

**CUET (UG)**  
**Economics Sample Paper - 19**  
**Solved**

**Time Allowed: 45 minutes**

**Maximum Marks: 200**

**General Instructions:**

1. The test is of 45 Minutes duration.
2. The test contains 50 questions out of which 40 questions need to be attempted.
3. Marking Scheme of the test:
  - a. Correct answer or the most appropriate answer: Five marks (+5).
  - b. Any incorrectly marked option will be given minus one mark (-1).
  - c. Unanswered/Marked for Review will be given zero mark (0).

**Attempt any 40 questions**

1. Which of the following are covered under the domestic territory of India? **[5]**
  - a) Russian Embassy in India
  - b) State Bank of India in London
  - c) Google office in India
  - d) Office of Tata Motors in Australia
2. Two-sector economy consists of: **[5]**
  - a) Firms, Government
  - b) Households, firms
  - c) Firms, Foreign sector
  - d) Households, Government
3. If Rakesh has a Mobile and he wants a Tablet. Rishi has a Laptop and he wants a Mobile in exchange of laptop, than what problem Rakesh and Rishi are facing: **[5]**
  - a) Lack of Store of Value
  - b) None of these
  - c) Lack of Double Coincidence of Wants
  - d) Lack of Measure of Value
4. Which of following measures of money supply is considered as monetary base? **[5]**
  - a)  $M_1$
  - b)  $M_3$
  - c)  $M_4$
  - d)  $M_2$
5. Total value of goods and services produced in an economy during a year is called: **[5]**
  - a) Aggregate supply
  - b) Savings
  - c) Investment
  - d) Aggregate demand

6. In  $S = -a + (1 - b)Y$ ,  $-a$  denotes [5]
- a) Negative Consumption                      b) Negative Investment expenditure  
c) Negative savings                              d) Negative income
7. The algebraic presentation of C function is: [5]
- a)  $S = -a + (1 - b)$                               b)  $S = -a + (1 - b) Y$   
c)  $C = a + by$                                       d)  $C = f(Y)$
8. Why gift tax is considered as a paper tax? [5]
- a) Both it yields very low revenue and it is a direct tax                      b) It is a direct tax  
c) It is an indirect tax                              d) It yields very low revenue
9. Borrowings are equivalent to: [5]
- a) Fiscal deficit                                      b) Primary deficit  
c) Secondary deficit                                      d) Revenue deficit
10. Which of the following is an example of **Debt Creating Capital Receipt**? [5]
- a) Borrowings from World Bank                      b) All of these  
c) Borrowings from RBI                                      d) Borrowings from Public
11. Point out a merit of flexible exchange rate [5]
- a) None                                                      b) Inefficient resource allocation  
c) Optimum resource allocation                      d) Resource underutilisation
12. Which of the following does not explain the concept of depreciation? [5]
- a) Maintenance and replacement cost of existing capital goods.                      b) Unexpected or sudden destruction or disuse of capital as can happen with accidents, natural calamities etc.  
c) Cost of the capital good (minus scrap value) divided by number of years of its useful life.                      d) An annual allowance for wear and tear of a capital good.

13. Which one leads to factor cost? [5]
- a) Market price + Net indirect taxes      b) Market price + Indirect taxes  
c) Market price - Indirect taxes      d) Market price - Net indirect taxes
14. Which of the following are not included while estimating domestic product of India? [5]
- a) Commission paid to dealer in old car      b) Clothes given to beggars  
c) Free cloth given to workers      d) Brokerage on sale of shares
15. Which of the following is/are not an assumption(s) of credit creation process? [5]
- i. Entire banking system is taken as a single unit.  
ii. All transactions are done through banks.  
iii. There is no saving in the economy.
- a) Only (iii)      b) Only (ii)  
c) Both (i) and (ii)      d) Only (i)
16. Process of credit creation by commercial banks comes to an end when: [5]
- a) Money multiplier becomes zero      b) Total money reserves become equals to initial deposit  
c) Reserve Ratio becomes zero      d) Fresh deposits with Banks become zero
17. What can be the minimum value of the investment multiplier? [5]
- a) 0      b) 1  
c) 2      d) 3
18. Autonomous transactions take place on: [5]
- a) Nominal Account      b) Both Current Account and Capital Account  
c) Current Account      d) Capital Account
19. Who said, Economics is a science of wealth? [5]
- a) Adam Smith      b) Robbins  
c) J.K. Mehta      d) Marshall

