

CUET Economics Solved Paper-2023

Held on 11 June 2023 (Shift-III)

- If we deduct depreciation from GNP_{mp} the measure of aggregate income that we obtain is called:
 - GDP_{mp}
 - NNP_{mp}
 - NDP_{mp}
 - NDP_{FC}
- From the following data calculate net domestic product at factor cost.

S.No.	Item	₹ crore
(i)	Depreciation	20
(ii)	Gross National Products at factor cost	1000
(iii)	Net factor income from abroad	30
(iv)	Net indirect taxes	10

- ₹ 1050 crores
 - ₹ 900 crores
 - ₹ 1020 crores
 - ₹ 950 crores
- A Consumer's total utility level being the same, the amount of good 'X' that the consumer has to forego, in order to get an additional unit of good 'Y' is termed as :
 - Monotonic preference
 - Marginal Rate of substitution
 - Marginal Rate of transformation
 - Diminishing Marginal Utility
 - _____ is a revenue receipt of the Government.
 - Profits of LIC, a public enterprise
 - Amount borrowed from Japan for construction of Bullet Train
 - Recovery of loans
 - Sale of 40% shares of a public sector undertaking to a private enterprise
 - Arrange the following events related to indentifying the poor in India in order of their occurrence:
 - Mahatma Gandhi National Rural Employment Guarantee Act
 - Task force on projections of minimum needs and effective consumption demand
 - Jan-Dhan Yojana
 - Planning commission formed a study group
 - Concept of "Jail cost of living"
 Choose the **correct** answer from the options given below:
 - (E), (D), (B), (A), (C)
 - (D), (E), (B), (C), (A)
 - (A), (B), (D), (E), (C)
 - (D), (A), (B), (E), (C)

- Calculate the total deposits made by commercial banks when the primary deposit is ₹ 20 Crores and cash reserve ratio is 20%. Choose the correct option.
 - ₹ 40 Crores
 - ₹ 60 Crores
 - ₹ 80 Crores
 - ₹ 100 Crores
- Which of the following is a part of Domestic product of India?
 - Gifts given by employer to his employees
 - Profits earned by branches of country's bank in other countries
 - Profits earned by foreign companies in India
 - Purchase of goods by foreign tourists
 Choose the **correct** answer from the options given below:
 - (A) and (B) Only
 - (B) and (C) Only
 - (C) Only
 - (C) and (D) Only

- Match List - I with List - II.

List - I

Organisation/NGO

- SEWA
- Kashta Kari Sangathan
- NCERT
- ACCORD

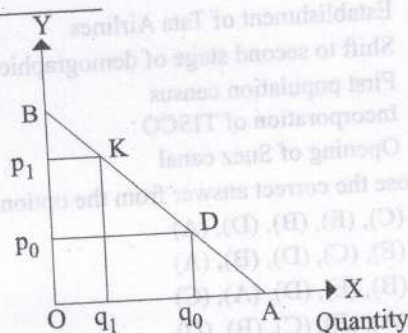
List - II

Location

- New Delhi
- Nilgiris
- Ahmedabad
- Thane

Choose the **correct** answer from the options given below:

- (A)-(IV), (B)-(III), (C)-(I), (D)-(II)
 - (A)-(III), (B)-(IV), (C)-(I), (D)-(II)
 - (A)-(III), (B)-(I), (C)-(II), (D)-(IV)
 - (A)-(II), (B)-(I), (C)-(IV), (D)-(III)
- Ozone depletion refers to the phenomenon of reduction in the amount of ozone is the _____.
 - Mesosphere
 - Lithosphere
 - Stratosphere
 - Ionosphere
 - In the Linear Demand Curve AB, the elasticity of demand (e_D) at point D can be measured geometrically by the formula



$$(a) e_D = \frac{DA}{DB} \quad (b) e_D = \frac{DB}{DA}$$

$$(c) e_D = \frac{BK}{KA} \quad (d) e_D = \frac{KA}{BK}$$

11. When autonomous receipts are less than autonomous. The balance of payments is in:

- (a) Surplus (b) Deficit
(c) Balanced (d) Equilibrium

12. Arrange the following events in their ascending order of occurrence:

- (A) Setting up of Planning Commission
(B) The Indian leaders had to decide a suitable economic system for India
(C) Introduction of Green Revolution in India
(D) Year of Indian Independence
(E) First Industrial Policy Resolution of India

