CUET-UG Economics Sample Paper-9

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. A consumer's budget line shifts parallelly outwards to the right. This change is most likely caused by:

(A) A decrease in the price of Good X only.

(B) A proportionate decrease in the prices of both Good X and Good Y.

(C) An increase in the price of Good Y only.

(D) A decrease in the consumer's income.

Q2. Which of the following statements is true regarding a Giffen Good?

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

(B) The income effect is negative and stronger than the substitution effect.

(C) The demand curve is downward sloping.

(D) It is a type of normal good with high income elasticity.

Q3. When the Total Utility (TU) increases at a diminishing rate, the Marginal Utility (MU) must be:

(A) Increasing

(B) Constant

(C) Decreasing but positive

(D) Negative

Q4. If the price elasticity of demand is 0.5 and the price of the commodity increases by 10%, the total expenditure of the consumer on this commodity will:

(A) Increase

(B) Decrease

(C) Remain unchanged

(D) Become zero

Q5. The slope of the Indifference Curve at any given point is known as:

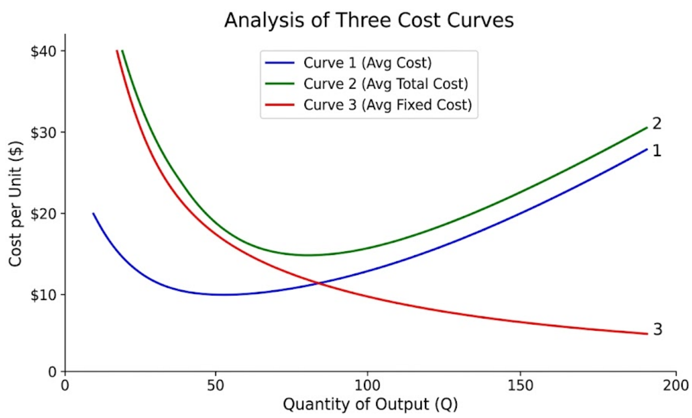
(A) Marginal Rate of Technical Substitution

(B) Marginal Rate of Substitution

(C) Price Ratio

(D) Marginal Opportunity Cost

Q6. In the given description of cost curves, which curve represents the Average Fixed Cost (AFC)?



(A) Curve 1

(B) Curve 2

(C) Curve 3

(D) None of the above

Q7. Assertion (A): The Short-run Marginal Cost curve cuts the Short-run Average Cost curve at its minimum point. Reason (R): When MC is less than AC, AC falls; and when MC is greater than AC, AC rises.

(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. In the context of the Law of Variable Proportions, the "Point of Inflexion" occurs when:

(A) Total Product is maximum.

(B) Average Product is maximum.

(C) Marginal Product is maximum.

(D) Marginal Product is zero.

Q9. A firm's Average Revenue (AR) curve is horizontal and identical to the Marginal Revenue (MR) curve under:

(A) Monopoly

(B) Monopolistic Competition

(C) Perfect Competition

(D) Oligopoly

Q10. The break-even point for a firm occurs at an output level where:

(A) P = A V C P=AVC

(B) T R = T V C TR=TVC

(C) T R = T C TR=TC

(D) M C = M R MC=MR

Q11. Which of the following is a characteristic of the "Long Run" in production?

(A) At least one factor of production is fixed.

(B) All factors of production are variable.

(C) The Law of Variable Proportions operates.

(D) Total Fixed Cost remains constant.

Q12. If the supply of a commodity is perfectly inelastic, an increase in demand will result in:

(A) An increase in both equilibrium price and quantity.

(B) An increase in equilibrium price while quantity remains constant.

(C) An increase in equilibrium quantity while price remains constant.

(D) No change in price or quantity.

Q13. What happens to the equilibrium price of a commodity if there is a simultaneous decrease in demand and increase in supply?

(A) Equilibrium price will definitely fall.

(B) Equilibrium price will definitely rise.

(C) Equilibrium price will remain constant.

(D) The effect on price is ambiguous.

Q14. A "Price Ceiling" imposed by the government below the equilibrium price typically leads to:

(A) Excess supply and buffer stocks.

(B) Excess demand and black marketing.

(C) Increase in the income of producers.

(D) Market stability.

Q15. When the percentage change in quantity supplied is less than the percentage change in price, the supply is said to be:

(A) Unitary Elastic

(B) Perfectly Elastic

(C) Inelastic

(D) Elastic

Q16. Which of the following is an example of an 'Intermediate Good'?

(A) A car purchased by a household.

(B) Machine installed in a factory.

(C) Steel used by a car manufacturer.

(D) Furniture bought by a family.

Q17. The value of Nominal GDP of a country was ₹ 600 Cr and the Price Index (GDP Deflator) was 120. Calculate the Real GDP.

(A) ₹ 500 Cr

(B) ₹ 720 Cr

(C) ₹ 480 Cr

(D) ₹ 550 Cr

Q18. Statement I: The value of the Marginal Propensity to Consume (MPC) varies between 0 and 1. Statement II: If MPC is 0.8, then the Marginal Propensity to Save (MPS) must be 0.2.

(A) Both statements are true.

(B) Both statements are false.

(C) Statement I is true, II is false.

(D) Statement I is false, II is true.

Q19. In the estimation of National Income by the Expenditure Method, 'Net Exports' is calculated as:

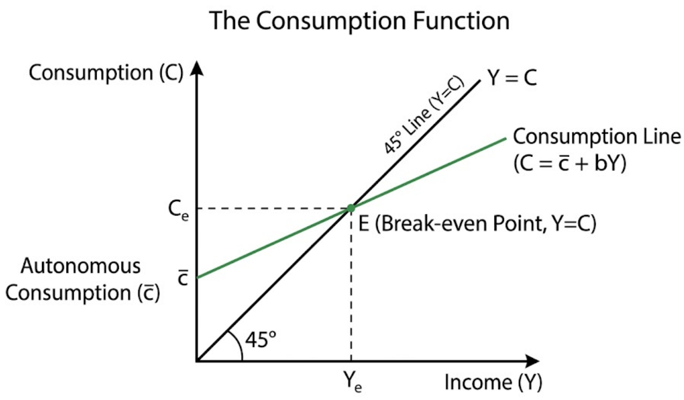
(A) Total Exports + Total Imports

(B) Total Imports - Total Exports

(C) Total Exports - Total Imports

(D) Only Visible Exports

Q20. In the given graph, what does the point where the consumption line intersects the 45-degree line represent?



(A) Equilibrium point where S = I S=I

(B) Break-even point where Savings are zero

(C) Point of maximum autonomous consumption

(D) Point where MPC is zero

Q21. Factor Income earned by residents of a country from the rest of the world minus Factor Income earned by non-residents in the domestic territory is called:

(A) Net Exports

(B) Net Factor Income from Abroad (NFIA)

(C) Net Indirect Taxes

(D) Personal Disposable Income

Q22. High-Powered Money (M 0 M 0

) as defined in the Indian monetary system consists of:

(A) Currency held by public + Demand deposits with banks

(B) Currency held by public + Cash reserves of banks with RBI + Other deposits with RBI

(C) Time deposits + Demand deposits

(D) Total post office savings

Q23. If the Central Bank wants to increase the credit creation capacity of the commercial banks, it should:

(A) Increase the Cash Reserve Ratio (CRR).