20. The branch of economics dealing with the problem of allocation of resources is [5]
- a) Macroeconomic Theory                      b) Microeconomic Theory
- c) Scarcity Concept                              d) Allocation of resources
21. Improvement in technology shifts PPC to the right because [5]
- a) Economy's capacity to produce decreases                      b) Economy's choice to produce increases
- c) Economy's capacity to produce increases                      d) Individual's capacity to produce increases
22. The process of using up utility value of goods and services for the direct satisfaction of our wants: [5]
- a) Production                                      b) Economic
- c) Utility                                              d) Consumption
23. Which of the following curve has a negative slope and cannot intersect each other? [5]
- a) Indifference curves                              b) None of above
- c) Isoquants                                          d) Demand and supply curves
24. If due to fall in the price of goods X, demand for goods Y rises, the two goods are: [5]
- a) Not related                                      b) Complements
- c) Substitutes                                          d) Competitive
25. If price elasticity of demand for a good is (-) 3. If the price rises from Rs. 10 to Rs. 12 per unit, what is the percentage change in demand? [5]
- a) 60 percent                                      b) 40 percent
- c) 100 percent                                      d) 30 percent
26. Despite being the major source of livelihood, the agriculture sector continued to experience stagnation and deterioration during the British rule in India because of: [5]
- a) decline of handicraft                              b) drain of India's wealth
- c) Decline in resources                              d) land tenure system
27. What percentage of India was dependent on agriculture at the time of independence? [5]

- a) 60 percent                      b) 70 percent
- c) 80 percent                     d) 90 percent

28. \_\_\_\_\_ is considered as one of the most important contributions of the British. [5]

- a) Introduction of electric telegraph in India
- b) Construction of all-weather roads
- c) Introduction of the railways in 1850
- d) The postal services

29. Schedule C industries development were left to [5]

- a) Both                                      b) Public sector
- c) Private sector                        d) None

30. Industrial sector and agricultural sector are [5]

- a) Compete with each other      b) Are substitute of each other
- c) Have no economic relations with each other      d) Complementary to each other

31. \_\_\_\_\_ has amalgamated a large number of Central and State taxes and cesses, and [5]  
has replaced large number of taxes on goods or provision of service.

- a) Goods and Services Tax                      b) Value Added Tax
- c) Service Tax                                      d) Central Sales Tax

32. International body which deals with Multilateral Trade Agreement between nations is [5]

- a) WTO                                      b) IBRD  
c) UNO                                      d) OPEC

33. sector remained stagnant during reform period. [5]

- a) All of these                      b) Secondary Sector  
c) Primary Sector                d) Tertiary Sector

34. \_\_\_\_\_ work mainly as landless agriculture labourers. Many do not get to have even two meals a day. [5]

- a) Migrant worker

- c) Both Rural and Urban poor                      d) Urban poor
35. Amartya Sen developed an index to measure poverty which is called: **[5]**  
a) Human Poverty Index                      b) Squared Gap Index  
c) Poverty Gap Index                      d) Sen Index
36. The ratio that measures the number of poor below the poverty line is known as: **[5]**  
a) Poverty count real ratio                      b) None of these  
c) Population count ratio                      d) Head count ratio
37. Which of the following could aid in human capital formation? **[5]**  
a) promoting gender equality in the family                      b) creating larger industries with more complex equipment  
c) expanding the labour market by increasing supply of jobs                      d) creating open markets with increased stability
38. \_\_\_\_\_ is better indicator of development. **[5]**  
a) Per capita income (monetary)                      b) National income  
c) National output                      d) Real per capita income
39. Golden Revolution is concerned with: **[5]**  
a) horticulture                      b) poultry farming  
c) farm Production                      d) fish Production
40. To regulate the agriculture market following steps were taken except: **[5]**  
a) To ensure fair prices both to producers and consumers                      b) To improve infrastructure facilities  
c) To lesson marketing charges                      d) To eliminate illegal charges
41. When due to introduction of new machinery, some workers tend to be replaced by machines, their unemployment is term as **[5]**  
a) Seasonal                      b) Structural  
c) Technological                      d) Mechanical

42. Disguised unemployment in India is mainly related to: (i) Agricultural sector (ii) Rural sector (iii) Factory sector. Options are [5]

a) i,iii                                      b) iii,ii  
c) i,ii,iii                                  d) i,ii

43. The process of moving from self-employment and regular salaried employment to casual wage work is known as: [5]

a) Casualisation of work force                      b) Informalisation of work force  
c) Both Informalisation of work force and Casualisation of work force                      d) formalisation of work force