Choose the **correct** answer from the options given below:

- (a) (A), (B), (C), (D), (E)
(b) (E), (D), (C), (B), (A)
(c) (D), (A), (C), (E), (B)
(d) (D), (B), (E), (A), (C)

13. An explanation for a downward sloping, demand curve rests on the notion of:

- (a) Ordinal Utility Analysis
(b) Diminishing Average Utility
(c) Diminishing Marginal Utility
(d) Diminishing Aggregate Utility

14. Consumption of 2400 calories in rural areas and 2100 calories in urban areas decide to draw the line which is called:

- (a) Calorie line
(b) Poverty line
(c) Rural line
(d) Urban line

15. Identify the correct option. Full form of 'ITC' in Indian Tax Context.

- (a) Income Tax Control
(b) Input Tax Credit
(c) Indian Tea Company
(d) Indirect Tax Control

16. Arrange the following events on the basis of their occurrence in India during British rule:

- (A) Establishment of Tata Airlines
(B) Shift to second stage of demographic transition
(C) First population census
(D) Incorporation of TISCO
(E) Opening of Suez canal

Choose the correct answer from the options given below:

- (a) (C), (E), (B), (D), (A)
(b) (E), (C), (D), (B), (A)
(c) (B), (E), (D), (A), (C)
(d) (A), (E), (C), (B), (D)

17. Match List - I with List - II.

List - I
(Policy tools)

(A) Disinvestment

(B) Out sourcing

(C) Globalisation

(D) GATT

List - II

(Characteristics)

(I) Hiring of regular services from External source

(II) Integration of the economy of the country with the world economy

(III) To administer all multilateral trade agreements

(IV) Privatisation of the public enterprises by selling off part of public equity sector

Choose the **correct** answer from the options given below:

- (a) (A)-(I), (B)-(III), (C)-(II), (D)-(IV)
(b) (A)-(IV), (B)-(III), (C)-(I), (D)-(II)
(c) (A)-(IV), (B)-(I), (C)-(II), (D)-(III)
(d) (A)-(IV), (B)-(I), (C)-(III), (D)-(II)

18. Which central problem deals with choice of technology to be used for production?

- (a) What to produce and in what quantity?
(b) How to produce?
(c) For whom to produce?
(d) Where to produce?

19. Profits obtained by a foreign firm's branch in India will be recorded on which side and in which account of balance of payment.

- (a) Credit side of current account
(b) Debit side of current account
(c) Credit side of capital account
(d) Debit side of capital account

20. A _____ account deficit is financed by net capital flows from the rest of the world, thus by a capital account surplus.

- (a) Capital (b) Current
(c) Saving (d) Recurring

21. Which of the following statements correctly describes the nature of indifference curve?

- (A) Indifference curve slopes downwards from left to right
(B) A lower indifference curve represents lower cost to consumer
(C) A higher indifference curve gives higher level of satisfaction
(D) Two indifference curves never intersect each other
(E) Indifference curves are always parallel to each other

Choose the **correct** answer from the options given below:

- (a) (A), (B), (D) only (b) (B), (C), (E) only
(c) (A), (C), (D) only (d) (C), (D), (E) only

CUET Economics Solved Paper-2023 (Held on 11 June 2023), Shift-III

22. Which of the following are sources of revenue expenditure by the Government ?
 (A) Repayment of loans
 (B) Expenditure on Defence services
 (C) Central assistance for states
 (D) Interest payments
 (E) Lending to commercial banks
 Choose the **correct** answer from the options given below:
 (a) (A), (B) and (C) only
 (b) (B), (C) and (E) only
 (c) (B), (C) and (D) only
 (d) (A), (C) and (E) only
23. Which of the following is not correct statement?
 (a) Production possibility curve does not explain the opportunity cost of production of x for y
 (b) In a market economy all goods come with a price
 (c) Microeconomics does not analyse the problem of unemployment
 (d) Positive economics studies how the different mechanisms function
24. In which year, the Indian Government made education free and compulsory for all children between 6 to 14 years ?
 (a) 2001 (b) 2005
 (c) 2011 (d) 2009
25. Identify the option that imply proneness to fall ill.
 (a) Mortality (b) Fertility
 (c) Morbidity (d) Infant Mortality
26. Identify normative statements from the following:
 (A) India has a high population
 (B) India should keep a control on population growth rate
 (C) High population hampers growth of any country
 (D) India should have more equitable distribution
 Choose the **correct** answer from the options given below:
 (a) (A) and (C) Only (b) (B) and (D) Only
 (c) (A) and (B) Only (d) (B) Only
27. Which of the following is included in social infrastructure?
 (a) Transport (b) Communication
 (c) Education (d) Energy
28. Find out correct one :
 (A) MPC is the change in consumption per unit change in income
 (B) MPS is the saving per unit of income
 (C) APC is the consumption per unit of income
 (D) APS is the change in saving per unit change in income
 Choose the **correct** answer from the options given below:
 (a) (A) and (B) Only (b) (A) and (C) Only
 (c) (C) and (D) Only (d) (B) and (C) Only
29. The shape of supply curve of foreign exchange is:
 (a) A horizontal line parallel to x-axis
 (b) A vertical line parallel to y-axis
 (c) An upward slopping line
 (d) A downward slopping line
30. Which of the following is a problem associated with the policy of land ceiling?
 (a) Intermediaries were abolished
 (b) Legislation challenged by big land lords
 (c) Soil degradation due to over use of chemical pesticides
 (d) Expensive HYV technology
31. In 1955, Karve committee noted the possibility of using _____ industries for promoting rural development.
 (a) Medium scale (b) Macro scale
 (c) Large scale (d) Small scale
32. Match **List - I** with **List - II**.
- | List - I | List - II |
|------------------|-----------------------------------|
| (A) Indirect Tax | (I) GDP of India |
| (B) Stock | (II) Corporate Tax |
| (C) Flow | (III) Goods and Service Tax |
| (D) Direct Tax | (IV) Natural Wealth of an Economy |
- Choose the **correct** answer from the options given below:
 (a) (A)-(III), (B)-(IV), (C)-(I), (D)-(II)
 (b) (A)-(II), (B)-(I), (C)-(IV), (D)-(III)
 (c) (A)-(II), (B)-(IV), (C)-(I), (D)-(III)
 (d) (A)-(III), (B)-(I), (C)-(IV), (D)-(II)
33. Match **List - I** with **List - II**.
- | List - I | List - II |
|-----------------|--|
| (A) Maharatna | (I) Airports Authority of India |
| (B) Navratna | (II) Steel Authority of India Limited |
| (C) Miniratna | (III) Voice-based business processes |
| (D) Outsourcing | (IV) Mahanagar Telephone Nigan Limited |
- Choose the **correct** answer from the options given below :
 (a) (A)-(II), (B)-(I), (C)-(III), (D)-(IV)
 (b) (A)-(II), (B)-(IV), (C)-(I), (D)-(III)
 (c) (A)-(I), (B)-(III), (C)-(IV), (D)-(II)
 (d) (A)-(III), (B)-(IV), (C)-(II), (D)-(I)
34. Put the following happenings in chronological order:
 (A) Economic reforms in India
 (B) First five year plan of Pakistan
 (C) One child policy in China
 (D) Economic reforms in Pakistan
 Choose the **correct** answer from the options given below:
 (a) (C), (B), (D), (A) (b) (D), (B), (A), (C)
 (c) (B), (C), (D), (A) (d) (A), (C), (B), (D)
35. Demonetisation in India was taken up by the government in :
 (a) July 2016 (b) August 2016
 (c) September 2016 (d) November 2016

36. _____ refer to the benefits (or harms) a firm or an individual causes to another for which they are not paid (or penalised).

(a) Consumer price index
(b) Non monetary exchanges
(c) Externalities
(d) Distribution of GDP

37. Match List - I with List - II

List - I	List - II
(A) TISCO	(I) Per capita income
(B) VKRY Rao	(II) Land settlement system
(C) Zamindari	(III) Commercialisation of agriculture
(D) Cash crops	(IV) Capital Goods Industry

Choose the **correct** answer from the options given below:

(a) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)
(b) (A)-(II), (B)-(I), (C)-(IV), (D)-(III)
(c) (A)-(III), (B)-(IV), (C)-(II), (D)-(I)
(d) (A)-(IV), (B)-(I), (C)-(II), (D)-(III)

38. Net Indirect tax refers to:

(a) Indirect tax + subsidies
(b) Indirect tax - subsidies
(c) Indirect tax \times subsidies
(d) Indirect tax \div subsidies

39. Which deficit includes only such transactions that effect the current income and expenditure of the government?

(a) Revenue deficit (b) Fiscal deficit
(c) Primary deficit (d) Budget deficit

40. A fall in the bank rate _____ the money supply.

(a) Decreases (b) Increases
(c) Will not affect (d) May increase or decrease

41. When, at a particular price level, aggregate demand for final goods equals aggregate supply of final goods, the final goods or product market reaches its equilibrium. Aggregate demand for final goods consists of ex-ante consumption, ex-ante investment, Government spending etc. The rate of increase in ex-ante consumption due to a unit increment in income is called marginal propensity to consume. For simplicity we assume a constant final goods price and constant rate of interest over short run to determine the level of aggregate demand for final goods in the economy. We also assume that the aggregate supply is perfectly elastic at this price. Under such circumstances, aggregate output is determined solely by the level of aggregate demand. This is known as effective demand principle. An increase (decrease) in autonomous spending causes aggregate output of final goods to increase (decrease) by a larger amount through the multiplier process.

Ex-ante consumption implies:

(a) Planned consumption
(b) Unplanned consumption

- (c) Autonomous consumption

- (d) Accommodating consumption

42. The shape of investment function when I is autonomous curve is represented through:

(a) A vertical line parallel to y-axis
(b) A horizontal line parallel to x-axis
(c) A downward sloping line
(d) An upward sloping line

43. The 'Effective Demand Principle' states the aggregate output is determined solely by:

(a) The level of resources in the economy
(b) The level of technology in the economy
(c) The level of aggregate demand in the economy
(d) The level of aggregate supply in the economy

44. Which of the following is not one of the components of aggregate demand in the economy?

(a) Autonomous Consumption

(b) Savings

(c) Investment

(d) Induced consumption

45. The value of investment multiplier in an economy is determined by:

(a) Inverse of statutory liquidity ratio
(b) Inverse of marginal propensity to save
(c) The value of gold reserves with the central bank
(d) The value of savings with public

46. Some selected indicators of Human Development, 2016-2017

Item	India	China	Pakistan
Human Development Index (value)	0.640	0.752	0.562
Rank (based on HDI)	130	86	150
Life Expectancy at Birth (years)	68.8	76.4	66.6
Mean years of Schooling (% aged 15 and above)	6.4	7.8	8.6
GDP per capital (PPP US\$)	6,427	15,309	5,035
People below poverty line (at \$3.20 a day PPP) (%) (2011)	60.4	23.5	46.4
Infant Mortality Rate (per 1000 live births)	34.6	8.5	64.2
Population using Improved Sanitation (%)	44.2	75	58.3
Population with sustainable access to improved water source (%)	94	96	91
Percentage of Undernourished Children	37.9	8.1	46.4

Identify the incorrect statement :

- India has the lower share of poor in comparison to Pakistan
- All three nations have reported providing improved drinking water sources for most of its population
- Pakistan is ahead of India in reducing proportion of people below the poverty line
- China is ahead of both India and Pakistan on income indicators

47. Which of the following Liberty indicator has been added as a measure of the Human Development Index ?

- 'The extent of democratic participation in social and political decision making'
- 'The extent of constitutional protection given to the rights of citizens'
- 'The extent of constitutional protection of the independence of the judiciary and the rule of law'
- 'The extent of constitutional protection of the private sector units'

48. Pakistan has fared better than India on which of the following indices ?

- Infant Mortality rate
- Human Development Index
- Gross Domestic product per capita
- Sanitation

49. Which of the following are not included in health indicators?

- Material Mortality Rate
- Proportion of people below poverty line
- Infant Mortality Rate
- Population using improved sanitation

50. Human Development is the result of investment in which of the following ?

- Land
- Infrastructure
- Health
- Training
- Education

Choose the **correct** answer from the options given below :

- (A), (B) and (C) Only
- (B), (C) and (D) Only
- (A), (C) and (E) Only
- (C), (D) and (E) Only

Hints & Explanations

1. (b) NNP at market price is Gross National Product (GNP) at market price minus depreciation. Net National Product at factor cost is also called as national income.

2. (d)

3. (b) The marginal rate of substitution (MRS) is the rate at which a consumer would be willing to forgo a specific quantity of one good for more units of another good at the same utility level. MRS, along with the indifference curve, is used by economists to analyze consumer's spending behavior.

4. (a) Revenue receipts can be defined as those receipts which neither create any liability nor cause any reduction in the assets of the government. They are regular and recurring in nature and the government receives them in the normal course of activities.

- Any kind of rent received.
- Interest earned.
- Money received from goods and services provided to the clients.
- Discount received from the vendors, suppliers, or the creditors.

- Any bad-debts recovered.
- Dividend received.
- Revenue earned by any waste or scrap material, etc

5. (a) Concept of jail cost of living → Planning commission formed the study group → Task force on projection of minimum needs and effective consumption demand

→ Mahatma Gandhi National Rural Employment Guarantee act → Jan-Dhan Yojna

6. (d) Given: Cash reserve ratio = 20%

Primary deposit = Rs. 20 crores

Total deposits are the over all money including the primary deposits created by the commercial banks as a process of credit creation through its primary deposit.

Total deposit = $(1/\text{cash reserve ratio}) \times \text{primary deposit}$

$= (1/20\%) \times 20 \text{ crores}$

$= (100/20) \times 20 \text{ crores}$

$= 5 \times 20 \text{ crores}$

$= 100 \text{ crores}$

7. (d) Items included in the Domestic Income of India

- Profits earned by a foreign company in India.
- Compensation of employees to the residents of the U.S. working in the Indian embassy in the U.S.
- Payment of bonus by a firm.
- Broker's Commission on the sale of an old bike.
- Purchase of goods by foreign tourists.

8. (b)

Organisation/ NGO	Location
SEWA	Ahmedabad
Kashita Kari Sangathan	Thane
NCERT	New Delhi
ACCORD	Nilgiri

9. (c) The ozone layer sits in the stratosphere between 15 km and 30 km above the earth and shields us and other living things from the sun's harmful ultraviolet radiation. Ozone layer depletion could have serious effects on human health and the environment.
10. (a)
11. (b) Balance of Payment deficit is a situation when autonomous receipts are less than autonomous payments. Autonomous transactions are those transactions which are carried out with economic motive irrespective of the present position of the BOP. This situation arises only on account of autonomous transactions.
12. (d) Year of Independence (1947) → Indian Leaders had to decide a suitable economic system for India → First Industrial policy Resolution of India (1948) → Setting up of Planning Commission (March 1950) → Introduction of Green Revolution (1965)
13. (c) The law of diminishing the marginal utility
Consequently, when the quantity is more, the prices will fall and demand will increase. Hence, consumers will demand more goods when prices are less. This is why the demand curve slopes downwards.
14. (b) Poverty Line
The old formula for estimating the poverty line is based on the desired calorie requirement. Food items such as cereals, pulses, vegetables, milk, oil, sugar etc. together provide these needed calories. The calorie needs vary depending on age, sex and the type of work that a person does. The accepted average calorie requirement in India is 2400 calories per person per day in rural areas and 2100 calories per person per day in urban areas.
15. (b) 'Input Tax Credit' or 'ITC' means the Goods and Services Tax (GST) paid by a taxable person on any purchase of goods and/or services that are used or will be used for business.
16. (b) Opening of Suez Canal (November 17th, 1869) → First Population Census (1881) → incorporation of TISCO (1907) → Shift in second stage of demographic transition (1921-1951) → Establishment of TATA Airlines (1932)
17. (c)

Policy Tools	Characteristics
Disinvestment	Privatization of the public enterprises by selling off part of public equity sector
Out sourcing	Hiring or regular services from external source
Globalisation	Integration of the economy of the country with the world
GATT	Administer all multilateral trade agreement