(B) Increase the Statutory Liquidity Ratio (SLR).

(C) Buy government securities in the Open Market.

(D) Sell government securities in the Open Market.

Q24. The 'Reverse Repo Rate' is the rate at which:

(A) RBI lends to commercial banks for the long term.

(B) Commercial banks lend to the general public.

(C) RBI borrows money from commercial banks by absorbing liquidity.

(D) Commercial banks borrow from the World Bank.

Q25. The 'Paradox of Thrift' states that if all people in the economy start saving more, the total value of savings in the economy will:

(A) Increase significantly.

(B) Either decrease or remain unchanged due to a fall in Aggregate Demand.

(C) Lead to higher investment in the long run.

(D) Always lead to a higher GDP growth rate.

Q26. If the autonomous consumption is ₹ 50 Cr and the Marginal Propensity to Consume (MPC) is 0.75, the correct consumption equation (C C) will be:

(A) C = 50 + 0.25 Y C=50+0.25Y

(B) C = 50 + 0.75 Y C=50+0.75Y

(C) C = 0.75 + 50 Y C=0.75+50Y

(D) C = 50 0.75 Y C=500.75Y

Q27. The Average Propensity to Consume (APC) can be greater than 1 only under which of the following conditions?

(A) Consumption is less than National Income.

(B) Savings are positive.

(C) Consumption is greater than National Income (Dissavings).

(D) National Income is zero.

Q28. Which of the following is classified as a 'Revenue Expenditure' for the government?

(A) Purchase of shares in a private sector company.

(B) Construction of a new national highway.

(C) Payment of salaries to government employees.

(D) Repayment of an international loan from the IMF.

Q29. The Primary Deficit in a government budget is calculated as:

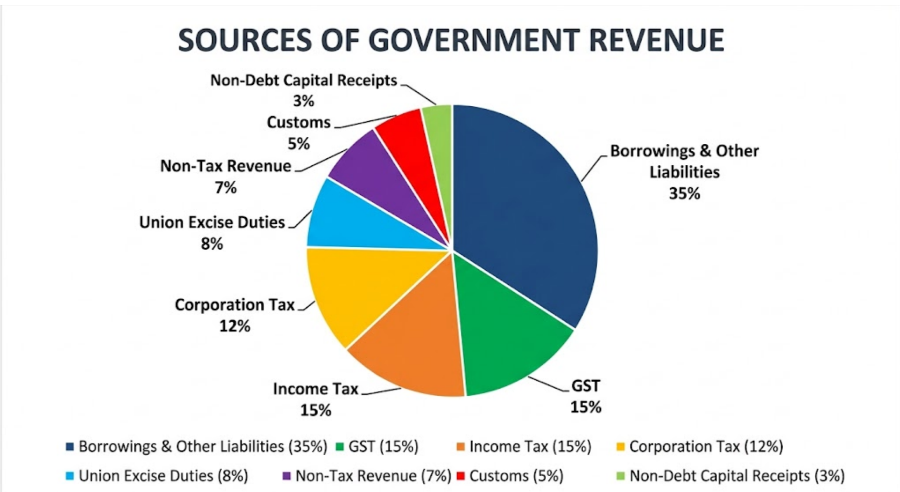
(A) Fiscal Deficit - Interest Payments

(B) Revenue Deficit - Interest Payments

(C) Total Expenditure - Total Receipts

(D) Fiscal Deficit + Interest Payments

Q30. If 'Borrowings and Other Liabilities' represent 35% of the total receipts, what does this percentage specifically indicate?



(A) Revenue Deficit

(B) Primary Deficit

(C) Fiscal Deficit

(D) Capital Expenditure

Q31. Which objective of the government budget is achieved by imposing higher taxes on luxury goods and providing subsidies on essential items?

(A) Reallocation of resources

(B) Reducing regional disparities

(C) Economic stability

(D) Management of Public Sector Enterprises

Q32. The 'Current Account' of the Balance of Payments (BOP) includes which of the following items?

(A) Foreign Direct Investment (FDI)

(B) External Commercial Borrowings (ECB)

(C) Unilateral Transfers (Gifts and Remittances)

(D) Portfolio Investment

Q33. Under a Fixed Exchange Rate system, when the government intentionally increases the value of the domestic currency in terms of foreign currency, it is called:

(A) Appreciation

(B) Depreciation

(C) Revaluation

(D) Devaluation

Q34. The 'Balance of Trade' refers to the difference between:

(A) Export and Import of services.

(B) Export and Import of visible goods.

(C) Total Credits and Total Debits in BOP.

(D) Capital Inflow and Capital Outflow.

Q35. The stagnation of Indian agriculture under British rule was largely attributed to which of the following land systems?

(A) Ryotwari System

(B) Mahalwari System

(C) The Zamindari System (Permanent Settlement)

(D) Cooperative Farming System

Q36. The strategy of 'Import Substitution' followed by India during the first seven Five-Year Plans aimed at:

(A) Promoting exports to earn foreign exchange.

(B) Protecting domestic industries from foreign competition.

(C) Encouraging Foreign Direct Investment (FDI).

(D) Reducing the role of the public sector.

Q37. Which body was established in 1950 to formulate Five-Year Plans in India (replaced by NITI Aayog in 2015)?

(A) Finance Commission

(B) Planning Commission

(C) National Development Council

(D) Ministry of Statistics

Q38. In the 1950-1990 period, the 'License Raj' in India primarily referred to:

(A) Permission required for international travel.

(B) The requirement for entrepreneurs to get government permission to start or expand an industry.

(C) The licensing of agricultural exports to the UK.

(D) The total deregulation of the private sector.

Q39. The World Trade Organization (WTO) was established in 1995 as the successor to which organization?

(A) The World Bank

(B) International Monetary Fund (IMF)

(C) General Agreement on Tariffs and Trade (GATT)

(D) United Nations Development Programme

Q40. As part of the 1991 Economic Reforms, 'Privatisation' was mainly carried out through which mechanism?

(A) Closing down all loss-making PSUs.

(B) Disinvestment of government equity in PSUs.

(C) Increasing the number of industries reserved for the public sector.

(D) Nationalisation of private banks.

Q41. The 'Goods and Services Tax' (GST), implemented in India in July 2017, is an example of:

(A) A direct tax reform.

(B) An indirect tax reform aimed at 'One Nation, One Tax'.

(C) A reform to increase the fiscal deficit.

(D) A subsidy for the agricultural sector.

Q42. Which of the following is NOT an indicator used to measure 'Education' as part of Human Capital formation?

(A) Adult Literacy Rate

(B) Youth Literacy Rate

(C) Life Expectancy at Birth

(D) Primary School Completion Rate

Q43. The process of 'Organic Farming' is considered environment-friendly because:

(A) It uses high-yield variety (HYV) seeds.

(B) It relies on chemical pesticides and fertilizers.

(C) It maintains soil fertility through natural inputs and organic manure.

(D) It requires less labor compared to conventional farming.

Q44. The 'Self-Employed' category in India constitutes the largest share of the workforce. This is mainly because:

(A) There is a lack of enough formal wage-employment opportunities.

(B) Everyone prefers to be an entrepreneur.

(C) The government provides higher salaries to self-employed people.

(D) There is no income tax for self-employed people.

Q45. Which type of unemployment is most common in the Indian agricultural sector, where more people are working than required?

(A) Structural Unemployment

(B) Frictional Unemployment

(C) Disguised Unemployment

(D) Cyclical Unemployment

Q46. The 'Maternal Mortality Rate' (MMR) is a key indicator used to assess the:

(A) Industrial development of a country.

(B) Health status of the population.

(C) Educational attainment of women.

(D) Urbanisation levels.

Q47. The 'Commune System' of agricultural production was a key feature of the development strategy of which country?

(A) India

(B) Pakistan

(C) China

(D) South Korea

Q48. Assertion (A): Pakistan shifted its policy towards privatization in the 1980s. Reason (R): Pakistan received significant financial support and remittances from emigrants to the Middle East during this period.

(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.

Q49. Which of the following is a 'Liberty Indicator' used to compare development across nations?

(A) GDP per capita

(B) Extent of democratic participation in decision making

(C) Infant Mortality Rate

(D) Percentage of population below the poverty line

Q50. China's 'Open Door Policy' introduced in 1978 was primarily aimed at:

(A) Closing its borders to foreign trade.

(B) Encouraging foreign capital and technology into the country.

(C) Establishing the Commune system in rural areas.

(D) Promoting traditional agriculture over industry.

Detailed Solutions

Q1.

Solution

Concept: The budget line shows combinations of two goods a consumer can afford. A parallel outward shift indicates an increase in purchasing power (real income) without a change in relative prices.

Solution: A parallel outward shift of the budget line to the right means the consumer can now afford more of both goods, indicating an increase in real income. This can happen if money income increases (prices constant) or if prices of both goods decrease proportionately (income constant). A proportionate decrease in the prices of both Good X and Good Y effectively increases the consumer's real purchasing power for both goods equally, leading to a parallel outward shift. A change in the price of only one good would cause a rotation, and a decrease in income would cause an inward shift.

Final Answer : "A proportionate decrease in the prices of both Good X and Good Y"

Answer: (B)

Q2.

Solution

Concept: A Giffen good is an inferior good where the negative income effect is strong enough to outweigh the substitution effect, leading to an upward-sloping demand curve.

Solution: For a Giffen good, when its price increases, the substitution effect encourages less consumption (due to it being relatively more expensive), but the income effect (due to reduced real income) leads to increased consumption because it is an inferior good. In the case of a Giffen good, this negative income effect is stronger than the substitution effect, causing the quantity demanded to increase as the price rises. This results in an upward-sloping demand curve, contrary to the law of demand.

Final Answer : "The income effect is negative and stronger than the substitution effect"

Answer: (B)

Q3.

Solution

Concept: Marginal Utility (MU) is the change in Total Utility (TU) from consuming one additional unit. It is the slope of the Total Utility curve.

Solution: When Total Utility (TU) increases, Marginal Utility (MU) must be positive. If TU is increasing at a diminishing rate, it means that each additional unit consumed adds less and less to total utility. Graphically, the TU curve is getting flatter while still sloping upwards. This implies that the slope of the TU curve, which is MU, is decreasing but still positive.

Final Answer : "Decreasing but positive"

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

Q4.

Solution

Concept: Price Elasticity of Demand (PED) measures the responsiveness of quantity demanded to a price change. If PED < 1 (inelastic demand), a percentage change in price leads to a smaller percentage change in quantity demanded.

Solution: Given that the price elasticity of demand is 0.5, demand is inelastic (0.5 < 1). When demand is inelastic, a price increase will lead to a proportionately smaller decrease in the quantity demanded. Therefore, the increase in price will dominate the decrease in quantity, causing total expenditure (Price × Quantity) to increase. For example, if P increases by 10% and Q decreases by only 5% (0.5 * 10%), the product P*Q will rise.

Final Answer : "Increase"

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

Q5.

Solution

Concept: An Indifference Curve shows combinations of two goods that yield the same level of utility to a consumer. Its slope reflects the consumer's willingness to trade one good for another.

Solution: The slope of an Indifference Curve measures the rate at which a consumer is willing to give up units of one good (e.g., Good Y) to obtain an additional unit of another good (e.g., Good X) while remaining on the same indifference curve (maintaining the same level of satisfaction). This rate is known as the Marginal Rate of Substitution (MRS).

Final Answer : "Marginal Rate of Substitution"

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

Q6.

Solution

Concept: Average Fixed Cost (AFC) is Total Fixed Cost (TFC) divided by the quantity of output (Q). Since TFC remains constant, AFC continuously declines as output increases, approaching the x-axis but never reaching it.

Solution: Without the actual diagram showing curves 1, 2, and 3, it is impossible to definitively identify which curve represents AFC. However, in standard cost curve diagrams, AFC is typically represented by a curve that continuously slopes downwards throughout the entire range of output, approaching the horizontal axis asymptotically. This shape is distinct from the U-shaped Average Variable Cost (AVC), Average Total Cost (ATC), and the J-shaped or U-shaped Marginal Cost (MC) curves. If curves 1, 2, and 3 typically represent MC, AVC, and ATC, then AFC would not be among them as a numbered curve. Therefore, assuming a standard representation where AFC is not explicitly numbered as 1, 2, or 3 among the U-shaped and J-shaped cost curves.

Final Answer : "None of the above"

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

Q7.

Solution

Concept: The relationship between Marginal Cost (MC) and Average Cost (AC) (either Average Total Cost or Average Variable Cost). MC is the cost of producing one more unit, and AC is the cost per unit.

Solution: Assertion (A) states that MC cuts AC at its minimum point, which is a fundamental property of cost curves. Reason (R) explains why: when MC is less than AC, producing an additional unit lowers the average, so AC falls. When MC is greater than AC, producing an additional unit raises the average, so AC rises. Therefore, for AC to switch from falling to rising, MC must intersect AC at its lowest point. Both the assertion and the reason are true, and the reason correctly explains the assertion.

Final Answer : "Both true and R explains A"

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

Q8.

Solution

Concept: The Total Product (TP) curve initially increases at an increasing rate, then at a diminishing rate, and eventually decreases. The point of inflexion on the TP curve marks the transition from increasing to diminishing returns.

Solution: The point of inflexion on the Total Product (TP) curve is where the TP curve changes its curvature from convex (increasing at an increasing rate) to concave (increasing at a diminishing rate). At this point, the slope of the TP curve is steepest. The slope of the TP curve represents Marginal Product (MP). Therefore, the point of inflexion on the TP curve corresponds to the point where Marginal Product (MP) is at its maximum.

Final Answer : "MP is maximum"

Answer: (C)

Q9.

Solution

Concept: Average Revenue (AR) is price per unit, and Marginal Revenue (MR) is the additional revenue from selling one more unit. Their relationship varies by market structure.

Solution: Under perfect competition, individual firms are price takers. They face a perfectly elastic (horizontal) demand curve at the market price. This means they can sell any quantity at the prevailing market price. Therefore, the price (which is AR) remains constant, and each additional unit sold adds exactly the market price to total revenue (which is MR). Thus, AR = MR, and both are represented by a horizontal curve equal to the market price.

Final Answer : "Perfect Competition"

Answer: (C)

Q10.

Solution

Concept: The break-even point is a crucial concept in business, indicating the level of production where total costs and total revenue are equal.

Solution: The break-even point occurs when a firm's total revenue (TR) is exactly equal to its total costs (TC). At this point, the firm is neither making a profit nor incurring a loss; it is covering all its fixed and variable costs. This is distinct from profit maximization (where MR=MC) or the shut-down point (where P=AVC).

Final Answer : "TR = TC"

Answer: (C)

Q11.

Solution

Concept: The "long run" in economics refers to a period of time during which all factors of production are variable and can be changed. There are no fixed factors in the long run, allowing firms complete flexibility in adjusting their scale of operations.

Solution: In the long run, firms have sufficient time to change the quantities of *all* their inputs, including those typically considered fixed in the short run, such as factory size, machinery, and technology. This means that a firm can expand its production capacity by building new plants, installing more equipment, or hiring more permanent staff, or conversely, it can downsize. Therefore, all factors of production are considered variable. Options (A) "One factor fixed" and (D) "TFC constant" are characteristics of the short run, where at least one factor (usually capital) is fixed, leading to fixed costs. Option (C) "Law of Variable Proportions" is also a short-run concept that describes how output changes as a variable input is added to a fixed input.

Final Answer : "All factors variable"

Answer: (B)

Q12.

Solution

Concept: Perfectly inelastic supply means that the quantity supplied does not change at all, regardless of the change in price. Graphically, this is represented by a vertical supply curve, indicating that producers cannot or will not increase output even if prices rise.

Solution: When supply is perfectly inelastic, the supply curve is a vertical line. This signifies that the quantity supplied is fixed at a certain level and cannot be increased or decreased in response to price changes. If there is an increase in demand, the demand curve shifts parallelly to the right. As this new demand curve intersects the vertical supply curve, the equilibrium point shifts upwards along the supply curve. This results in a higher equilibrium price, but the equilibrium quantity supplied remains unchanged at its original fixed level because producers are unable to alter the quantity they bring to the market.

Final Answer : "Price ↑, Quantity constant"

Answer: (B)

Q13.

Solution

Concept: Equilibrium price and quantity are determined by the intersection of the demand and suppl
y curves. Shifts in these curves due to various market factors will alter the equilibrium.

Solution: A decrease in demand means that consumers are willing to buy less at every price, causing the demand curve to shift to the left. Ceteris paribus (all else being equal), a leftward shift in demand will lead to a decrease in the equilibrium price and quantity. Concurrently, an increase in supply means that producers are willing to offer more at every price, causing the supply curve to shift to the right. Ceteris paribus, a rightward shift in supply will also lead to a decrease in the equilibrium price and an increase in the equilibrium quantity. When both events occur simultaneously:

1. Decrease in demand (left shift) pushes price down.
2. Increase in supply (right shift) also pushes price down.

Since both forces push the price in the same direction, the equilibrium price will unequivocally fall. However, regarding the equilibrium quantity, the decrease in demand tends to lower it, while the increase in supply tends to raise it. Without knowing the relative magnitudes of these shifts, the change in equilibrium quantity will be indeterminate.

Final Answer : "Falls"

Answer: (A)

Q14.

Solution

Concept: A price ceiling is a maximum price set by the government that can be charged for a good or service. For a price ceiling to be effective and have a real impact on the market, it must be set below the market equilibrium price.

Solution: When a price ceiling is set below the equilibrium price, the government mandates a maximum price that is lower than the price at which the quantity demanded would naturally equal the quantity supplied. At this artificially low price:
1. Consumers' demand increases: A lower price encourages consumers to buy more of the good or service.
2. Producers' supply decreases: A lower price reduces the incentive for producers, leading them to supply less of the good or service, as it becomes less profitable.
The result is that the quantity demanded (Qd) at the ceiling price will be greater than the quantity supplied (Qs) at that same price (Qd > Qs). This disparity creates an excess demand, commonly known as a shortage, in the market.

Final Answer : "Excess demand"

Answer: (B)

Q15.

Solution

Concept: Price elasticity of supply (PES) measures the responsiveness of the quantity supplied of a good or service to a change in its price. It is calculated as the percentage change in quantity supplied divided by the percentage change in price.

Solution: Supply is considered inelastic when the percentage change in the quantity supplied is proportionately smaller than the percentage change in the price of the good. This means that producers do not significantly increase or decrease their output even when there are substantial changes in market price. Mathematically, the coefficient of price elasticity of supply (PES) is greater than 0 but less than 1 (0 < PES < 1). Options such as "unitary elastic" (PES = 1), "perfectly elastic" (PES = infinity), and "elastic" (PES > 1) describe different degrees of responsiveness of supply to price changes.

Final Answer : "Inelastic"

Answer: (C)

Q16.

Solution

Concept: Goods can be classified as intermediate goods or final goods. Intermediate goods are those used as inputs or components in the production of other goods and services, and are consumed in the production process itself. Final goods are purchased for final use by consumers or for investment by businesses.

Solution: An intermediate good is one that is bought by a firm and used to produce other goods or services, rather than being sold directly to the end-user. In the given options:
(A) "Car by household" is a final consumption good, used directly by the consumer.
(B) "Machine in factory" is a capital good, which is a type of final good used for investment, helping to produce other goods over a long period.
(C) "Steel for car manufacturer" fits the definition of an intermediate good. The steel is not consumed directly by the end-user but is processed and transformed into a component of a car, which is the final product.
(D) "Furniture" can be a final consumption good for a household or a capital good for a business (like office furniture), but it is not typically an intermediate good that is transformed into another product.

Final Answer : "Steel for car manufacturer"

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

Q17.

Solution

Concept: Nominal GDP measures the total value of goods and services produced in an economy at current market prices, while Real GDP measures the total value using constant prices from a base year, thus adjusting for inflation. The GDP Deflator is a price index that measures the average level of prices of all new, domestically produced, final goods and services in an economy.

Solution: The relationship between Nominal GDP, Real GDP, and the GDP Deflator is given by the formula:
Real GDP = $(\frac{\text{Nominal GDP}}{\text{GDP Deflator}}) \times 100$

Given:
Nominal GDP = ₹ 600 Cr
GDP Deflator = 120

Substituting these values into the formula:
Real GDP = $(\frac{600}{120}) \times 100$
Real GDP = 5×100
Real GDP = | 500 Cr

Therefore, the Real GDP, adjusted for inflation, is ₹ 500 Cr.

Final Answer : "₹ 500 Cr"

Answer: (A)

Q18.

Solution

Concept: Marginal Propensity to Consume (MPC) is the proportion of an increase in income that a consumer spends on goods and services, while Marginal Propensity to Save (MPS) is the proportion of an increase in income that is saved. These two concepts are fundamental to Keynesian economics.

Solution: This question requires specific statements about MPC and MPS (labeled I and II) which were not provided in the prompt. However, based on common economic principles, the most fundamental relationship between MPC and MPS is that their sum always equals 1. This is because any additional unit of income (Y) can only be either consumed (C) or saved (S).
Thus, $\Delta Y = \Delta C + \Delta S$.
Dividing by ΔY: $\frac{\Delta Y}{\Delta Y} = \frac{\Delta C}{\Delta Y} + \frac{\Delta S}{\Delta Y}$
1 = MPC + MPS
Additionally, both MPC and MPS are typically positive and less than 1 (0 < MPC < 1 and 0 < MPS < 1), implying that people consume and save a fraction of any additional income.
If the missing statements were, for example, "I: MPC + MPS = 1" and "II: Both MPC and MPS are positive and less than 1", then both would be true. Assuming the question intends to test these core relationships, "Both true" would be the expected answer.

Final Answer : “Both true”

Answer: (A)

Q19.

Solution

Concept: Net Exports (NX) are a crucial component of a nation’s aggregate demand and Gross Domestic Product (GDP) when calculated using the expenditure approach (Y = C + I + G + NX). They represent the balance of a country’s trade in goods and services with the rest of the world.

Solution: Net Exports are defined as the monetary value of a country’s total exports (X) minus the monetary value of its total imports (M) over a specific period.
Exports (X): Goods and services produced domestically but sold to foreign countries. These represent an inflow of foreign currency and contribute to domestic production.
Imports (M): Goods and services produced in foreign countries but purchased by domestic consumers, businesses, or government. These represent an outflow of domestic currency and are subtracted because they are part of domestic expenditure but not domestic production.
So, the formula is Net Exports (NX) = Exports (X) – Imports (M).
If X > M, the country has a trade surplus. If X < M, it has a trade deficit. Option (D) "Only visible exports" is incorrect as Net Exports include both visible (goods) and invisible (services) trade.

Final Answer : “X M”

Answer: (C)

Q20.

Solution

Concept: In the Keynesian model of income determination, the consumption function relates total consumption to disposable income. The 45-degree line (also known as the aggregate expenditure line or reference line) is a graphical tool that represents all points where aggregate expenditure (or total income) is equal to consumption plus saving ($Y = C + S$), or simply where income equals expenditure ($Y=C$) if we are only considering consumption.

Solution: The 45-degree line plotted on a graph where the horizontal axis represents income (Y) and the vertical axis represents consumption (C) indicates all points where consumption exactly equals income ($C = Y$).

When the consumption line intersects the 45-degree line, it means that at that specific level of income, the entire income is being spent on consumption.

Since income (Y) can either be consumed (C) or saved (S), we have the identity $Y = C + S$.

At the point where the consumption line meets the 45-degree line, $C = Y$.

Substituting C for Y in the identity: $C = C + S$, which implies $S = 0$.

Therefore, this intersection point is known as the break-even point, where households neither save nor dissave; all income is consumed, and saving is zero.

Final Answer : "Break-even (S = 0)"

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

Q21.

Solution

Concept: In national income accounting, there is a distinction between domestic product (GDP) and national product (GNP). This distinction is made using Net Factor Income from Abroad (NFIA). GDP measures the value of goods and services produced within a country's geographical boundaries, irrespective of who owns the factors of production. GNP measures the value of goods and services produced by a country's residents, irrespective of where they are located.

Solution: NFIA stands for Net Factor Income From Abroad. It is the difference between:
Income earned by a country's residents (individuals and firms) from factors of production (labor, land, capital, entrepreneurship) located in foreign countries. This includes wages of residents working abroad, profits of resident companies operating abroad, interest on foreign investments held by residents, and rent from property owned abroad by residents.
Minus income earned by foreign residents from factors of production located within the domestic country. This includes wages of non-residents working domestically, profits of foreign companies operating domestically, interest on domestic investments held by non-residents, and rent from property owned domestically by non-residents.
In essence, NFIA adjusts GDP to account for the international flow of factor incomes, allowing for the calculation of GNP (GNP = GDP + NFIA).

Final Answer : "Net factor income from abroad"

Answer: (B)

Q22.

Solution

Concept: High-powered money, also known as the monetary base or base money (M0), is the most liquid form of money directly issued by or held with the central bank. It forms the foundation upon which the commercial banking system can create a larger money supply through the process of fractional reserve banking.

Solution: High-powered money includes two main components:
1. Currency in circulation: This is the physical currency (banknotes and coins) held by the public (outside of commercial banks).
2. Commercial banks' reserves with the central bank: These are deposits that commercial banks hold with the central bank (e.g., RBI in India, Federal Reserve in the US) plus their vault cash. These reserves are crucial because they serve as the base for banks to meet their reserve requirements and facilitate interbank transactions, enabling them to create credit.
Thus, option (B) "Currency + bank reserves + RBI deposits" correctly describes the components of high-powered money. "RBI deposits" in this context refers to the deposits of commercial banks with the Reserve Bank of India, which constitute a part of their reserves. Other options include components of broader money supply definitions (like demand deposits in M1 or time deposits in M2/M3) but not high-powered money itself.

Final Answer : "Currency + bank reserves + RBI deposits"

Answer: (B)

Q23.

Solution

Concept: Central banks use various monetary policy tools to control the money supply and credit availability in an economy. The goal of increasing credit creation is typically to stimulate economic growth (expansionary monetary policy).

Solution: To increase credit creation in the economy, the central bank needs to boost the reserves of commercial banks, as these reserves determine their lending capacity. Among the given options:
(A) Increase CRR (Cash Reserve Ratio): Increasing CRR means commercial banks must hold a larger fraction of their deposits as reserves with the central bank, reducing the funds available for lending and thus decreasing credit creation.
(B) Increase SLR (Statutory Liquidity Ratio): Increasing SLR means banks must maintain a larger proportion of their net demand and time liabilities in the form of liquid assets (like government securities), again reducing funds available for loans and decreasing credit creation.
(C) Buy securities (Open Market Operations): When the central bank buys government securities from commercial banks (or the public), it pays the banks with new money. This directly increases the commercial banks' reserves. With higher reserves, banks have more money to lend, which enables them to create more credit through the money multiplier process, thereby increasing the money supply in the economy.
(D) Sell securities: Selling securities is the opposite of buying them. It withdraws money from the banking system, reducing banks' reserves and their ability to create credit.

Therefore, buying securities is the correct action to increase credit creation.

Final Answer : "Buy securities"

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

Q24.

Solution

Concept: The reverse repo rate is a monetary policy tool used by the central bank (e.g., RBI) to manage liquidity in the banking system. It is part of the central bank's liquidity adjustment facility (LAF).

Solution: The reverse repo rate is the interest rate at which the central bank (like the RBI in India) borrows money from commercial banks. Commercial banks lend their surplus funds to the central bank, typically by purchasing government securities from the central bank with an agreement to sell them back at a later date. This operation helps to absorb excess liquidity from the banking system, reducing the amount of money available for lending by commercial banks, and thereby controlling inflation.

Final Answer : "RBI borrows from banks"

Answer: (C)

Q25.

Solution

Concept: The paradox of thrift is a concept in Keynesian economics that states that an increase in autonomous saving (a desire to save more) may lead to a decrease in aggregate demand, which can ultimately result in lower overall savings for the economy and reduced income, especially during a recession.

Solution: According to the paradox of thrift, if everyone in the economy decides to save a larger proportion of their income (i.e., marginal propensity to save increases), it leads to a decrease in current consumption expenditure. This fall in aggregate demand then causes firms to reduce production, leading to lower national income and employment. In turn, lower income means that, even with a higher MPS, the total amount of saving in the economy might actually fall or remain unchanged, rather than increasing, as individuals' attempts to save more are self-defeating at the aggregate level.

Final Answer : "Savings fall or unchanged"

Answer: (B)

Q26.

Solution

Concept: The consumption function, in Keynesian economics, is a mathematical relationship showing how consumption expenditure (C) is determined by disposable income (Y). It is typically expressed as C = a + bY, where 'a' is autonomous consumption and 'b' is the Marginal Propensity to Consume (MPC).

Solution: The general form of a linear consumption function is C = a + bY.
'a' represents autonomous consumption, which is the amount consumed when income is zero. It must be a positive constant. In the given options, '50' serves as autonomous consumption.
'b' represents the Marginal Propensity to Consume (MPC), which is the fraction of additional income that is spent on consumption. MPC must be positive and less than 1 ($0 < b < 1$).
Examining the options:
(A) C = 50 + 0.25Y: Here, a=50 and b=0.25. This is a valid consumption function.
(B) C = 50 + 0.75Y: Here, a=50 and b=0.75. This is also a valid consumption function.
(C) C = 0.75 + 50Y: Here, b=50, which means MPC is 50, which is impossible as MPC cannot be greater than 1.
(D) C = 50 0.75Y: Here, b=-0.75, which means MPC is negative, which is impossible.
Both (A) and (B) are correctly structured consumption functions. However, 0.75 (or 3/4) is a very common and often assumed value for the MPC in macroeconomic models and textbook examples, implying a significant portion of additional income is consumed. While 0.25 is also a possible MPC, 0.75 is often used to illustrate typical consumption behavior.

Final Answer : "C = 50 + 0.75Y"

Answer: (B)

Q27.

Solution

Concept: Average Propensity to Consume (APC) is the ratio of total consumption (C) to total income (Y), i.e., APC = C/Y. It indicates the proportion of total income that is spent on consumption.

Solution: APC > 1 implies that the total consumption expenditure (C) is greater than the total income (Y) (i.e., C > Y). When consumption exceeds income, it means that individuals or an economy are spending more than they earn. This excess spending must be financed by either drawing down on past savings (dissaving) or by borrowing. Therefore, if C > Y, savings (S = Y - C) would be negative. Options (A) and (B) describe situations where C is less than or equal to Y, leading to APC <= 1 and positive/zero savings. Option (D) Y=0 would lead to an undefined APC.

Final Answer : "C > Y"

Answer: (C)

Q28.

Solution

Concept: Government expenditure is broadly classified into revenue expenditure and capital expenditure. Revenue expenditure refers to expenses that do not create any assets or reduce any liabilities for the government. They are typically recurring expenses for the normal functioning of the government.

Solution: Let's analyze the options:
(A) Buying shares: This is a capital expenditure because it creates a financial asset for the government (an investment).
(B) Highway construction: This is a capital expenditure because it creates a physical asset (infrastructure) that provides long-term benefits.
(C) Salaries: Salaries paid to government employees (e.g., civil servants, teachers, police) are recurring expenses for the day-to-day operations of the government. They do not create any assets for the government, nor do they reduce its liabilities. Hence, salaries fall under revenue expenditure.
(D) Loan repayment: Repaying a loan reduces the government's liabilities. Therefore, it is classified as capital expenditure.

Final Answer : "Salaries"

Answer: (C)

Q29.

Solution

Concept: Primary deficit is an important fiscal indicator that reflects the government's borrowing requirements for current expenditures, excluding interest payments on past debts. It shows the fiscal situation after accounting for the burden of past borrowings.

Solution: The primary deficit is calculated by subtracting interest payments from the fiscal deficit.
Fiscal Deficit = Total Expenditure - Total Receipts (excluding borrowings)
The fiscal deficit includes the interest payments on the government's accumulated debt. To understand the current year's fiscal imbalance, excluding the legacy of past borrowing, the primary deficit is used.
Primary Deficit = Fiscal Deficit - Interest Payments This measure indicates how much the government needs to borrow to finance its current spending, if it were not for its past borrowing commitments.

Final Answer : "Fiscal deficit interest"

Answer: (A)

Q30.

Solution

Concept: Government budget accounts for various sources of receipts (revenue and capital) and heads of expenditure (revenue and capital). Borrowings are a capital receipt that bridge the gap between total expenditure and non-debt receipts.

Solution: The fiscal deficit is defined as the total borrowing requirements of the government. It represents the excess of total expenditure (revenue + capital) over total non-debt creating receipts (revenue receipts + non-debt capital receipts like recovery of loans and disinvestment). Since borrowings are the primary means to finance this gap, a significant percentage of borrowings (like 35% in a typical budget representation) directly indicates the extent of the fiscal deficit. The question usually refers to a budget pie chart where different sources of government funds are shown, and borrowings are presented as a percentage of total receipts needed to cover total expenditures.

Final Answer : "Fiscal deficit"

Answer: (C)

Q31.

Solution

Concept: Government fiscal policy (taxation and expenditure) aims to achieve various macroeconomic objectives, including resource reallocation, income redistribution, economic stability, and growth.

Solution: Imposing higher taxes on luxury goods (e.g., high excise duties or GST on luxury items) makes these goods more expensive for consumers. This increased cost tends to reduce their demand and, consequently, their production. By making luxury goods less attractive for both consumers and producers, the government effectively discourages the allocation of scarce resources (labor, capital, raw materials) towards the production of these goods. Instead, resources may be redirected towards the production of other goods and services that are either more essential or that the government wishes to promote. This deliberate shift of resources is known as resource reallocation.