44. The National AIDS Control Programme aims at: [5]

a) Checking the spread of HIV infection                      b) Curing HIV infection  
c) Curing AIDS                                  d) All of these

45. Which of the following has the largest source of power in India? [5]

a) Hydro electricity                                  b) Solar power  
c) Thermal power                                  d) Wind power

46. In 1997, a UN conference on climate change was held in: [5]

a) China                                              b) India  
c) Japan                                              d) Germany

47. \_\_\_\_\_ is the main reason for soil erosion. [5]

a) Water pollution                                  b) Deforestation  
c) Ozone depletion                                  d) Air pollution

48. Which of the following is not the parameter of human development [5]

a) Adult mortality rate                                  b) Life expectancy  
c) Population below poverty line                      d) Infant mortality rate

49. PPP GDP per capita growth rate of China during (1990-2007) is [5]

a) 0.086

b) 0.087

c) 0.089

d) 0.085

50. Per Capita GNI means

[5]

a) How much is country GDP

b) How much on an average a country earn

c) How much on an average a person earn

d) How much is country national income



# Solutions

1.  
(c) Google office in India  
**Explanation:** Google office in India
2.  
(b) Households, firms  
**Explanation:** Households, firms
3.  
(b) None of these  
**Explanation:** None of these
4.  
(b)  $M_3$   
**Explanation:**  $M_3$  is the benchmark currency measure used to control the money supply in the economy.
5. (a) Aggregate supply  
**Explanation:** Aggregate supply is the total amount of money which is paid to factors of production against their factor services for the production of goods and services in a country.
6.  
(c) Negative savings  
**Explanation:** '-a' denotes autonomous savings. So, these are done at a zero levels of income.
7.  
(c)  $C = a + by$   
**Explanation:** Algebraically, consumption function is expressed as:  
 $C = a + bY$   
'a' in this equation refers to the minimum level of consumption. It is the value of consumption when Y equals to zero. The parameter 'b' refers to the rate at which C increases in response to an increase in Y.
8.  
(d) It yields very low revenue  
**Explanation:** Revenue from this form of tax is negligible.
9. (a) Fiscal deficit  
**Explanation:** Fiscal deficit
10.  
(b) All of these  
**Explanation:** All of these
11.  
(c) Optimum resource allocation  
**Explanation:** The foreign exchange rate always fluctuates under flexible exchange rate

and a domestic economy exports more when its currency depreciates in the forex market and vice versa. Such adjustments are not possible under fixed regime .

12.

**(b)** Unexpected or sudden destruction or disuse of capital as can happen with accidents, natural calamities etc.

**Explanation:** Unexpected or sudden destruction or disuse of capital as can happen with accidents, natural calamities etc.

13.

**(d)** Market price - Net indirect taxes

**Explanation:** Value of indirect taxes is to be deducted from Domestic product at market price and value of subsidies is to be added to it.

14.

**(b)** Clothes given to beggars

**Explanation:** Clothes given to beggars does add to the current flow of goods .

15. **(a)** Only (iii)

**Explanation:** There is no such assumption as of not having any savings in the economy in the process credit creation.

16.

**(b)** Total money reserves become equals to initial deposit

**Explanation:** Total money reserves become equals to initial deposit

17.

**(b)** 1

**Explanation:** Referring to the formula of investment multiplier below, if  $MPS = 1$ ,  $K = 1$ . It means when consumption is zero or all income is saved, then there is no investment hence, no change in income.

$$K = \frac{1}{1 - \frac{dC}{dY}} = \frac{1}{1 - MPC} = \frac{1}{1 - MPS}$$

18.

**(b)** Both Current Account and Capital Account

**Explanation:** Both Current Account and Capital Account

19. **(a)** Adam Smith

**Explanation:** Adam Smith said Economics is a science of wealth.

20.

**(b)** Microeconomic Theory

**Explanation:** Microeconomics is the social science that studies the implications of individual human action, specifically about how those decisions affect the utilization and distribution of scarce resources. Microeconomics shows how and why different goods have different values, how individuals make more efficient or more productive decisions, and how individuals best coordinate and cooperate with one another.

21.

**(c)** Economy's capacity to produce increases

**Explanation:** The most common reason a PPF would shift is because of a change in

technology, or because of economic growth. Everything else held constant more goods can be produced after the technological change.

22.

**(d) Consumption**

**Explanation:** Utility refers to want satisfying power of a commodity which induces consumption.

23. **(a) Indifference curves**

**Explanation:** IC slopes downward because as the consumer increases the consumption of one commodity, he has to give up certain units of other commodity in order to maintain the same level of satisfaction.

two indifference curves represent two different levels of satisfaction. If these indifference curves intersect each other, the intersection will represent same level of satisfaction, which is impossible.

