

CUET Economics/Business Economics

Solved Paper-2022

Chapter - 1 : Introduction to Economy

- The main aim of economic policies pursued by the colonial government in India was:
 - Development of the Indian economy
 - Protection and promotion of the economic interests of their home country
 - To transform India into exporter of finished goods
 - To promote Indian handicrafts.
- Identify the incorrect statement relating to need for government intervention in education and health sector.
 - Expenditure in education and health have long term impact and cannot be easily reversed.
 - Individual consumers of education and health are services do not have complete information about quality of service & cost.
 - Large section of India's population lives below its poverty line.
 - Basic education and health care is not considered as a right of the citizens.
- Infrastructure contributes to economic development of a country by.
 - Increasing the productivity of factors of production and improving the quality of life of its people.
 - By improving quality of life and increasing transportation facilities
 - Increasing housing facilities
 - Increasing banking facilities and educational opportunities.
- The ability of the environment to absorb degradation is called.
 - Carrying capacity
 - Global warming
 - Ozone depletion
 - Absorptive capacity

Chapter - 2 : Theory of Consumer behaviour

- Arrange the following in sequence to show how supply-demand reversal of environment resources happen.
 - The demand for resources for both production and consumption went beyond the rate of regeneration of resources.
 - Before industrialisation and increases in population, demand for environmental resource was less than their supply
 - There was reversal of supply demand relationship
 - Industrial Revolution and population explosion took place

Choose the correct answer from the options given below:

- A, B, C, D,
- B, D, A, C
- C, B, D, A
- B, C, D, A

Chapter - 4 : Forms of Market and Price Determination

- From the options given below identify the intermediate good/goods.
 - Printer purchased by dealer for supplying in the school
 - Car purchased by a cab driver
 - Fruits and vegetables purchased by shopkeeper
 - Smart boards purchased by the University for teaching

Choose the correct answer from the option given below:

- A and C only
- B and D only
- B and C only
- D only

- Identify the correct sequence relating to equilibrium in an economy:
 - Inventories in hand with the producers start falling.
 - This process continued till aggregate demand becomes equal to aggregate supply.
 - When planned demand exceeds planned output.
 - Producers will plan to raise production and employment.
 - It means Buyers are planning to buy more goods and services than producers are planning to produce.

Choose the correct answer from the option given below:

- A, B, C, D, E
- E, D, C, B, A
- C, E, A, D, B
- C, B, A, E, D

Chapter - 5 : Market Equilibrium

- Excess demand is a situation in which.
 - $AD > AS$ at full employment level
 - $AD < AS$ at full employment level
 - $AD > AS$ at under employment level
 - $AD < AS$ at under employment level
- Choose correct statements about utility
 - As consumption increases marginal utility increases
 - As consumption increases marginal utility decreases
 - Utility does not differ from person to person
 - Total utility is the sum of marginal utilities.

Choose the correct answer from the option given below:

- A and B only
- B and C only
- C and A only
- B and D only

3. If there is no change in demand of good X with the change in price of good X, then price elasticity of demand for good X is:-
 (a) Perfectly elastic (b) Perfectly inelastic
 (c) Unitary elastic (d) Greater than 1
4. From the given below items identify the stock variable.
 (a) Amount of bank deposits as on 31/03/2022
 (b) Investment expenditure
 (c) Number of deaths due to communicable diseases during Jan 2022
 (d) Speed of a car