Final Answer : "Resource reallocation"

Answer: (A)

Q32.

Solution

Concept: The Balance of Payments (BOP) is a systematic record of all economic transactions between 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.

Solution: The Current Account records all international transactions that represent changes in national income in the current period. It includes:
Trade in goods (visible trade): Exports and imports of physical goods.
Trade in services (invisible trade): Exports and imports of services (e.g., tourism, shipping, banking, software services).
Factor income: Income derived from factor services, such as interest, dividends, rent, and wages received from or paid to abroad.
Current transfers: Unilateral transfers of income (e.g., remittances, gifts, grants, aid) that do not involve a quid pro quo.
Let's analyze the given options:
(A) FDI (Foreign Direct Investment): This is a component of the Capital Account, as it represents long-term investment in productive assets.
(B) ECB (External Commercial Borrowings): These are loans taken from foreign sources and are part of the Capital Account.
(C) Transfers: These refer to unilateral transfers (like remittances, gifts) and are explicitly a part of the Current Account.
(D) Portfolio investment: This involves buying financial assets like stocks and bonds in foreign countries without gaining control and is a component of the Capital Account.

Final Answer : "Transfers"

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

Q33.

Solution

Concept: The value of a country's currency in terms of another currency is its exchange rate. Changes in this value can occur due to market forces or government intervention, and are described by specific terminology.

Solution: An "increase in currency value" refers to a situation where a domestic currency becomes stronger relative to foreign currencies, meaning it can buy more units of foreign currency. The terms used to describe this change depend on the exchange rate regime:
Appreciation: Occurs in a flexible (floating) exchange rate system when the value of a currency increases due to market forces (changes in demand and supply for the currency).
Revaluation: Occurs in a fixed exchange rate system when the government or central bank officially raises the fixed value of its currency against other currencies.
Depreciation: Occurs in a flexible exchange rate system when the value of a currency decreases due to market forces.
Devaluation: Occurs in a fixed exchange rate system when the government or central bank officially lowers the fixed value of its currency against other currencies. Since the question asks for a general "increase in currency value" without specifying the exchange rate regime, 'Appreciation' is the most common and general term used to describe such an increase, particularly in a market context. While revaluation is also an increase, it's specific to fixed regimes and implies an official policy decision. In the absence of such specification, appreciation covers the market-driven increase in value.

Final Answer : "Appreciation"

Answer: (A)

Q34.

Solution

Concept: The Balance of Trade (BOT) is a specific component of a country's Balance of Payments (BOP). It focuses exclusively on the visible items traded between countries.

Solution: The Balance of Trade (BOT), also known as the trade balance, measures the difference between a country's total value of exports of goods and its total value of imports of goods over a specified period. It deals only with physical, tangible goods (visible items). Services (invisible items) are recorded in the Balance of Services, which is part of the Current Account but separate from the Balance of Trade. BOP credits-debits refers to the overall Balance of Payments, not just the Balance of Trade. Capital flows are recorded in the Capital Account.

Final Answer : "Goods"

Answer: (B)

Q35.

Solution

Concept: Historical land revenue systems introduced during British colonial rule in India had significant impacts on agricultural productivity and the socio-economic conditions of cultivators.

Solution: Among the given options, the Zamindari system is widely regarded as a primary cause of agricultural stagnation during the British colonial period in India. Under this system, zamindars (landlords) were recognized as owners of the land and were responsible for collecting rent from cultivators (ryots) and paying a fixed amount to the British government. This system led to:
Exploitation of cultivators: Zamindars often charged exorbitant rents and did not invest in improving land or agricultural techniques.
Lack of incentive: Cultivators, facing high rents and lacking ownership security, had no incentive to invest in improving their land or increasing production.
Absentee landlordism: Many zamindars became absentee landlords, further detaching them from agricultural development.
These factors collectively contributed to declining productivity and widespread agricultural stagnation. Ryotwari and Mahalwari systems, while having their own drawbacks, were generally less exploitative than Zamindari. Cooperative farming (D) was a post-independence initiative aimed at improving agriculture, not a cause of stagnation.

Final Answer : "Zamindari"

Answer: (C)

Q36.

Solution

Concept: Import substitution industrialization (ISI) is a trade and economic policy that advocates replacing foreign imports with domestic production. This strategy was widely adopted by many developing countries, including India, in the mid-20th century.

Solution: The primary aim of an import substitution policy is to protect and promote the growth of nascent domestic industries. By restricting imports (through tariffs, quotas, and other non-tariff barriers), local industries are shielded from international competition, allowing them to grow, achieve economies of scale, and eventually become competitive. The long-term goals often include reducing reliance on foreign goods, achieving self-sufficiency, and promoting industrialization. While it might indirectly affect exports or FDI, its direct and immediate objective is the protection and development of local industries.

Final Answer : "Protect domestic industry"

Answer: (B)

Q37.

Solution

Concept: India embarked on a path of planned economic development after gaining independence. This required the establishment of key institutions to formulate and oversee economic policies and plans.

Solution: The Planning Commission was established by a Resolution of the Government of India in March 1950. Its primary function was to formulate India's Five-Year Plans for economic and social development. The Finance Commission is constituted by the President every five years (first in 1951). The National Development Council (NDC) was established in 1952. Ministries existed before and continued after 1950.

Final Answer : "Planning Commission"

Answer: (B)

Q38.

Solution

Concept: "License Raj" refers to the system of extensive government regulations and bureaucratic controls that characterized the Indian economy, particularly between 1947 and 1991.

Solution: The term "License Raj" describes a period in India's economic history when private businesses needed government licenses and permits to start, operate, expand, or diversify their operations. This system involved a complex web of regulations, approvals, and bureaucratic hurdles, leading to delays, inefficiency, and opportunities for corruption. It was a significant feature of India's mixed economy model, aiming to direct industrial development, but often resulted in hindering private sector growth.

Final Answer : "Govt permission for business"

Answer: (B)

Q39.

Solution

Concept: The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. It evolved from an earlier international trade agreement.

Solution: The World Trade Organization (WTO) was officially established on January 1, 1995, as the successor to the General Agreement on Tariffs and Trade (GATT). GATT was a multilateral agreement signed in 1947 that aimed to reduce barriers to international trade through tariff reductions and other trade liberalization efforts. After nearly 50 years, the Uruguay Round negotiations led to the creation of the WTO, which incorporated GATT's principles while expanding its scope and establishing a more robust institutional framework for global trade.

Final Answer : "GATT"

Answer: (C)

Q40.

Solution

Concept: Privatization is the process of transferring ownership, management, or control of public assets or services from the government to the private sector. It is often undertaken to improve efficiency, reduce government debt, and stimulate economic growth.

Solution: One of the most common and direct methods of privatization is disinvestment. Disinvestment refers to the sale of government-owned shares in Public Sector Undertakings (PSUs) to private individuals or entities. This reduces the government's stake and often transfers control or management to the private sector. While closing PSUs (liquidation) also reduces the public sector, it doesn't transfer the operational entity to private hands. "More public sector" and "Nationalisation" are the opposite of privatization.