18. (b) Central problem of choice of technique refers to the problem of how to produce. Every society has to decide on how much of which of the resources to use in the production of each of the different goods and services. Whether to use more labour or more machines.
19. (b) The debit balance of the current account signifies that the owner owes the business money. Hence the business has the right to get money from the owner as his account is overdrawn. Hence, the current account having a debit balance should be shown on the asset side of the Balance Sheet.
20. (b) The current account deficit or CAD is a key indicator of a country's external sector. When the value of the goods and services that a country imports exceeds the value of the products it exports, it is known as the current account deficit. It is financed by a capital account surplus
21. (c) **Properties of Indifference curve**
- Indifference curves never cross. If they could cross, it would create large amounts of ambiguity as to what the true utility is.
 - The farther out an indifference curve lies, the farther it is from the origin, and the higher the level of utility it indicates. As illustrated above on the indifference curve map, the farther out from the origin, the more utility the individual generates while consuming.
 - Indifference curves slope downwards. The only way an individual can increase consumption in one good without gaining utility is to consume another good and generate the same amount of utility. Therefore, the slope is downwards sloping.
 - Indifference curves assume a convex shape. As illustrated above in the indifference curve map, the curve gets flatter as you move down the curve to the right. It illustrates that all individuals experience diminishing marginal utility, where additional consumption of another good will generate a lesser amount of utility than the prior.
22. (c) Those expenditures of the government that do not lead to the creation of fixed assets are called revenue expenditures. The government spends money under various accounting heads, such as paying interest on loans, salaries and pensions, subsidies, spends on different ministries and departments, etc. Grants made to state governments and other parties are also treated as revenue expenditures, even though these might be used for the creation of fixed assets.
23. (a) The production possibilities curve (PPC) is a graph that shows all of the different combinations of output that can be produced given current resources and technology. Sometimes called the production possibilities frontier (PPF), the PPC illustrates scarcity and tradeoffs. It does not explain the opportunity cost of production of X for Y

CUET Economics Solved Paper-2023 (Held on 11 June 2023), Shift-III

24. (d) The Right of Children to Free and Compulsory Education Act or Right to Education Act (RTE) is an Act of the Parliament of India enacted on 4 August 2009, which describes the modalities of the importance of free and compulsory education for children between the age of 6 to 14 years in India under Article 21A of the Indian Constitution.
25. (c) Morbidity refers to the state of being unhealthy. It applies to all the people affected by a disease in a particular region. The morbidity rate refers to the number of people affected by a particular disease. This helps health officials to make risk management and adopt national health systems according to the needs of the population.
26. (b) A normative statement is one that makes a value judgment. Such a judgment is the opinion of the speaker; no one can "prove" that the statement is or is not correct.
27. (c) Social infrastructure includes the construction and maintenance of facilities that support social services. These can include healthcare (medical facilities and ancillary infrastructure), education (schools, universities and student accommodation), and housing.
28. (b)
- MPC can be calculated by determining the change in consumption divided by the change in income.
 - Average Propensity to Consume (APC), refers to that part of income that is spent on consumption is termed as APC. It measures the relationship between consumption with respect to a specific level of income, in quantitative terms.
29. (c) **Supply curve:** The major component of the supply of foreign currency is the exports of a country's goods and services. Higher the exchange rate higher will be the export and supply of foreign exchange. Thus, the supply curve of foreign currency is upward sloping.
30. (b) Problems associated with policy of land ceiling
- Legislation challenged by big landlords
 - Lack of Comprehensive Legislative Measures
 - Lack of organization among beneficiaries
 - Absence of up-to-date land records
 - Post-independence India had more than 70 per cent of landholdings in India under 5 acres so the ceiling fixed on existing holdings by the states were very high.
 - In most states the ceilings were imposed on individual and not family holdings, enabling landowners to divide up their holdings in the names of relatives or make Benami transfers merely to avoid the ceiling.
 - Further, in many states the ceiling could be raised if the size of the family of the landholder exceeded five.
 - A large number of exemptions to the ceiling limits were permitted by most states following the Second Plan recommendations that certain categories of land could be exempted from ceilings.
31. (d) In 1955, the village and Small-Scale Industries Committee, also called the karve committee came it is noted the possibility of using small-scale industries for promoting rural development.
32. (a)
- | List 1 | List 2 |
|---------------|-----------------------------|
| Indirect Test | Goods And Service Tax |
| Stock | National Wealth And Economy |
| Flow | GDP Of India |
| Direct Tax | Corporate Tax |
33. (b)
- | List 1 | List 2 |
|-------------|-----------------------------------|
| Maharatna | Steel authority of india limited |
| Navratna | Mahanagar Telephone Nigam Limited |
| Miniratna | Airport Authority of India |
| Outsourcing | Voice Based Business Process |
34. (c) First Five Year Plan of Pakistan(1948.) → One Child Policy in China(1980) → Economic Reform in Pakistan(1988) → Economic Reform in India(1991)
35. (d) On 8 November 2016, the Government of India announced the demonetisation of all ₹500 and ₹1,000 banknotes of the Mahatma Gandhi Series.
36. (c)
- Externalities occur when producing or consuming a good cause an impact on third parties not directly related to the transaction. Externalities can either be positive or negative. They can also occur from production or consumption.
 - For example, just driving into a city centre, will cause external costs of more pollution and congestion to those living in the city.
37. (d)
- | List 1 | List 2 |
|-------------|----------------------------------|
| TISCO | Capital goods Industry |
| VKRV Rao | Per Capita Income |
| Zamindari | Land Settlement System |
| Crash Crops | Commercialisation of Agriculture |
38. (b) Net indirect tax refers to the difference between indirect taxes and subsidies. In order to covert factor cost into the market price NIT is added. Indirect taxes are paid by the residents and subsidies are economic assistance provided by the government.
39. (a) A revenue deficit is a shortage of Government's funds to maintain daily affairs. It occurs when total revenue expenditure surpasses total revenue receipts.

Thus, it means a difference between net income and expenditure. However, it is certainly different from the fiscal deficit, which is a difference between actual and budgeted income.

40. (b) A decrease in the bank rate will reduce the cost of borrowings of commercial banks from the Central Bank. The commercial banks will further reduce their lending rates increasing the volume of credit and money supply in the economy. The decrease in bank rate induces people to borrow more from the bank and this will have a positive effect on the money supply.
41. (a) Ex-ante consumption refers to the consumption expenditure planned to be incurred during a period.
42. (b) Autonomous Investment is income inelastic. It means that if there is a change in income (increase/decrease), the autonomous investment will remain the same. As induced investment is income elastic, its curve slopes upwards. As autonomous investment is income inelastic, its curve is parallel to X-axis.
43. (c) Effective demand refers to a situation in which equilibrium output is determined solely by the level of aggregate demand. This is because of the assumption that supply is perfectly elastic.
44. (b) Aggregate demand is the sum of four components: consumption, investment, government spending, and net exports. Consumption can change for a number of reasons, including movements in income, taxes, expectations about future income, and changes in wealth levels.
45. (b) The extent of the investment multiplier depends on two factors: the marginal propensity to consume (MPC) and the marginal propensity to save (MPS).
46. (a) India has 60.4% of poor while Pakistan has 46.4% people below poverty line in 2011 (at \$3.20 a day PPP)
47. (a) Liberty Indicator may be defined as the measure of the extent of demographic participation in the social and political decision making. In other words, it is an index used to measure the participation of the people in taking decisions.
48. (d) Population using improved sanitation in India is 44.2% while it is 58.3% in Pakistan
49. (b) Proportion of people below poverty line
50. (d) Investments in human development – education, health, social protection and jobs, and gender equality – are intrinsically important for individual well-being. They are also instrumental for building human capital, which underpins productivity and economic growth.

List 1	List 2
TISCO	Capital Goods Industry
VKRV Rao	Per Capita Income
Zamindari	Land Settlement System
Cash Crops	Commercialisation of Agriculture

Not indirect tax refers to the difference between indirect taxes and subsidies. In order to convert factor cost into the market price NIT is added. Indirect taxes are paid by the residents and subsidies are economic assistance provided by the Government.

(a) A revenue deficit is a shortage of Government's funds to maintain daily affairs. It occurs when total revenue expenditure surpasses total revenue receipts.

(b)

(a)

(b)

(c)

(d)

(e)

(f)

(g)

(h)

(i)

(j)

(k)

(l)

(m)

(n)

(o)

(p)

(q)

(r)

(s)

(t)

(u)

(v)

(w)

(x)

(y)

(z)