24.

**(b) Complements**

**Explanation:** Complements

25. **(a) 60 percent**

**Explanation:**  $ed = 3$

% change in quantity demanded = ?

% change in price =  $(12 - 10/10) * 100 = 20\%$

by using %age method to calculate elasticity 60%

26.

**(d) land tenure system**

**Explanation:** land tenure system

27.

**(b) 70 percent**

**Explanation:** Since the economy was mainly agrarian, nearly 70% of the population was absorbed in the primary sector.

28.

**(c) Introduction of the railways in 1850**

**Explanation:** Introduction of the railways in 1850

29.

**(c) Private sector**

**Explanation:** Schedule C includes all the remaining industries and their future development would be in general be left to the initiative and enterprise of the private sector

30.

**(d) Complementary to each other**

**Explanation:** Agricultural sector and industrial sector are complementary to each other as Agricultural sector provides raw material to industrial sector which is used as input in their manufacturing industries.

31. **(a) Goods and Services Tax**

**Explanation:** Goods and Services Tax

32. **(a) WTO**

**Explanation:** It is among the objectives of WTO to do so. Its main function is to ensure that

trade flows as smoothly, predictably and freely as possible.

33.

**(c) Primary Sector**

**Explanation:** Primary Sector sector remained stagnant during the reform period.

34.

**(b) Rural poor**

**Explanation:** Rural poor

35.

**(d) Sen Index**

**Explanation:** Amartya Sen proposed an index that seeks to combine the effects of the number of poor, the depth of their poverty, and the distribution of poverty within the group. The index is given by

$$P_s = P_0[1 - (1 - G^P) \mu^P / z]$$

where  $P_0$  is the headcount index,  $\mu^P$  is the mean income (or expenditure) of the poor, and  $G^P$  is the Gini coefficient of inequality among the poor. The Gini coefficient ranges from 0 (perfect equality) to 1 (perfect inequality).

36.

**(d) Head count ratio**

**Explanation:** When the number of poor is estimated as the proportion of people below the poverty line, it is known as 'headcount ratio'.

37. **(a) promoting gender equality in the family**

**Explanation:** promoting gender equality in the family

38.

**(d) Real per capita income**

**Explanation:** Real per capita income

39. **(a) horticulture**

**Explanation:** The rapid growth in the production of horticulture crops such as fruits, vegetables, flowers etc is known as the Golden revolution.

40.

**(b) To improve infrastructure facilities**

**Explanation:** Agricultural marketing is inferred to cover the services involved in moving an agricultural product from the farm to the consumer. activities are involved in doing this, such as planning production, growing and harvesting, grading, packaging, transport, storage, agro- and food processing, distribution, advertising and sale.

41.

**(c) Technological**

**Explanation:** Technological

42.

**(d) i,ii**

**Explanation:** Disguised unemployment exists frequently in developing countries whose large populations create a surplus in the labor force. It can be characterized by low productivity and frequently accompanies informal labor markets and agricultural labor markets, which can absorb substantial quantities of labor.

43. **(a)** Casualisation of work force  
**Explanation:** Casualisation of work force
44. **(a)** Checking the spread of HIV infection  
**Explanation:** The National AIDS Control Programme (NACP), launched in 1992, is being implemented as a comprehensive programme for prevention and control of HIV/AIDS in India.
45.  
**(c)** Thermal power  
**Explanation:** Thermal power
46.  
**(c)** Japan  
**Explanation:** Japan
47.  
**(b)** Deforestation  
**Explanation:** The soil erosion occurring due to strong winds or floods is further enhanced through deforestation. Forests act as a built-in check on soil erosion by resisting the Fury of floods and strong winds.
48. **(a)** Adult mortality rate  
**Explanation:** Development Index (HDI) combines three dimensions: A long and healthy life: Life expectancy at birth, Education index: Mean years of schooling and Expected years of schooling, A decent standard of living: GNI per capita.
49.  
**(c)** 0.089  
**Explanation:** China's nominal GDP surpassed that of Italy in 2000, France in 2005, the United Kingdom in 2006 and that of Germany in 2007, before overtaking Japan in 2009, making China the World's second largest economy after the United States. But adjusting for purchasing power parity (PPP), China become the world's second largest economy as early as 1999 surpassing Japan, and has toppled America to become the biggest economy since 2014
50.  
**(c)** How much on an average a person earn  
**Explanation:** GNI per capita - Gross national income (GNI) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad