10% increase in its price will lead to:

(A) A 10% decrease in quantity demanded

(B) A 0% change in quantity demanded

(C) An infinite decrease in quantity demanded

(D) A 10% decrease in total revenue

Q5. In the short run, when the total product (TP) is increasing at an increasing rate, the marginal product (MP) is:

(A) Decreasing

(B) Constant

(C) Increasing

(D) Zero

Q6. The point where the Average Cost (AC) curve intersects the Marginal Cost (MC) curve is:

(A) When AC is at its maximum

(B) When MC is at its minimum

(C) When AC is at its minimum

(D) When MC equals Average Variable Cost (AVC)

Q7. Which of the following is an example of an implicit cost?

(A) Wages paid to workers

(B) Rent paid for factory building

(C) Interest foregone on owner's capital invested in the business

(D) Cost of raw materials



- Q8.** A firm's production function is given by $Q = 2KL$. If K (capital) is fixed at 5 units in the short run, and the wage rate (w) is ₹ 20 per unit of labor (L), and the rental rate of capital (r) is ₹ 8 per unit, what is the Total Cost (TC) of producing 40 units of output?
- (A) ₹ 100
(B) ₹ 120
(C) ₹ 140
(D) ₹ 160
- Q9.** Which of the following is NOT a feature of perfect competition?
- (A) Homogeneous products
(B) Free entry and exit of firms
(C) Perfect knowledge for buyers and sellers
(D) Product differentiation
- Q10.** In the short run, a perfectly competitive firm should shut down if the market price falls below its:
- (A) Average Total Cost (ATC)
(B) Marginal Cost (MC)
(C) Average Variable Cost (AVC)
(D) Average Fixed Cost (AFC)
- Q11.** Under perfect competition, the firm is a price _____, while the industry is a price _____.
- (A) maker, taker
(B) taker, maker
(C) maker, maker
(D) taker, taker
- Q12.** In the long run, a perfectly competitive firm earns:



- (A) Supernormal profits
- (B) Losses
- (C) Normal profits
- (D) Zero economic profit (which is normal profit)

Q13. The supply curve of a firm under perfect competition in the short run is represented by the upward-sloping portion of its:

- (A) Average Fixed Cost (AFC) curve
- (B) Marginal Revenue (MR) curve
- (C) Average Variable Cost (AVC) curve
- (D) Marginal Cost (MC) curve above the Average Variable Cost (AVC) curve

Q14. If the market price is above the equilibrium price, which of the following will occur?

- (A) Excess demand, leading to a fall in price
- (B) Excess supply, leading to a fall in price
- (C) Excess demand, leading to a rise in price
- (D) Excess supply, leading to a rise in price

Q15. A price floor set above the equilibrium price will lead to:

- (A) A shortage in the market
- (B) A surplus in the market
- (C) A new equilibrium at a lower price
- (D) No impact on the market

Q16. In a simple two-sector economy (households and firms), which of the following represents an injection into the circular flow of income?

- (A) Savings by households
- (B) Purchase of goods and services by households



- (C) Investment by firms
- (D) Payment of wages by firms

Q17. If nominal GDP is ₹ 2,000 crores and real GDP is ₹ 1,600 crores, the GDP deflator is:

- (A) 0.8
- (B) 1.25
- (C) 250
- (D) 125

Q18. Which of the following would be included in the calculation of GDP using the income method?

- (A) Intermediate goods purchased by firms
- (B) Transfer payments to retired citizens
- (C) Rent, wages, interest, and profits
- (D) Purchase of a used car

Q19. To convert GDP at Market Price to NDP at Factor Cost, which of the following adjustments are needed?

- (A) Subtract Net Indirect Taxes, Add Net Factor Income from Abroad, Subtract Depreciation
- (B) Subtract Depreciation, Subtract Net Indirect Taxes
- (C) Add Depreciation, Add Net Indirect Taxes, Subtract Net Factor Income from Abroad
- (D) Subtract Depreciation, Subtract Net Indirect Taxes, Subtract Net Factor Income from Abroad

Q20. Which of the following is a stock variable?

- (A) National income
- (B) Money supply



- (C) Investment
- (D) Imports

Q21. Which of the following is NOT a function of money?

- (A) Medium of exchange
- (B) Store of value
- (C) Unit of account
- (D) Source of government revenue

Q22. If the Legal Reserve Ratio (LRR) is 20%, what is the maximum amount of money the banking system can create with an initial deposit of ₹ 1,000?

- (A) ₹ 200
- (B) ₹ 5,000
- (C) ₹ 1,000
- (D) ₹ 2,000

Q23. Which of the following is a primary function of a central bank?

- (A) Accepting deposits from the public
- (B) Providing loans to individual customers
- (C) Issuing currency
- (D) Providing loans to businesses directly

Q24. If the Reserve Bank of India (RBI) wants to control inflation, it would most likely:

- (A) Decrease the Cash Reserve Ratio (CRR)
- (B) Buy government securities in the open market
- (C) Decrease the Repo Rate
- (D) Increase the Repo Rate



- Q25.** In a closed economy without government, aggregate demand (AD) is equal to:
- (A) $C + I$
 - (B) $C + S$
 - (C) $C + I + G$
 - (D) $C + I + G + (X - M)$
- Q26.** If the marginal propensity to consume (MPC) is 0.8, and autonomous investment increases by ₹ 100 crores, the increase in national income will be:
- (A) ₹ 80 crores
 - (B) ₹ 100 crores
 - (C) ₹ 500 crores
 - (D) ₹ 200 crores
- Q27.** In the Keynesian two-sector model, equilibrium level of income is achieved when:
- (A) Consumption equals Investment
 - (B) Savings equals Consumption
 - (C) Aggregate Demand equals Aggregate Supply
 - (D) Savings equals Autonomous Consumption
- Q28.** To correct a situation of deficient demand (deflationary gap), which of the following fiscal policy measures would be appropriate?
- (A) Increasing government expenditure and increasing taxes
 - (B) Decreasing government expenditure and decreasing taxes
 - (C) Increasing government expenditure and decreasing taxes
 - (D) Decreasing government expenditure and increasing taxes
- Q29.** Which of the following is a non-tax revenue receipt of the government?
- (A) Goods and Services Tax (GST)



- (B) Income Tax
- (C) Fees and penalties
- (D) Corporation Tax

Q30. A government budget shows a primary deficit of ₹ 10,000 crores. If interest payments on past borrowings are ₹ 2,000 crores, what is the fiscal deficit?

- (A) ₹ 8,000 crores
- (B) ₹ 10,000 crores
- (C) ₹ 12,000 crores
- (D) ₹ 1,200 crores

Q31. Borrowings by the government are considered a:

- (A) Revenue receipt
- (B) Revenue expenditure
- (C) Capital receipt
- (D) Capital expenditure

Q32. Which of the following transactions would be recorded in the current account of the Balance of Payments (BOP)?

- (A) Foreign direct investment (FDI) in India
- (B) Portfolio investment by foreign institutions
- (C) Export of services
- (D) Borrowing from abroad

Q33. If the Indian Rupee depreciates against the US Dollar, it implies:

- (A) Indian exports become more expensive for US buyers.
- (B) Indian imports become cheaper for Indian buyers.
- (C) US goods become more expensive for Indian buyers.
- (D) The exchange rate (₹ per \$) decreases.



- Q34.** A system where the exchange rate is allowed to fluctuate based on market forces, but the central bank intervenes to moderate volatility, is known as:
- (A) Fixed exchange rate system
 - (B) Flexible exchange rate system
 - (C) Managed floating exchange rate system
 - (D) Gold standard system
- Q35.** The primary objective of the Second Five-Year Plan (1956-1961) was:
- (A) Self-reliance in food grain production
 - (B) Rapid industrialization with emphasis on heavy industries
 - (C) Poverty alleviation through social justice
 - (D) Modernization of agriculture
- Q36.** Which of the following was a major criticism of the Green Revolution in India?
- (A) It led to a decrease in food grain production.
 - (B) It primarily benefited large farmers and exacerbated regional disparities.
 - (C) It led to excessive import of food grains.
 - (D) It caused widespread unemployment in the agricultural sector.
- Q37.** The Industrial Policy Resolution (IPR) of 1956 categorized industries into how many schedules?
- (A) One
 - (B) Two
 - (C) Three
 - (D) Four
- Q38.** The policy of 'import substitution' followed by India until 1991 aimed to:
- (A) Promote free trade with all countries.
 - (B) Replace imports with domestic production to protect domestic industries.



- (C) Focus solely on exporting manufactured goods.
- (D) Encourage foreign investment in all sectors.

Q39. Which of the following is a key component of 'Liberalisation' under India's 1991 economic reforms?

- (A) Increasing government control over industries
- (B) Reducing trade barriers
- (C) Nationalization of private enterprises
- (D) Promoting public sector monopolies

Q40. One significant impact of the 1991 economic reforms on the agricultural sector was:

- (A) A massive increase in public investment in agriculture.
- (B) Increased exposure to global markets, leading to both opportunities and vulnerabilities.
- (C) The complete abolition of agricultural subsidies.
- (D) A shift from cash crops to food grain production.

Q41. The term 'disinvestment' under the 1991 reforms primarily refers to:

- (A) The government selling its shares in public sector undertakings (PSUs) to the private sector.
- (B) Private companies investing in public sector projects.
- (C) The government investing in new public sector industries.
- (D) Foreign companies investing in Indian PSUs without government ownership change.

Q42. Which of the following is NOT a component of human capital formation?

- (A) Education
- (B) Health
- (C) On-the-job training



(D) Physical capital

Q43. The 'self-help group (SHG)' approach has been particularly effective in rural development for:

(A) Directly providing large-scale irrigation projects.