Final Answer : "Disinvestment"

Answer: (B)

Q41.

Solution

Concept: Goods and Services Tax (GST) is a significant indirect tax reform implemented in India, aiming to create a common national market by subsuming multiple previous indirect taxes.

Solution: GST is an indirect tax. Unlike direct taxes (like income tax) where the burden cannot be shifted, indirect taxes (like GST) are levied on goods and services, and their burden is typically passed on to the final consumer. The introduction of GST in India was a monumental reform that subsumed various central and state indirect taxes (e.g., excise duty, service tax, VAT) into a single, comprehensive tax, streamlining the tax structure and reducing cascading effects. It is not a direct tax, a fiscal deficit tool in itself, or a subsidy.

Final Answer : "Indirect tax reform"

Answer: (B)

Q42.

Solution

Concept: Education indicators are statistical measures used to assess the level, quality, and access to education within a population or country. They help evaluate human development and educational progress.

Solution: Let's examine the options:
(A) Literacy: Directly measures the ability to read and write, a fundamental educational outcome.
(B) Youth literacy: A specific measure of literacy focusing on a younger age group, indicating recent educational progress.
(C) Life expectancy: This is a health indicator, measuring the average number of years a person is expected to live. While related to overall human development (and a component of the Human Development Index), it is not a direct measure of educational attainment or access.
(D) School completion: Measures the proportion of a population that has finished a particular level of schooling, directly indicating educational attainment.

Therefore, life expectancy is not an education indicator.

Final Answer : "Life expectancy"

Answer: (C)

Q43.

Solution

Concept: Organic farming is a method of crop and livestock production that involves much more than choosing not to use pesticides, fertilizers, genetically modified organisms, antibiotics, and growth hormones. It is a holistic system designed to enhance ecological processes.

Solution: Organic farming emphasizes the use of natural and sustainable inputs and practices. It strictly avoids synthetic chemical fertilizers, pesticides, herbicides, and genetically modified organisms (GMOs). Instead, it relies on methods like crop rotation, green manure, compost, biological pest control, and the use of bio-fertilizers and farmyard manure to maintain soil fertility and control pests. Options (A) and (B) involve practices that are characteristic of conventional, chemical-intensive farming, while (D) is not a defining feature of organic farming.

Final Answer : "Natural inputs"

Answer: (C)

Q44.

Solution

Concept: Self-employment refers to individuals working for themselves rather than for an employer. Its prevalence can be influenced by various economic factors, particularly in developing economies.

Solution: In many developing countries, formal sector jobs (wage or salaried employment) are scarce due to various factors like slow industrial growth, high population, and inadequate skill development.

This lack of sufficient wage employment opportunities often pushes a large segment of the workforce into self-employment out of necessity. People engage in small-scale farming, street vending, petty trade, or artisanal activities to earn a livelihood when formal jobs are unavailable. While entrepreneurial spirit exists, "lack of jobs" is a more pervasive driver of high self-employment rates in such contexts, often indicating underemployment or disguised unemployment rather than a flourishing entrepreneurial ecosystem for all.

Final Answer : "Lack of jobs"

Answer: (A)

Q45.

Solution

Concept: Types of Unemployment in Rural and Agrarian Economies.

Solution: Agricultural unemployment in many developing nations is most commonly identified as disguised unemployment. This is a phenomenon where the number of people engaged in an interactive economic activity is higher than the actual number required to maintain maximum production. In the context of Indian agriculture, for example, if a small plot of land requires only three workers to produce 100 kg of wheat, but five family members are working on it, the two extra workers are "disguisedly unemployed." Their marginal productivity is zero because their removal would not decrease the total output. This occurs due to a lack of alternative employment opportunities in the non-farm sector and the pressure of population on land.

Final Answer : Disguised

Answer: (C)

Q46.

Solution

Concept: Socio-Demographic Indicators of Development.

Solution: MMR stands for Maternal Mortality Ratio, which is defined as the number of maternal deaths per 100,000 live births from any cause related to or aggravated by pregnancy or its management. This metric is a vital indicator of the health status of a nation. A high MMR suggests inadequate access to quality healthcare services, poor nutritional status among women, and a lack of skilled birth attendants or emergency obstetric care. It is used globally to evaluate the efficiency of a country's healthcare infrastructure and is a core component of human development assessments.

Final Answer : Health

Answer: (B)

Q47.

Solution

Concept: Economic History and Agrarian Reforms in East Asia.

Solution: The Commune system was a cornerstone of the economic reforms introduced in China during the Great Leap Forward (GLF) campaign initiated by Mao Zedong in 1958. Under this system, private land ownership was abolished and replaced by collective ownership. Rural households were organized into large units called "communes" where they worked together on the land, shared resources, and distributed the harvest based on a work-point system. By the end of 1958, approximately 26,000 communes had been established, covering nearly 99% of the total agricultural population in China.

Final Answer : China

Answer: (C)

Q48.

Solution

Concept: Economic Reform Policies in Pakistan.

Solution: In 1988, Pakistan introduced a comprehensive set of structural adjustment programs often referred to as the "Economic Reforms." A central pillar of these reforms was the policy of privatization and deregulation. This was a response to the inefficiencies and high fiscal deficits generated by the nationalization policies of the 1970s. The reforms aimed to transfer the ownership and management of various public sector enterprises (including banks and manufacturing units) to the private sector to improve productivity, reduce the government's financial burden, and foster competition. In an assertion-reasoning format, it is widely recognized that the poor performance of the public sector was the primary justification for these privatizing measures.

Final Answer : Both correct + explanation

Answer: (A)

Q49.

Solution

Concept: Human Development and Liberty Indicators.

Solution: Development is measured not only through economic indicators (like GDP) or social indicators (like IMR and literacy) but also through liberty indicators. While economic indicators focus on income and material wealth, and social indicators focus on health and education, liberty indicators measure the degree of civil and political freedom enjoyed by the citizens. Democratic participation in the decision-making process is a primary liberty indicator because it reflects the level of political voice and constitutional rights available to the people, ensuring that they have the freedom to influence the policies that affect their lives.

Final Answer : Democratic participation

Answer: (B)

Q50.

Solution

Concept: China's Market-Oriented Reforms.

Solution: The Open Door Policy (also known as the "Policy of Opening Up") was officially announced by China in 1978 under the leadership of Deng Xiaoping. This marked a radical shift from the previous era of economic isolation and self-reliance. The policy was designed to encourage foreign investment, facilitate international trade, and allow the entry of foreign technology and management expertise into the country. To implement this, China created Special Economic Zones (SEZs) along the coast, offering tax incentives to foreign companies. This policy was instrumental in transforming China into a global manufacturing hub and significantly accelerating its GDP growth rate.

Final Answer : Encourage foreign investment

Answer: (B)

Answer Key

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