(B) Facilitating micro-credit and empowering rural women.

(C) Establishing large industrial units in villages.

(D) Implementing land reform policies.

Q44. When a person is willing to work at the prevailing wage rate but cannot find employment, it is known as:

(A) Disguised unemployment

(B) Seasonal unemployment

(C) Voluntary unemployment

(D) Involuntary unemployment

Q45. Which of the following is a direct consequence of the loss of biodiversity and land degradation in India?

(A) Increased agricultural productivity

(B) Enhanced ecological balance

(C) Increased vulnerability to natural disasters and food insecurity

(D) Improvement in air quality

Q46. The concept of 'absolute poverty' in India is primarily measured by:

(A) The number of luxury goods owned by households.

(B) The proportion of income spent on education.

(C) The minimum subsistence level of living, often based on calorie intake.

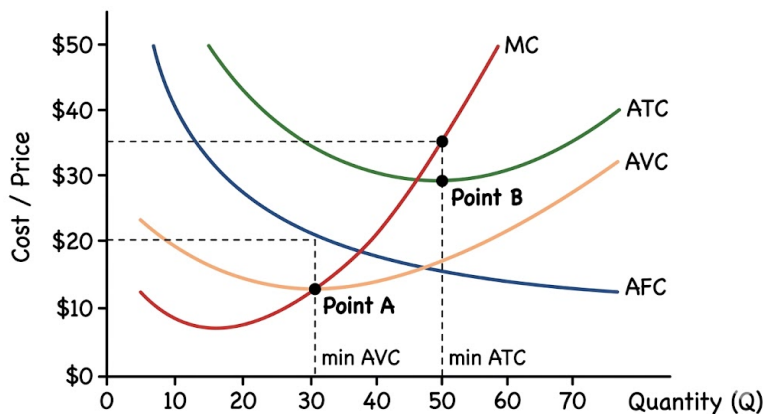
(D) Comparison of income with the average income of the population.



Q47. A major challenge faced by India’s energy sector is:

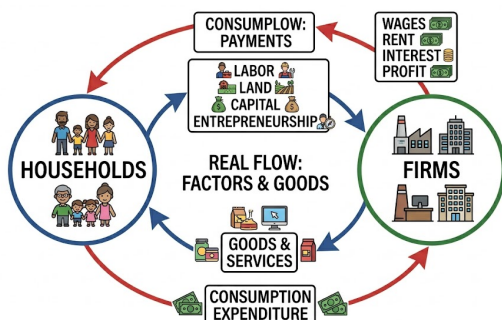
- (A) Over-reliance on renewable energy sources.
- (B) Insufficient installed capacity to meet growing demand.
- (C) Abundant and cheap availability of petroleum products domestically.
- (D) A surplus of electricity generation with no demand.

Q48. Based on this description, which point represents the long-run efficient scale of production for a perfectly competitive firm?



- (A) Any point on the AFC curve
- (B) Point A (minimum AVC)
- (C) Point B (minimum ATC)
- (D) Any point where MC equals AVC

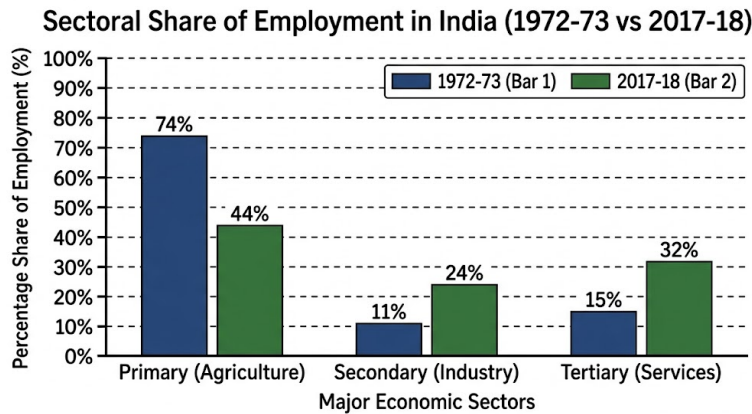
Q49. In this diagram, which of the following represents a **real flow** from households to firms?



- (A) Payment for goods and services

- (B) Factor payments (wages, rent)
- (C) Supply of labor and capital
- (D) Household savings

Q50. Based on this bar graph, what significant economic transformation does the data primarily suggest between 1972-73 and 2017-18?



- (A) India has successfully achieved a balanced growth across all three sectors.
- (B) There has been a significant shift of the workforce from the primary sector to the secondary and tertiary sectors.
- (C) The industrial sector has become the largest employer in India.
- (D) The service sector has declined in its importance as an employer.



Detailed Solutions**Q1.****Solution**

Concept: The Production Possibility Frontier (PPF) is a curve that illustrates the maximum possible output combinations of two goods or services an economy can achieve when all resources are fully and efficiently employed. Its shape reveals the nature of opportunity cost in production.

Solution: When the Production Possibility Frontier (PPF) is concave to the origin (meaning it bows outwards), it indicates the presence of increasing opportunity cost. This occurs because resources are not perfectly adaptable or equally efficient in the production of all goods. As an economy shifts resources from producing one good to another, it must reallocate resources that are progressively less suited for the new production task and more specialized for the previous one. Consequently, to produce additional units of one good, larger and larger quantities of the other good must be sacrificed. For example, moving from an economy focused heavily on agriculture to one that produces more manufactured goods might initially be easy by shifting less productive farm labor.

However, as more manufacturing is desired, highly skilled farmers and fertile land must be diverted, leading to a greater sacrifice of agricultural output for each additional unit of manufactured goods. This increasing sacrifice is the essence of increasing opportunity cost.

Final Answer : “Increasing opportunity cost”

Answer: (C)



Q2.

Solution

Concept: A consumer is said to be in equilibrium when they are maximizing their utility, subject to their budget constraint. For two goods, X and Y, this condition is met when the marginal rate of substitution (MRS) of good X for good Y is equal to the ratio of their prices. Mathematically, this is expressed as:

$$MRS_{xy} = P_x / P_y$$

Solution: We are given the following information:

Marginal Rate of Substitution of good X for good Y (MRS_{xy}) = 2. This means the consumer is willing to give up 2 units of good Y to get 1 additional unit of good X, while maintaining the same level of satisfaction.

Price of good X (P_x) = ₹ 10.

To find the price of good Y (P_y) for the consumer to be in equilibrium, we apply the equilibrium condition:

$$MRS_{xy} = P_x / P_y$$

Substitute the given values into the equation:

$$2 = ₹ 10 / P_y$$

Now, solve for P_y :

$$P_y = ₹ 10 / 2$$

$$P_y = ₹ 5$$

Therefore, for the consumer to be in equilibrium, the market price of good Y must also reflect the consumer's subjective valuation (MRS), which means P_y should be ₹ 5.

Final Answer : “₹ 5”

Answer: (A)



Q3.

Solution

Concept: A rightward shift in the demand curve for a good signifies an increase in the quantity demanded at every possible price level. This shift is caused by changes in non-price determinants of demand, often referred to as "shifters" of the demand curve. For a normal good, these determinants include consumer income, prices of related goods (substitutes and complements), consumer tastes and preferences, consumer expectations, and the number of buyers.

Solution: Let's analyze each option in the context of a normal good:

(A) A decrease in the price of the good itself: A change in the good's own price causes a movement along the existing demand curve, not a shift of the curve. A decrease in price would lead to an increase in quantity demanded, moving down along the demand curve.

(B) An increase in the price of a complementary good:

Complementary goods are consumed together (e.g., coffee and sugar). If the price of a complementary good increases, the demand for the good in question (the normal good) will decrease because it becomes more expensive to consume them together. This would lead to a leftward shift in the demand curve.

(C) A decrease in consumer income: For a normal good, a decrease in consumer income means consumers have less purchasing power. This would lead to a decrease in demand for the normal good, resulting in a leftward shift in the demand curve.

(D) An increase in the price of a substitute good:

Substitute goods can be used in place of each other (e.g., tea and coffee). If the price of a substitute good increases, consumers will find the good in question (the normal good) relatively cheaper and more attractive. This will cause consumers to switch from the now more expensive substitute to the normal good, leading to an increase in demand for the normal good.

This results in a *rightward* shift in its demand curve.

Therefore, an increase in the price of a substitute good would lead to a rightward shift in the demand curve for a normal good.

Final Answer : "An increase in the price of a substitute good"

Answer: (D)



Q4.

Solution

Concept: Price Elasticity of Demand (E_d) measures the responsiveness of the quantity demanded of a good to a change in its price. It is calculated as the percentage change in quantity demanded divided by the percentage change in price.

When demand is perfectly inelastic ($E_d = 0$), it implies that consumers will purchase the exact same quantity of the good regardless of any changes in its price.

Solution: The formula for price elasticity of demand is:

$$E_d = (\% \text{ Change in Quantity Demanded}) / (\% \text{ Change in Price})$$

We are given that the demand for the product is perfectly inelastic, which means $E_d = 0$.

We are also given a 10% increase in its price.

Substitute these values into the formula:

$$0 = (\% \text{ Change in Quantity Demanded}) / 10\%$$

To find the % Change in Quantity Demanded, multiply both sides by 10%:

$$\% \text{ Change in Quantity Demanded} = 0 * 10\%$$

$$\% \text{ Change in Quantity Demanded} = 0\%$$

This means that if demand is perfectly inelastic, a change in price (even a significant one like 10%) will have no effect on the quantity consumers are willing and able to purchase. The quantity demanded remains constant. Graphically, a perfectly inelastic demand curve is a vertical line.

Final Answer : “A 0% change in quantity demanded”

Answer: (B)



Q5.

Solution

Concept: In the short run, production involves both fixed and variable inputs. Total Product (TP) refers to the total output produced with a given amount of inputs.

Marginal Product (MP) is the additional output generated by employing one more unit of a variable input (e.g., labor), holding all other inputs constant. The relationship between TP and MP is crucial for understanding short-run production stages. MP is essentially the slope of the TP curve.

Solution: The relationship between Total Product (TP) and Marginal Product (MP) follows a distinct pattern:

When Total Product (TP) is increasing at an increasing rate: This stage signifies that each additional unit of the variable input (e.g., labor) is contributing more and more to the total output than the preceding unit. This phenomenon is often due to the benefits of specialization and improved coordination among a small number of workers. In this phase, the slope of the TP curve is becoming steeper, which directly implies that the Marginal Product (MP) of the variable input is increasing.

When TP is increasing at a decreasing rate: After a certain point, diminishing marginal returns set in. Each additional unit of the variable input still adds to total output, but by a smaller amount than the previous unit. In this stage, MP is positive but decreasing.

When TP reaches its maximum: MP becomes zero, as adding another unit of input does not change total output.

When TP starts to decrease: MP becomes negative, indicating that adding more units of the variable input actually reduces total output.

Therefore, when the total product is increasing at an increasing rate, the marginal product is increasing.

Final Answer : “Increasing”

Answer: (C)



Q6.

Solution

Concept: Average Cost (AC) is the total cost per unit of output (TC/Q), while Marginal Cost (MC) is the additional cost incurred by producing one more unit of output.

There is a fundamental and consistent relationship between any average curve and its corresponding marginal curve. This relationship is particularly important in cost analysis.

Solution: The relationship between the Marginal Cost (MC) curve and the Average Cost (AC) curve is as follows:

If MC is below AC: When the cost of producing an additional unit (MC) is less than the current average cost (AC), producing that extra unit will pull the average cost down. Therefore, AC will be decreasing.

If MC is above AC: When the cost of producing an additional unit (MC) is greater than the current average cost (AC), producing that extra unit will push the average cost up. Therefore, AC will be increasing.

If MC equals AC: The only point where AC transitions from falling to rising is precisely where MC is equal to AC. At this point, MC intersects AC. Furthermore, this intersection always occurs at the minimum point of the Average Cost (AC) curve. This is because if AC were still falling, MC would have to be below it; if AC were rising, MC would have to be above it. Thus, for AC to be at its lowest point, MC must be exactly equal to it.

This relationship is a general principle that applies to all average and marginal curves (e.g., average product and marginal product, average revenue and marginal revenue).

Final Answer : “When AC is at its minimum”

Answer: (C)



Q7.

Solution

Concept: In economics, costs are broadly categorized into explicit costs and implicit costs.

Explicit costs are direct monetary payments made by a firm to outsiders for resources or inputs not owned by the firm (e.g., wages, rent, raw material purchases).

They are easily identifiable and recorded in accounting statements.

Implicit costs represent the opportunity costs of using resources that the firm already owns or that are provided by the firm's owners. No direct monetary payment is made for these, but they represent the foregone income from the best alternative use of those resources.

Solution: Let's analyze each option to identify the implicit cost:

(A) Wages paid to workers: These are direct monetary payments for labor services. This is an explicit cost.

(B) Rent paid for factory building: This is a direct monetary payment for the use of a leased property. This is an explicit cost.

(C) Interest foregone on owner's capital invested in the business: If the owner has invested their own money (capital) into the business, they are not paying themselves interest. However, this capital could have been invested elsewhere (e.g., in a bank account, stocks, or bonds) to earn interest or dividends. The interest (or return) that could have been earned from the next best alternative use of that capital is an opportunity cost. Since no actual cash payment is made for this, it is an implicit cost. It represents the income sacrificed by using the capital in the business.

(D) Cost of raw materials: These are direct monetary payments for inputs used in the production process. This is an explicit cost.

Therefore, the interest foregone on the owner's capital is an example of an implicit cost.

Final Answer : "Interest foregone on owner's capital invested in the business"

Answer: (C)



Q8.

Solution

Concept: In the short run, a firm's total cost (TC) is the sum of its total fixed costs (TFC) and total variable costs (TVC). [1][2] TFC is the expenditure on fixed factors (like capital), while TVC is the expenditure on variable factors (like labor).

$$TC = TFC + TVC = (\text{Rental rate of capital} * \text{Quantity of capital}) + (\text{Wage rate} * \text{Quantity of labor})$$

Solution: Given Information:

Production function: $Q = 2KL$

Fixed Capital (K): 5 units

Target Output (Q): 40 units

Wage rate (w): ₹ 20 per unit

Rental rate of capital (r): ₹ 8 per unit

1. Determine the required Labor (L):

Substitute the known values into the production function to find the units of labor needed.

$$Q = 2KL$$

$$40 = 2 * (5) * L$$

$$40 = 10L$$

$$L = 4 \text{ units}$$

2. Calculate Total Cost (TC):

First, calculate the fixed and variable costs separately.

$$\text{Total Fixed Cost (TFC)} = r * K = ₹ 8/\text{unit} * 5 \text{ units} = ₹ 40$$

$$\text{Total Variable Cost (TVC)} = w * L = ₹ 20/\text{unit} * 4 \text{ units} = ₹ 80$$

Next, add the fixed and variable costs to find the total cost.

$$\text{Total Cost (TC)} = TFC + TVC = ₹ 40 + ₹ 80 = ₹ 120$$

The total cost of producing 40 units of output is ₹ 120.

Final Answer : “₹ 120”

Answer: (B)



Q9.

Solution

Concept: Perfect competition is a theoretical market structure characterized by several key assumptions that ensure no single buyer or seller has market power. These features include a large number of buyers and sellers, homogeneous products, free entry and exit, and perfect information.

Solution: Let's analyze each option in the context of perfect competition:

(A) Homogeneous products: This is a core feature of perfect competition. It means all firms sell identical products, so consumers have no preference for one seller over another based on the product itself.

(B) Free entry and exit of firms: This is another essential characteristic. Firms can enter the market if there are profits to be made and exit if they are incurring losses, ensuring that in the long run, only normal profits are earned.

(C) Perfect knowledge for buyers and sellers: In perfect competition, both buyers and sellers have complete information about prices, products, and market conditions, meaning no one can exploit information asymmetry.

(D) Product differentiation: This is the opposite of homogeneous products. Product differentiation, where firms offer products that are slightly different from their competitors (e.g., through branding, quality differences, features), is a characteristic of monopolistic competition or oligopoly, not perfect competition.

Therefore, product differentiation is NOT a feature of perfect competition.

Final Answer : “Product differentiation”

Answer: (D)



Q10.

Solution

Concept: In the short run, a firm faces both fixed and variable costs. A perfectly competitive firm aims to maximize profits or minimize losses. The shutdown rule helps a firm decide whether to continue production or temporarily cease operations in the short run.

Solution: In the short run, a firm has fixed costs that it must pay even if it produces zero output. Variable costs, however, are only incurred when production occurs.

If the market price (P) is above Average Total Cost (ATC), the firm earns economic profits.

If P is between ATC and Average Variable Cost (AVC), the firm is incurring losses but is still covering all its variable costs and some portion of its fixed costs. In this scenario, it's better to continue operating, as shutting down would mean losing all fixed costs. By operating, it covers TVC and contributes to TFC , thereby minimizing losses ($\text{losses} < TFC$).

If the market price (P) falls below its Average Variable Cost (AVC), it means the firm cannot even cover the costs directly associated with producing its output (like labor and raw materials). In this situation, every unit produced adds more to variable costs than it generates in revenue. By continuing to operate, the firm would not only lose its fixed costs but also a part of its variable costs. Therefore, to minimize losses (which would then be equal to its fixed costs), the firm should shut down operations in the short run.

The shutdown point is where $P = AVC$ (minimum AVC). If P falls below this point, the firm should shut down.

Final Answer : “Average Variable Cost (AVC)”

Answer: (C)



Q11.

Solution

Concept: The terms "price taker" and "price maker" describe a firm's or an industry's ability to influence the market price of a good or service. This ability depends on the market structure.

Solution: Firm under perfect competition: A single firm in a perfectly competitive market is one among many, producing a homogeneous product. It is so small relative to the entire market that its individual output decisions have no discernible impact on the overall market price. Therefore, it must accept the market price determined by the forces of overall market supply and demand. Such a firm is a price taker. It faces a perfectly elastic demand curve at the market price.

Industry under perfect competition: The industry, on the other hand, comprises all the firms producing that particular good. The market price is determined by the collective interaction of the total market supply (sum of all individual firms' supplies) and the total market demand. Because the industry as a whole dictates the equilibrium price, it is considered a price maker for the market price that individual firms then take.

Therefore, under perfect competition, the firm is a price taker, while the industry is a price maker.

Final Answer : "taker, maker"

Answer: (B)



Q12.

Solution

Concept: The long-run equilibrium in a perfectly competitive market is shaped by the condition of free entry and exit of firms. This feature ensures that economic profits or losses cannot persist indefinitely.

Solution: In the long run, in a perfectly competitive market:

If firms are earning supernormal profits (economic profits): The existence of these profits will attract new firms to enter the industry due to free entry. As new firms enter, the total market supply increases, shifting the industry supply curve to the right. This increase in supply will drive down the market price. The price will continue to fall until economic profits are eliminated, and firms are only earning normal profits.

If firms are incurring losses (negative economic profits): Firms that are unable to cover their costs will exit the industry due to free exit. As firms exit, the total market supply decreases, shifting the industry supply curve to the left. This decrease in supply will drive up the market price. The price will continue to rise until losses are eliminated, and firms are again earning normal profits.

Consequently, due to the forces of free entry and exit, in the long run, perfectly competitive firms can only earn normal profits. Normal profit is defined as the minimum profit necessary to keep a firm in operation and is considered part of the firm's total costs, meaning that economic profit is zero. Economic profit accounts for both explicit and implicit costs, including the opportunity cost of the owner's capital and time. So, zero economic profit is equivalent to earning normal profit.

Final Answer : “Zero economic profit (which is normal profit)”

Answer: (D)



Q13.

Solution

Concept: The supply curve of a firm shows the quantity of a good that the firm is willing and able to produce and sell at different prices. For a perfectly competitive firm, its supply decision in the short run is directly linked to its cost structure and the profit-maximization rule.

Solution: In a perfectly competitive market, a firm is a price taker, meaning it must accept the market price (P). The firm maximizes profit by producing at the output level where Marginal Cost (MC) equals Marginal Revenue (MR). Since the firm is a price taker, $P = MR$. Therefore, the profit-maximization condition becomes $P = MC$.

However, a firm will only produce if it can at least cover its variable costs. If the price falls below its Average Variable Cost (AVC), the firm should shut down in the short run to minimize losses (which would then be equal to fixed costs). If it produces when $P < AVC$, its losses would exceed its fixed costs.

Therefore, a perfectly competitive firm's short-run supply curve is represented by the portion of its Marginal Cost (MC) curve that lies above its Average Variable Cost (AVC) curve. Below the minimum AVC, the firm supplies zero output.

Final Answer : "Marginal Cost (MC) curve above the Average Variable Cost (AVC) curve"

Answer: (D)



Q14.

Solution

Concept: Market equilibrium occurs when the quantity demanded equals the quantity supplied at a specific price (the equilibrium price). If the market price deviates from this equilibrium, forces will push the price back towards equilibrium.

Solution: Let's consider what happens if the market price is set above the equilibrium price:

At a price higher than equilibrium:

Quantity Demanded (Qd): Consumers are less willing to buy at a higher price, so the quantity demanded will be lower than the equilibrium quantity.

Quantity Supplied (Qs): Producers are more willing to sell at a higher price, so the quantity supplied will be higher than the equilibrium quantity.

Result: When Quantity Supplied (Qs) is greater than Quantity Demanded (Qd), there is an excess supply, also known as a surplus.

Market Adjustment: With a surplus, producers find themselves with unsold goods. To clear their inventories and attract more buyers, they will begin to lower their prices. This downward pressure on prices will continue until the quantity demanded rises and the quantity supplied falls, bringing the market back to the equilibrium price where $Q_d = Q_s$.

Therefore, if the market price is above the equilibrium price, excess supply will occur, leading to a fall in price.

Final Answer : "Excess supply, leading to a fall in price"

Answer: (B)



Q15.

Solution

Concept: A price floor is a government-imposed minimum price that can be charged for a good or service. Its impact on the market depends on whether it is set above or below the equilibrium price.

Solution: Let's consider a price floor set above the equilibrium price:

Equilibrium Price: This is the natural market-clearing price where quantity demanded equals quantity supplied. **Price Floor above Equilibrium:** If the government sets a minimum price (P_{floor}) that is higher than the equilibrium price (P_{eq}):

At the higher price floor, consumers will demand a smaller quantity of the good ($Q_d < Q_{\text{eq}}$).

At the higher price floor, producers will be encouraged to supply a larger quantity of the good ($Q_s > Q_{\text{eq}}$).

Result: Since the quantity supplied (Q_s) at the price floor is greater than the quantity demanded (Q_d) at that same price, there will be an excess supply, commonly known as a surplus, in the market. The market will not be able to clear, as there will be more goods offered for sale than consumers are willing to buy at the mandated minimum price.

Examples include minimum wage laws (a price floor for labor) or agricultural price supports.

Final Answer : "A surplus in the market"

Answer: (B)



Q16.

Solution

Concept: The circular flow of income model illustrates the interdependence of economic sectors (households and firms in a simple two-sector model). It shows how money, goods, and services flow through the economy. Injections are additions to the circular flow, while leakages are withdrawals from it.

Solution: In a simple two-sector economy consisting of households and firms:

Households provide factors of production (labor, capital, land) to firms.

Firms use these factors to produce goods and services, which they sell to households.

Firms pay households for their factors of production (wages, rent, interest, profit) – this is household income.

Households spend this income on goods and services produced by firms – this is firm revenue.

Now let's examine the options for injections:

(A) Savings by households: When households save a portion of their income instead of spending it on goods and services, this money is withdrawn from the immediate spending stream. Therefore, savings are a leakage from the circular flow.

(B) Purchase of goods and services by households: This represents consumption expenditure, which is part of the basic flow of income and expenditure between households and firms. It is not an injection or a leakage, but the core flow itself.

(C) Investment by firms: Investment refers to firms spending money on capital goods (e.g., machinery, buildings, inventory) to increase future production capacity. This spending represents an injection into the circular flow because it adds to the overall demand for goods and services beyond household consumption. This money flows into the economy and stimulates further economic activity.

(D) Payment of wages by firms: This is a factor payment from firms to households for the use of labor. It is part of the basic flow of income generation to households and is not an injection, but rather a component of the income flow.

Therefore, investment by firms represents an injection into the circular flow of income.

Final Answer : “Investment by firms”

Answer: (C)



Q17.

Solution

Concept: The GDP deflator is a measure of the overall price level of all new, domestically produced, final goods and services in an economy. It reflects the changes in prices from a base year and is calculated using the ratio of nominal GDP to real GDP.

Formula: $\text{GDP Deflator} = (\text{Nominal GDP} / \text{Real GDP}) * 100$

Solution: Given: Nominal GDP = ₹ 2,000 crores

Real GDP = ₹ 1,600 crores

Using the formula for the GDP deflator:

$\text{GDP Deflator} = (\text{Nominal GDP} / \text{Real GDP}) * 100$

$\text{GDP Deflator} = (\text{₹ 2,000 crores} / \text{₹ 1,600 crores}) * 100$

$\text{GDP Deflator} = 1.25 * 100$

$\text{GDP Deflator} = 125$

The GDP deflator indicates that the current year's price level is 125% of the base year's price level, meaning prices have increased by 25% since the base year.

Final Answer : "125"

Answer: (D)



Q18.

Solution

Concept: The income method of calculating Gross Domestic Product (GDP) sums up all the incomes earned by the factors of production (land, labor, capital, and entrepreneurship) within the domestic territory of a country during an accounting year. This includes wages, rent, interest, and profits.

Solution: Let's analyze each option:

(A) Intermediate goods purchased by firms: Intermediate goods are inputs used in the production process (e.g., raw materials). Including them would lead to double-counting as their value is already embedded in the final goods' prices. The income method focuses on factor incomes, not intermediate purchases.

(B) Transfer payments to retired citizens: Transfer payments (like pensions, unemployment benefits, scholarships) are payments made without any corresponding production of goods or services in return. They are simply a transfer of income and do not represent income earned from productive activity, so they are excluded from GDP calculation by the income method.

(C) Rent, wages, interest, and profits: These are the primary components of factor income.

Wages: Income for labor.

Rent: Income for land/property.

Interest: Income for capital.

Profits: Income for entrepreneurship.

These collectively represent the income generated from productive activities within an economy and are precisely what the income method sums up to arrive at GDP at Factor Cost (which can then be adjusted to GDP at Market Price).

(D) Purchase of a used car: This is a transaction involving a second-hand good. GDP measures the value of newly produced goods and services in a given period. The value of the car was already counted in GDP when it was first produced and sold. Therefore, the purchase of a used car is excluded.

Thus, rent, wages, interest, and profits are included in the calculation of GDP using the income method.

Final Answer : "Rent, wages, interest, and profits"

Answer: (C)



Q19.

Solution

Concept: National income aggregates can be expressed in various forms. Converting between these aggregates requires specific adjustments for depreciation, net indirect taxes, and net factor income from abroad.

Gross (G) to Net (N): Subtract Depreciation. ($\text{Net} = \text{Gross} - \text{Depreciation}$)

Market Price (MP) to Factor Cost (FC): Subtract Net Indirect Taxes (Indirect Taxes - Subsidies). ($\text{FC} = \text{MP} - \text{Net Indirect Taxes}$)

Domestic (D) to National (N): Add Net Factor Income from Abroad (NFIA). ($\text{National} = \text{Domestic} + \text{NFIA}$)

Solution: We need to convert GDP at Market Price (GDP_MP) to NDP at Factor Cost (NDP_FC).

1. From Gross (G) to Net (N): We move from Gross Domestic Product (GDP) to Net Domestic Product (NDP). To do this, we must subtract Depreciation.

$$\text{GDP_MP} - \text{Depreciation} = \text{NDP_MP}$$

2. From Market Price (MP) to Factor Cost (FC): We move from Net Domestic Product at Market Price (NDP_MP) to Net Domestic Product at Factor Cost (NDP_FC). To do this, we must subtract Net Indirect Taxes.

$$\text{NDP_MP} - \text{Net Indirect Taxes} = \text{NDP_FC}$$

Combining these two steps:

$$\text{GDP_MP} - \text{Depreciation} - \text{Net Indirect Taxes} = \text{NDP_FC}$$

The "Domestic" component remains unchanged as we are converting GDP to NDP, both of which are domestic concepts. Therefore, Net Factor Income from Abroad (NFIA) is not involved in this specific conversion.

Final Answer : "Subtract Depreciation, Subtract Net Indirect Taxes"

Answer: (B)



Q20.

Solution

Concept: In economics, variables can be classified as either stock variables or flow variables.

Stock Variable: A quantity measured at a specific point in time. It has no time dimension. Examples include wealth, capital, money supply, population, and inventory.

Flow Variable: A quantity measured over a period of time. It has a time dimension (e.g., per hour, per week, per year). Examples include income, investment, consumption, GDP, and imports/exports.

Solution: Let's analyze each option:

(A) National income: This is typically measured over a period, usually a year (e.g., "India's national income for 2023"). Hence, it is a flow variable.

(B) Money supply: This refers to the total amount of money circulating in an economy at a particular moment (e.g., "The money supply at the end of December"). Hence, it is a stock variable.

(C) Investment: This refers to the addition to the capital stock over a period of time (e.g., "Investment made by firms last quarter"). Hence, it is a flow variable.

(D) Imports: This refers to the value of goods and services purchased from other countries over a period (e.g., "Annual imports of the country"). Hence, it is a flow variable.

Therefore, money supply is a stock variable.

Final Answer : "Money supply"

Answer: (B)



Q21.

Solution

Concept: Money plays a crucial role in modern economies by facilitating transactions and economic activity. Economists typically identify three primary functions of money: medium of exchange, unit of account, and store of value.

Solution: Let's examine each option:

(A) Medium of exchange: This is a primary function. Money allows goods and services to be exchanged without the need for a "double coincidence of wants," which is required in a barter system. It facilitates transactions.

(B) Store of value: Money can be held and used for future purchases. It allows people to defer consumption to a later date, provided its purchasing power doesn't erode too quickly due to inflation.

(C) Unit of account: Money serves as a common measure of value, allowing prices of different goods and services to be expressed in a standardized unit (e.g., in dollars, rupees, euros). This simplifies comparison and accounting.

(D) Source of government revenue: While governments mint currency and can use monetary policy, money itself is not a direct source of government revenue in the way that taxes, fees, or borrowing are. Government revenue is primarily collected through taxation. Printing more money is a monetary policy tool that can finance government spending but is not considered a fundamental function of money for the economy. In fact, excessive money printing can lead to inflation and erode money's other functions.

Therefore, being a source of government revenue is NOT a function of money.

Final Answer : "Source of government revenue"

Answer: (D)



Q22.

Solution

Concept: The banking system's ability to create money (credit creation) is based on fractional reserve banking. For every deposit received, banks are required to hold a fraction as reserves (Legal Reserve Ratio, LRR) and can lend out the rest. This lent-out money eventually comes back into the banking system as new deposits, leading to a multiplier effect.

The money multiplier (k) is calculated as $1 / \text{LRR}$.

The total money created (or total deposits) = Initial Deposit * Money Multiplier.

Solution: Given:

Legal Reserve Ratio (LRR) = 20% = 0.20

Initial Deposit = ₹ 1,000

Step 1: Calculate the Money Multiplier (k).

$$k = 1 / \text{LRR}$$

$$k = 1 / 0.20$$

$$k = 5$$

Step 2: Calculate the maximum amount of money the banking system can create.

Total Money Created = Initial Deposit * Money Multiplier

$$\text{Total Money Created} = ₹ 1,000 * 5$$

$$\text{Total Money Created} = ₹ 5,000$$

This ₹ 5,000 represents the total deposits in the banking system, including the initial deposit. The actual new money created is ₹ 5,000 - ₹ 1,000 = ₹ 4,000. However, the question asks for the "maximum amount of money the banking system can create with an initial deposit," which refers to the total potential expansion of deposits in the system.

Final Answer : "₹ 5,000"

Answer: (B)



Q23.

Solution

Concept: A central bank is the apex monetary institution of a country. Unlike commercial banks, which interact directly with the public, a central bank's primary role is to regulate the country's currency, money supply, and credit conditions. It acts as a banker to the government and commercial banks.

Solution: Let's evaluate each option:

(A) Accepting deposits from the public: This is a primary function of commercial banks, not a central bank. Central banks typically do not deal directly with individual citizens or non-financial businesses.

(B) Providing loans to individual customers: Similar to accepting deposits, providing loans to individual customers is a core function of commercial banks. Central banks lend to commercial banks (as a lender of last resort) or to the government, but not directly to individuals.

(C) Issuing currency: This is a unique and fundamental function of a central bank in almost all modern economies. The central bank holds the sole authority to issue the country's legal tender (currency notes and coins), ensuring uniformity and control over the money supply.

(D) Providing loans to businesses directly: Again, this is a function primarily performed by commercial banks. The central bank's lending to the business sector is indirect, through commercial banks.

Therefore, issuing currency is a primary function of a central bank.

Final Answer : "Issuing currency"

Answer: (C)



Q24.

Solution

Concept: Inflation refers to a sustained increase in the general price level of goods and services in an economy. Central banks, like the Reserve Bank of India (RBI), use various monetary policy tools to control inflation, which typically involves reducing the money supply or making credit more expensive to dampen aggregate demand.

Solution: Let's analyze the impact of each option on inflation:

(A) Decrease the Cash Reserve Ratio (CRR): If CRR is decreased, commercial banks are required to hold a smaller fraction of their deposits as reserves. This increases their lending capacity, leading to an increase in the money supply in the economy. An increased money supply tends to fuel inflation, so this would not be used to control inflation.

(B) Buy government securities in the open market: This is an expansionary open market operation (OMO). When the RBI buys government securities, it injects money into the banking system, increasing the money supply. An increased money supply tends to fuel inflation, so this would not be used to control inflation.

(C) Decrease the Repo Rate: The Repo Rate is the rate at which commercial banks borrow money from the RBI for short-term needs. A decrease in the Repo Rate makes borrowing cheaper for commercial banks, encouraging them to borrow more and lend more to the public. This increases the money supply and aggregate demand, which can exacerbate inflation. So, this would not be used to control inflation.

(D) Increase the Repo Rate: An increase in the Repo Rate makes it more expensive for commercial banks to borrow from the RBI. This discourages banks from borrowing and, in turn, from lending. Higher borrowing costs for banks translate into higher lending rates for businesses and consumers, reducing credit availability, slowing down investment and consumption, and thereby curbing aggregate demand and the money supply. This is a contractionary monetary policy designed to combat inflation.

Therefore, to control inflation, the RBI would most likely increase the Repo Rate.

Final Answer : "Increase the Repo Rate"

Answer: (D)



Q25.

Solution

Concept: Aggregate Demand (AD) represents the total demand for goods and services in an economy at a given price level and time period. Its components vary depending on the specific economic model (e.g., two-sector, three-sector, four-sector economy).

Solution: Let's define the components of Aggregate Demand in different economic models:

Two-sector economy (Households and Firms): In this simplest model, there is no government and no foreign trade. Aggregate Demand consists only of consumption expenditure by households (C) and investment expenditure by firms (I).

$$AD = C + I$$

Three-sector economy (Households, Firms, and Government): Here, government spending (G) is added to the two-sector model.

$$AD = C + I + G$$

Four-sector economy (Open economy with Government): This model includes foreign trade, adding net exports (X - M) to the three-sector model.

$$AD = C + I + G + (X - M)$$

The question specifies a "closed economy without government." This corresponds to the two-sector model. Therefore, aggregate demand (AD) is equal to Consumption (C) plus Investment (I).

Final Answer : "C + I"

Answer: (A)



Q26.

Solution

Concept: The investment multiplier (Keynesian multiplier) describes how an initial change in autonomous investment (or any autonomous expenditure) leads to a much larger change in national income. This occurs because the initial spending becomes income for others, who then spend a portion of it, and so on, in a continuous cycle.

The formula for the investment multiplier (k) is:

$$k = 1 / (1 - MPC)$$

where MPC is the Marginal Propensity to Consume.

The change in national income (ΔY) is then calculated as:

$$\Delta Y = k * \Delta I$$

(where ΔI is the change in autonomous investment)

Solution: Given:

Marginal Propensity to Consume (MPC) = 0.8

Increase in autonomous investment (ΔI) = ₹ 100 crores

Step 1: Calculate the investment multiplier (k).

$$k = 1 / (1 - MPC)$$

$$k = 1 / (1 - 0.8)$$

$$k = 1 / 0.2$$

$$k = 5$$

Step 2: Calculate the increase in national income (ΔY).

$$\Delta Y = k * \Delta I$$

$$= 5 * ₹ 100 \text{ crores}$$

$$= ₹ 500 \text{ crores}$$

This means that an initial increase of ₹ 100 crores in autonomous investment will lead to a total increase of ₹ 500 crores in national income due to the multiplier effect.

Final Answer : “₹ 500 crores”

Answer: (C)



Q27.

Solution

Concept: In the Keynesian two-sector model (which includes only households and firms, with no government and no foreign trade), the equilibrium level of income (or output) is achieved when the total amount of goods and services produced (Aggregate Supply) is equal to the total amount of goods and services desired by the economy (Aggregate Demand).

Solution: In the Keynesian two-sector model:

Aggregate Demand (AD) consists of Consumption (C) by households and Investment (I) by firms:
 $AD = C + I$.

Aggregate Supply (AS), also known as National Income (Y), represents the total output produced. This income is either consumed (C) or saved (S) by households: $AS = Y = C + S$.

Equilibrium level of income is achieved when Aggregate Demand equals Aggregate Supply.

$$AD = AS$$

$$C + I = C + S$$

Subtracting C from both sides, we get:

$$I = S$$

Both "Aggregate Demand equals Aggregate Supply" and "Savings equals Investment" are equilibrium conditions in this model. However, $AD = AS$ is the fundamental and more general condition for macroeconomic equilibrium, from which $I = S$ is derived in the two-sector model.

Final Answer : "Aggregate Demand equals Aggregate Supply"

Answer: (C)



Q28.

Solution

Concept: Deficient demand (or a deflationary gap) occurs when the aggregate demand in an economy is less than the aggregate supply required to achieve full employment. This leads to underutilization of resources, unemployment, and downward pressure on prices. Fiscal policy involves the government's use of spending and taxation to influence the economy. To correct deficient demand, an expansionary fiscal policy is needed to boost aggregate demand.

Solution: To correct deficient demand, the government needs to increase the overall level of aggregate demand (AD) in the economy. This can be achieved through:

1. Increasing Government Expenditure (G): Direct government spending on goods and services (e.g., infrastructure projects, defense) directly adds to aggregate demand. This also has a multiplier effect, further increasing national income.
2. Decreasing Taxes (T): A reduction in taxes leaves households with more disposable income. This increased disposable income leads to higher consumption expenditure (C) by households and potentially higher investment by firms, thereby boosting aggregate demand.

Let's evaluate the options:

(A) Increasing government expenditure and increasing taxes:

Increasing taxes would reduce disposable income and consumption, which would counteract the positive effect of increased government expenditure, making it less effective or even contractionary depending on the relative changes. (B) Decreasing government expenditure and decreasing taxes: Decreasing government expenditure would reduce AD, which is the opposite of what is needed to correct deficient demand.

(C) Increasing government expenditure and decreasing taxes:

This combination involves both a direct increase in AD through government spending and an indirect increase in AD through higher disposable income leading to higher consumption. Both measures are expansionary and work synergistically to boost aggregate demand, making this the most appropriate policy to combat deficient demand.

(D) Decreasing government expenditure and increasing taxes:

Both these measures are contractionary fiscal policies, which would further reduce aggregate demand and worsen the problem of deficient demand.

Therefore, increasing government expenditure and decreasing taxes would be appropriate to correct a situation of deficient demand.

Final Answer : "Increasing government expenditure and decreasing taxes"

Answer: (C)



Q29.

Solution

Concept: Government revenue receipts are broadly classified into two categories: tax revenue and non-tax revenue.

Tax Revenue: Compulsory payments imposed by the government on individuals and firms, where there is no direct quid pro quo (direct benefit in return for the payment). Examples include income tax, corporate tax, Goods and Services Tax (GST), customs duties, etc.

Non-Tax Revenue: Receipts of the government from sources other than taxes. These are often revenues from administrative services, commercial undertakings, or interest/dividend payments.

Solution: Let's examine each option:

(A) Goods and Services Tax (GST): This is an indirect tax levied on the supply of goods and services. It is a tax revenue receipt.

(B) Income Tax: This is a direct tax levied on the income of individuals. It is a tax revenue receipt.

(C) Fees and penalties:

Fees: Charges levied by the government for specific services it provides (e.g., registration fees, court fees, license fees). These are not taxes.

Penalties/Fines: Payments imposed for breaking a law or rule. These are also not taxes.

Both fees and penalties fall under non-tax revenue receipts.

(D) Corporation Tax: This is a direct tax levied on the profits of corporate firms. It is a tax revenue receipt.

Therefore, fees and penalties are examples of non-tax revenue receipts of the government.

Final Answer : "Fees and penalties"

Answer: (C)



Q30.

Solution

Concept: Fiscal deficit and primary deficit are two important measures of government budgetary imbalance.

Fiscal Deficit: The total borrowing requirement of the government. It is the excess of total expenditure (revenue + capital) over total receipts (revenue + non-debt capital receipts). It indicates the extent to which the government is living beyond its means.

Primary Deficit: The fiscal deficit minus interest payments on past borrowings. It reflects the current fiscal imbalances, excluding the burden of past debt service. It shows how much the government needs to borrow to meet its expenses other than interest payments.

The relationship between the two is given by the formula:

Fiscal Deficit = Primary Deficit + Interest Payments

Solution: Given: Primary Deficit = ₹ 10,000 crores

Interest Payments on past borrowings = ₹ 2,000 crores

Using the formula:

Fiscal Deficit = Primary Deficit + Interest Payments

Fiscal Deficit = ₹ 10,000 crores + ₹ 2,000 crores

Fiscal Deficit = ₹ 12,000 crores

The fiscal deficit is ₹ 12,000 crores, which means the government's total borrowing requirement for the year is this amount.

Final Answer : “₹ 12,000 crores”

Answer: (C)



Q31.

Solution

Concept: Government budgetary items are categorized into receipts and expenditures, and further classified as either revenue or capital.

Revenue Receipts: Do not create a liability for the government nor lead to a reduction in its assets (e.g., taxes, fees, interest receipts).

Capital Receipts: Either create a liability for the government or cause a reduction in its financial assets (e.g., borrowings, recovery of loans, disinvestment).

Revenue Expenditure: Does not create any assets for the government nor reduce its liabilities (e.g., salaries, subsidies, interest payments).

Capital Expenditure: Creates assets for the government or leads to a reduction in its liabilities (e.g., construction of roads, purchase of machinery, repayment of loans).

Solution: When the government resorts to borrowings, it incurs a future obligation to repay the borrowed amount along with interest. This clearly creates a liability for the government. Since capital receipts are defined as those receipts that either create a liability or reduce financial assets, borrowings fall under this category. They are not revenue receipts because they are not current income that does not create an obligation. They are receipts, not expenditures.

Therefore, borrowings by the government are considered a capital receipt.

Final Answer : “Capital receipt”

Answer: (C)



Q32.

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 during a specific period. It is primarily divided into two main accounts: the Current Account and the Capital Account.

Current Account: Records transactions relating to the export and import of goods (visible trade) and services (invisible trade), as well as unilateral transfers (gifts, remittances) and factor income (wages, interest, profit). These transactions affect a country's national income in the current period and do not create future claims or obligations.

Capital Account: Records all international transactions that involve a change in the ownership of financial assets and liabilities. This includes foreign direct investment (FDI), portfolio investment, external borrowings, and changes in foreign exchange reserves. These transactions create future claims or obligations.

Solution: Let's analyze each transaction: (A) Foreign direct investment (FDI) in India: This involves foreign entities investing in physical assets or equity stakes in Indian companies, creating financial assets/liabilities. This is recorded in the Capital Account.

(B) Portfolio investment by foreign institutions: This involves foreign entities buying financial assets like stocks or bonds in India, again creating financial assets/liabilities. This is recorded in the Capital Account.

(C) Export of services: When India provides services (e.g., IT services, tourism, shipping) to foreign residents, it earns foreign exchange for services rendered in the current period. This directly affects current income and does not create future financial claims beyond the immediate payment. This is recorded in the Current Account.

(D) Borrowing from abroad: When a country borrows from foreign lenders, it creates a liability (obligation to repay) for the borrowing country. This is recorded in the Capital Account.

Therefore, the export of services would be recorded in the current account of the Balance of Payments.

Final Answer : "Export of services"

Answer: (C)



Q33.

Solution

Concept: Currency depreciation refers to a fall in the value of a country's currency relative to another currency in a flexible (floating) exchange rate system. This means that more units of the domestic currency are required to buy one unit of the foreign currency.

Solution: If the Indian Rupee (₹) depreciates against the US Dollar (\$):

This means that ₹ 1 is now worth less in terms of dollars, or equivalently, \$1 can buy more ₹ than before.

For example, if the exchange rate changes from ₹ 70 = \$1 to ₹ 75 = \$1.

Let's analyze the implications:

(A) Indian exports become more expensive for US buyers: If the Rupee depreciates (e.g., from ₹ 70/\$ to ₹ 75/\$), a US buyer needs fewer dollars to purchase a product priced in Rupees. For instance, an Indian good costing ₹ 75 would now cost \$1 (instead of \$1.07 if the rate was ₹ 70/\$). So, Indian exports become cheaper for US buyers, which tends to boost exports. This option is incorrect.

(B) Indian imports become cheaper for Indian buyers: If the Rupee depreciates, an Indian buyer needs more Rupees to purchase a product priced in Dollars. For instance, a US good costing \$1 would now cost ₹ 75 (instead of ₹ 70). So, Indian imports become more expensive for Indian buyers. This option is incorrect.

(C) US goods become more expensive for Indian buyers: This is the same logic as (B). If an Indian has to pay more Rupees to obtain one Dollar, then any good or service imported from the US (priced in Dollars) will cost more Rupees. This makes US goods relatively more expensive for Indian buyers. This option is correct.

(D) The exchange rate (₹ per \$) decreases: The exchange rate is typically quoted as domestic currency per unit of foreign currency (e.g., ₹ per \$). If the Rupee depreciates, it means the number of Rupees needed to buy one Dollar increases (e.g., from ₹ 70/\$ to ₹ 75/\$). Therefore, the exchange rate (₹ per) increases, not decreases. This option is incorrect.

Final Answer : "US goods become more expensive for Indian buyers."

Answer: (C)



Q34.

Solution

Concept: Different exchange rate systems determine how a country's currency value is set relative to other currencies. These systems range from completely fixed to purely flexible, with hybrid approaches in between.

Solution: Let's define the various exchange rate systems:

(A) Fixed exchange rate system: In this system, the value of a country's currency is officially pegged to another currency, a basket of currencies, or a commodity like gold. The central bank actively intervenes in the foreign exchange market by buying or selling foreign currency to maintain this fixed parity.

(B) Flexible (Floating) exchange rate system: In a purely flexible system, the exchange rate is determined solely by the forces of demand and supply in the foreign exchange market, without any government or central bank intervention. The rate fluctuates freely based on market conditions.

(C) Managed floating exchange rate system: This system is a hybrid approach. The exchange rate is primarily determined by market forces and is allowed to fluctuate, similar to a flexible system. However, the central bank reserves the right to intervene occasionally to smooth out excessive short-term volatility, prevent abrupt changes that could harm the economy, or guide the exchange rate towards a desired long-term path. This intervention is often referred to as "dirty floating." This perfectly matches the description given in the question.

(D) Gold standard system: This is a historical monetary system where a country's currency unit is directly defined as a fixed weight of gold. Currencies are convertible into gold, and exchange rates between countries on the gold standard are fixed by their respective gold parities.

Therefore, a system where the exchange rate is allowed to fluctuate based on market forces, but the central bank intervenes to moderate volatility, is known as a managed floating exchange rate system.

Final Answer : "Managed floating exchange rate system"

Answer: (C)



Q35.

Solution

Concept: India's Five-Year Plans were central to its post-independence economic development strategy. Each plan had specific objectives and priorities, reflecting the government's vision for growth and development during that period.

Solution: The First Five-Year Plan (1951-1956) primarily focused on agriculture and irrigation to address food shortages.

However, the Second Five-Year Plan (1956-1961), often referred to as the Mahalanobis Plan (named after P.C.

Mahalanobis, who was instrumental in its formulation), marked a significant shift in focus. Its primary objective was rapid industrialization with a strong emphasis on the development of heavy and basic industries.

The plan aimed to:

Build a strong industrial base for the long-term growth of the economy.

Develop key industries such as steel, heavy machinery, and chemicals.

Reduce dependence on imports for industrial goods.

Create employment opportunities in the industrial sector.

While self-reliance and modernization were broader goals, the specific focus for the second plan was on heavy industrial growth to lay the foundation for future self-sustained growth.

Final Answer : "Rapid industrialization with emphasis on heavy industries"

Answer: (B)



Q36.

Solution

Concept: The Green Revolution, launched in India in the mid-1960s, was a significant agricultural transformation characterized by the introduction of High-Yielding Variety (HYV) seeds (especially for wheat and rice), increased use of chemical fertilizers and pesticides, and improved irrigation facilities. Its primary goal was to achieve self-sufficiency in food grain production.

Solution: While the Green Revolution was remarkably successful in increasing food grain production and making India self-sufficient, it also attracted significant criticism due to its uneven impact:

(A) It led to a decrease in food grain production: This is incorrect. The Green Revolution led to a substantial increase in food grain production, especially wheat and rice, which was its primary objective.

(B) It primarily benefited large farmers and exacerbated regional disparities: This is a major and widely accepted criticism. The HYV technology required significant investment in irrigation, fertilizers, and pesticides, which large farmers with access to capital could readily afford. Small and marginal farmers often lacked these resources, leading to a widening gap between rich and poor farmers. Moreover, the Green Revolution was geographically concentrated, primarily benefiting regions with good irrigation facilities, such as Punjab, Haryana, and Western Uttar Pradesh, leaving other regions relatively untouched and increasing regional inequalities.

(C) It led to excessive import of food grains: This is incorrect. A key success of the Green Revolution was to *reduce* India's dependence on food grain imports and achieve self-sufficiency.

(D) It caused widespread unemployment in the agricultural sector: While mechanization associated with the Green Revolution did displace some manual labor, particularly casual labor, it also created new employment opportunities in related activities (e.g., transport, processing, marketing, input supply). The overall impact on widespread unemployment is debated and not as uniformly accepted as the issue of widening disparities.

Thus, the Green Revolution was criticized for widening the income gap between different classes of farmers and different regions.

Final Answer : “It primarily benefited large farmers and exacerbated regional disparities.”

Answer: (B)



Q37.

Solution

Concept: The Industrial Policy Resolution (IPR) of 1956 was a foundational document for India's industrial development strategy in the post-independence era. It formally articulated the government's approach to industrialization, emphasizing the central role of the public sector.

Solution: The Industrial Policy Resolution (IPR) of 1956 categorized industries into three schedules to define the respective roles of the public and private sectors:

1. Schedule A: This schedule listed industries that were to be the exclusive responsibility of the state. These included crucial sectors like arms and ammunition, atomic energy, heavy electricals, iron and steel, heavy castings and forgings, heavy plant and machinery, mining of certain minerals, aircraft, railways, shipbuilding, telephone, telegraph and wireless apparatus, and electricity generation and distribution.
2. Schedule B: This schedule comprised industries which would be progressively state-owned, but the private sector was expected to supplement state efforts. Industries like aluminum, machine tools, ferro-alloys, fertilizers, road transport, and sea transport fell under this category.
3. Schedule C: This schedule included all the remaining industries, which were left to the initiative of the private sector. However, even in these industries, the state reserved the right to establish units or participate, indicating a pervasive role for the public sector.

This framework clearly demarcated the areas of operation for the public and private sectors, with a dominant role envisaged for the state in industrial development.

Final Answer : "Three"

Answer: (C)



Q38.

Solution

Concept: 'Import substitution industrialization' (ISI) was an economic strategy adopted by many developing countries, including India, after gaining independence. It aimed to foster domestic industrial growth and reduce dependence on foreign economies.

Solution: The policy of 'import substitution' followed by India until 1991 had a clear objective: to replace imports with domestic production to protect and foster domestic industries. This strategy involved:

Imposing high tariffs and quotas on imported goods:

This made foreign goods more expensive or scarce, reducing their competitiveness against domestically produced goods.

Providing incentives and protection to domestic industries: This encouraged local production of goods that were previously imported.

The underlying rationale was that by developing local industries, the country would achieve self-reliance, save foreign exchange, and create employment. It was an inward-looking strategy, distinct from promoting free trade or focusing solely on exports. It also typically involved significant state control and regulation over the economy, rather than encouraging widespread foreign investment.

Final Answer : "Replace imports with domestic production to protect domestic industries."

Answer: (B)



Q39.

Solution

Concept: The 1991 economic reforms in India, often referred to as LPG reforms (Liberalisation, Privatisation, Globalisation), represented a significant shift from a state-controlled, inward-looking economy to a more market-oriented and outward-looking one. Each component had specific policy changes.

Solution: Liberalisation refers to the process of freeing the Indian economy from various government controls and restrictions that had historically stifled private enterprise and trade. Key components of liberalisation included:

Dismantling of the industrial licensing regime, which removed the requirement for most private firms to obtain licenses to start or expand industries.

Financial sector reforms, such as reducing the role of the RBI from a regulator to a facilitator and allowing more private and foreign banks.

Tax reforms aimed at simplification and rationalization of the tax structure.

Foreign exchange reforms, moving from a government-controlled to a market-determined exchange rate.

Trade and investment policy reforms, which involved the reduction of trade barriers (like tariffs and quantitative restrictions/quotas) to facilitate the import and export of goods and services.

Let's evaluate the options:

(A) Increasing government control over industries: This is the opposite of liberalisation, which aimed to reduce government control.

(B) Reducing trade barriers: This is a core policy change under liberalisation, aimed at opening the economy to international competition and trade.

(C) Nationalization of private enterprises: Nationalization (government takeover of private firms) was a policy feature of the earlier socialist-leaning era, not the 1991 liberalisation.

(D) Promoting public sector monopolies: Liberalisation aimed to reduce monopolies and introduce competition.

Therefore, reducing trade barriers is a key component of 'Liberalisation'.

Final Answer : "Reducing trade barriers"

Answer: (B)



Q40.

Solution

Concept: The 1991 economic reforms, while primarily focused on industrial and financial sectors, also had significant direct and indirect impacts on the agricultural sector, shifting it from a highly protected environment towards greater market orientation.

Solution: The 1991 economic reforms led to several changes impacting the agricultural sector. The reduction of import duties on agricultural products opened the Indian market to global competition. Additionally, there was a rationalization of subsidies on key inputs like fertilizers, which increased costs for farmers. Public investment in agriculture, particularly in infrastructure like irrigation, also saw a relative decline in the post-reform period.

The most significant impact arising from these policy shifts was increased exposure to global markets. This brought both:

Opportunities: For farmers to export their produce to international markets and earn higher prices if competitive.

Vulnerabilities: To fluctuations in global prices and exchange rates, which could lead to income instability and distress for farmers not equipped to handle such volatility.

Let's evaluate the options: (A) A massive increase in public investment in agriculture: Incorrect; public investment in agriculture relatively declined in the initial post-reform decades.

(B) Increased exposure to global markets, leading to both opportunities and vulnerabilities: This accurately describes a major consequence of trade liberalization.

(C) The complete abolition of agricultural subsidies: Incorrect; subsidies were rationalized and reduced but not completely abolished.

(D) A shift from cash crops to food grain production: Incorrect; the reforms led to market-driven cropping patterns, which could go in either direction depending on profitability.

Final Answer : “Increased exposure to global markets, leading to both opportunities and vulnerabilities.”

Answer: (B)



Q41.

Solution

Concept: Disinvestment is a key aspect of the 'Privatisation' component of India's 1991 economic reforms. It refers to the government's strategic decision to reduce its ownership stake in public sector enterprises (PSUs).

Solution: The term 'disinvestment' under the 1991 reforms specifically refers to the government selling its equity shares in Public Sector Undertakings (PSUs) to the private sector or the general public.

The primary objectives of disinvestment included:

Raising financial resources to bridge the fiscal deficit.

Improving the efficiency and performance of PSUs by introducing private sector management and competition.

Reducing the government's administrative and financial burden.

Promoting a wider distribution of wealth by encouraging public participation in PSU ownership.

Let's evaluate the options:

(A) The government selling its shares in public sector undertakings (PSUs) to the private sector: This is the precise definition of disinvestment.

(B) Private companies investing in public sector projects: This describes a Public-Private Partnership (PPP), not disinvestment.

(C) The government investing in new public sector industries: This is an expansion of the public sector, the opposite of disinvestment.

(D) Foreign companies investing in Indian PSUs without government ownership change: This is foreign investment, not a sale of government equity.

Therefore, disinvestment means the government selling its shares in PSUs.

Final Answer : "The government selling its shares in public sector undertakings (PSUs) to the private sector."

Answer: (A)



Q42.

Solution

Concept: Human capital refers to the stock of skills, knowledge, abilities, and health that individuals possess, which contribute to their productivity. Human capital formation is the process of acquiring and increasing these attributes through investments in people.

Solution: Human capital formation involves investments that enhance the productive capabilities of individuals. Key sources of human capital formation include:

Expenditure on Education: Formal schooling and literacy improve knowledge and problem-solving abilities.

Expenditure on Health: Investments in healthcare and nutrition improve physical well-being, leading to a more productive workforce.

On-the-job training: Practical training helps individuals develop job-specific skills, increasing their efficiency.

Physical capital, on the other hand, refers to tangible, man-made assets used in production, such as machinery, tools, buildings, and factories. While physical capital is a crucial factor of production and complements human capital, it is distinct from the skills and health embodied in human beings.

Therefore, physical capital is NOT a source or component of human capital formation.

Final Answer : “Physical capital”

Answer: (D)



Q43.

Solution

Concept: Self-Help Groups (SHGs) are small, informal associations, typically of rural poor, who voluntarily come together to save money and contribute to a common fund. They are a grassroots approach to rural development, focusing on financial inclusion and empowerment.

Solution: The 'self-help group (SHG)' approach has proven particularly effective in rural development for two main reasons:

Facilitating micro-credit: SHGs encourage regular savings and provide small loans to members from their pooled funds.

They also act as a crucial link to formal banks (under programs like SHG-Bank Linkage), enabling access to larger loans for income-generating activities. This overcomes the problem of lacking collateral.

Empowering rural women: A vast majority of SHGs are women-centric. Participation enhances their economic independence, decision-making power, self-confidence, and social standing.

Let's evaluate the options:

(A) Directly providing large-scale irrigation projects: These are large infrastructure projects undertaken by the government, not small local groups.

(B) Facilitating micro-credit and empowering rural women: This accurately describes the core function and impact of SHGs.

(C) Establishing large industrial units in villages: This is beyond the financial and organizational capacity of SHGs.

(D) Implementing land reform policies: Land reform is a legislative and administrative function of the government.

Final Answer : "Facilitating micro-credit and empowering rural women."

Answer: (B)



Q44.

Solution

Concept: Unemployment refers to a situation where people who are willing and able to work at the prevailing wage rate cannot find employment. Economists distinguish between various types of unemployment.

Solution: Let's define the different types of unemployment:

(A) Disguised unemployment: Occurs when more people are employed than are actually needed, such that their marginal productivity is zero.

(B) Seasonal unemployment: Arises due to seasonal fluctuations in demand for labor, common in agriculture or tourism. (C) Voluntary unemployment: Occurs when individuals choose not to work at the prevailing wage rate.

(D) Involuntary unemployment: This is the situation described in the question. It refers to individuals who are actively seeking work and are willing to accept jobs at the prevailing wage rate but cannot find employment opportunities. This is a key concern for macroeconomic policy.

The question describes a person who is willing to work but cannot find a job, which is the precise definition of involuntary unemployment.

Final Answer : “Involuntary unemployment”

Answer: (D)



Q45.

Solution

Concept: Biodiversity refers to the variety of life on Earth. Land degradation involves the deterioration of the productive capacity of land. Both are significant environmental issues with profound economic and social consequences.

Solution: Let's analyze the consequences of loss of biodiversity and land degradation:

Land degradation, through processes like soil erosion and desertification, directly reduces soil fertility and agricultural yields, contributing to food insecurity. Degraded land is also less able to absorb water, exacerbating floods and droughts.

Loss of biodiversity weakens ecosystems' resilience. For example, deforestation (a cause of both issues) increases the risk of landslides. The loss of pollinators and natural pest predators harms agriculture, while the loss of genetic diversity in crops makes food systems more vulnerable to disease.

Together, these factors significantly increase a society's vulnerability to natural disasters (floods, droughts, landslides) and threaten its long-term food security.

The other options are incorrect: these issues decrease agricultural productivity, disrupt ecological balance, and can worsen air quality.

Final Answer : "Increased vulnerability to natural disasters and food insecurity"

Answer: (C)



Q46.

Solution

Concept: Poverty is measured in two main ways: absolute and relative. Absolute poverty refers to a lack of income to meet basic survival needs, defined by a fixed "poverty line." Relative poverty measures income inequality by comparing an individual's income to the average income in their society.

Solution: In India, the concept of absolute poverty is measured by defining a poverty line. This line represents the minimum expenditure required to afford a basket of essential goods and services. A crucial component of this determination has historically been the minimum calorie intake required for survival (e.g., norms of 2400 calories per person per day in rural areas and 2100 in urban areas). An individual whose consumption expenditure falls below this line is considered to be in absolute poverty.

Let's look at the other options:

- (A) The number of luxury goods owned: Relates to wealth, not basic subsistence.
- (B) The proportion of income spent on education: An indicator of human development, not the primary measure of absolute poverty.
- (D) Comparison of income with the average income of the population: This is the method for measuring relative poverty.

Therefore, absolute poverty in India is primarily measured by the minimum subsistence level of living.

Final Answer : "The minimum subsistence level of living, often based on calorie intake."

Answer: (C)



Q47.

Solution

Concept: India, as a rapidly developing economy, faces significant challenges in its energy sector due to its vast population, industrialization, and increasing urbanization. Ensuring a reliable and affordable energy supply is crucial for growth.

Solution: A major and persistent challenge for India's energy sector is that the growth in energy demand consistently outpaces the addition of new generation capacity. Rapid economic growth, rising incomes, and an expanding population fuel a continuous surge in demand for electricity. Despite significant capacity additions, this gap often leads to power shortages, load shedding, and unmet energy needs, acting as a constraint on development.

Let's analyze the other options:

(A) Over-reliance on renewable energy sources: Incorrect. India is still heavily reliant on fossil fuels like coal and imported oil.

(C) Abundant and cheap availability of petroleum products domestically: Incorrect. India imports over 80% of its crude oil, making it highly vulnerable to global price shocks.

(D) A surplus of electricity generation with no demand: Incorrect. India generally faces a power deficit, especially during peak hours.

Therefore, insufficient installed capacity to meet growing demand is a major challenge.

Final Answer : "Insufficient installed capacity to meet growing demand."

Answer: (B)



Q48.

Solution

Concept: Cost curves illustrate the relationship between a firm's output and its costs. In perfect competition, long-run efficiency is achieved when firms produce at the lowest possible average total cost.

Solution: Let's analyze the cost curves. The Average Total Cost (ATC) curve represents the cost per unit of output. Productive efficiency is achieved at the output level where ATC is at its minimum. At this point, the firm is utilizing its resources most effectively to produce each unit of the good. The Marginal Cost (MC) curve, which shows the cost of producing one additional unit, always intersects the ATC curve at the ATC's lowest point.

Point A (minimum AVC) is the short-run shutdown point. The firm will cease production if the price falls below this level.

Point B represents the minimum of the ATC curve. In the long run, due to free entry and exit, firms in a perfectly competitive market will be forced to operate at this point of maximum productive efficiency, earning zero economic profit.

Therefore, Point B represents the long-run efficient scale of production.

Final Answer : "Point B (minimum ATC)"

Answer: (C)



Q49.

Solution

Concept: The circular flow of income diagram illustrates the flow of goods, services, and money between sectors. It distinguishes between "real flows" (physical goods, services, factors of production) and "money flows" (payments for these).

Solution: In a simple two-sector model (Households and Firms), we can trace the flows:

Real Flow 1: Households supply factors of production (land, labor, capital) to firms.

Money Flow 1: In return, firms make factor payments (rent, wages, interest) to households.

Real Flow 2: Firms use these factors to produce goods and services, which they supply to households.

Money Flow 2: In return, households make payments for these goods and services (consumption expenditure) to firms.

Let's examine the options based on this:

(A) Payment for goods and services: This is a money flow from households to firms.

(B) Factor payments (wages, rent): This is a money flow from firms to households.

(C) Supply of labor and capital: This represents the physical factors of production provided by households to firms. This is a real flow.

(D) Household savings: This is a leakage of money from the circular flow, not a direct flow between the two sectors.

Therefore, the supply of labor and capital is a real flow.

Final Answer : "Supply of labor and capital"

Answer: (C)



Q50.

Solution

Concept: Economic transformation often involves a structural shift in the workforce, where employment moves from the primary (agriculture) to the secondary (industry) and tertiary (services) sectors as an economy develops.

Solution: Analyzing the provided data reveals a significant structural change in India's workforce between 1972-73 and 2017-18:

The share of the Primary Sector (Agriculture) in employment fell sharply from approximately 74% to 44%.

The share of the Secondary Sector (Industry) more than doubled, increasing from approximately 11% to 24%.

The share of the Tertiary Sector (Services) also more than doubled, growing from approximately 15% to 32%.

This pattern clearly demonstrates that a large portion of the workforce has moved out of agriculture and into industry and services.

Let's evaluate the options:

(B) There has been a significant shift of the workforce from the primary sector to the secondary and tertiary sectors: This statement accurately summarizes the dominant trend in the data.

(A) India has successfully achieved a balanced growth: Incorrect; the growth is unbalanced, with a sharp decline in the primary sector's share.

(C) The industrial sector has become the largest employer: Incorrect; the primary sector (44%) was still the largest employer in 2017-18.

(D) The service sector has declined in its importance: Incorrect; its share of employment has increased dramatically.

Final Answer : "There has been a significant shift of the workforce from the primary sector to the secondary and tertiary sectors."

Answer: (B)



Answer Key

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