Chapter - 7 : Introduction to Macroeconomics

1. The Great Leap Forward (GLF) campaign in China aimed at Increasing _____ in the country on a massive scale
 (a) industrial sector output
 (b) agriculture sector output
 (c) service sector output
 (d) cyber security
2. Identify the Normative statement:-
 A. Govt has doubled the expenditure on education in this years budget.
 B. Recently RBI has increased repo rate to regulate inflation in economy
 C. Rise in diesel prices causes rise in transportation cost
 D. Environmental regulation must be tough to protect the environment.
3. The Means of production are under the control of the State in which type of economy?
 (a) Capitalist Economy
 (b) Mixed Economy
 (c) Socialist Economy
 (d) Market Economy
4. Which of the following is a positive economics statements?
 (a) People should take COVID-19 vaccines
 (b) Every child should pursue one sport in school
 (c) Government provides subsidies. It increases their financial burden.
 (d) Government should provide basic healthcare to the public.
5. Which of the following are not macroeconomics variables:-
 A. Aggregate output
 B. General price level
 C. Employment of workers in a leather factory.
 D. Producer's equilibrium
6. Identify which of the following is a flow variable.
 A. Inventory B. Wealth
 C. Wealth D. Change in inventories
7. If the consumption function is $C = 300 + 0.6Y$, then the savings function will be
 (a) $S = 300 - 0.6Y$
 (b) $S = (-) 300 + 0.6Y$
 (c) $S = (-) 300 + 0.4Y$
 (d) $S = 300 - 0.4Y$
8. Calculate GDP mp.
 A. Private final consumption expenditure = Rs 200 Cr.
 B. Indirect Tax = Rs. 30 Cr.
9. Deduct value of depreciation and Net Indirect Taxes to get NVA_{FC} .
 Choose the correct answer from the options given below:
 (a) C, D, A, B (b) B, C, D, A
 (c) D, C, B, A (d) C, B, A, D
10. A person whose stay in a country is at least for one year and whose economic interest lies in that country is called a:
 (a) Non-Resident (b) Normal Resident
 (c) Normal Citizen (d) Domestic Citizen
11. Sales for a firm is calculated as:
 (a) Value of output + Intermediate consumption
 (b) Value of output – Intermediate consumption
 (c) Value of output + Change in stock
 (d) Closing stock + Value of output
12. Arrange the following steps in calculation of National Income, By Income Method in correct sequence.
 A. Add net factor income from abroad to arrive at National Income
 B. Estimate the factor income paid by each sector
 C. Identify and classify the income generating units.
 D. Calculate domestic factor income

Chapter - 8 : National Income Accounting

1. Identify the correct sequence for computing National Income..
 A. Add NFIA to calculate NNPFC
 B. Add sales change in stock to get value of output (VO)
 C. Value of intermediate consumption to be deducted from value of output to calculate GVA at MP.
2. Choose the correct answer from the options given below:
 (a) B, D, A, C (b) D, B, C, A
 (c) C, B, D, A (d) C, A, B, D
3. Which of the following are not macroeconomics variables:-
 A. Aggregate output
 B. General price level
 C. Employment of workers in a leather factory.
 D. Producer's equilibrium
4. Choose the correct answer wheat from the options given below:
 (a) A and B only (b) B and C only
 (c) C and D only (d) A and D only
5. Identify which of the following is a flow variable.
 A. Inventory B. Wealth
 C. Wealth D. Change in inventories
6. Choose the correct answer from the options below:
 (a) A and C only (b) B and D only
 (c) C and D only (d) A and B only
7. If the consumption function is $C = 300 + 0.6Y$, then the savings function will be
 (a) $S = 300 - 0.6Y$
 (b) $S = (-) 300 + 0.6Y$
 (c) $S = (-) 300 + 0.4Y$
 (d) $S = 300 - 0.4Y$
8. Calculate GDP mp.
 A. Private final consumption expenditure = Rs 200 Cr.
 B. Indirect Tax = Rs. 30 Cr.

- C. Government final Consumption expenditure = Rs 100 Cr
 D. Net Exports = Rs 50 Cr
 E. Gross Domestic Capital formation = Rs 50 Cr
 F. Depreciation = Rs 20 Cr
 (a) 370 (b) 400
 (c) 320 (d) 270

Passage:

Read the following text and answers:

There is an oil refinery which refines crude petroleum and sells in the market. The output of the refinery is the amount of oil it refines. We can estimate the value added of the refinery by deducting the value of intermediate good used by the refinery from the value of its output. The value added of the refinery will be counted as part of the GDP of the economy. But in carrying out the production the refinery may also be polluting the nearby river. This may cause harm to the people who use the water of the river. Hence their well being will fall. Population may also kill fish or other organisms of the river on which fish survive.

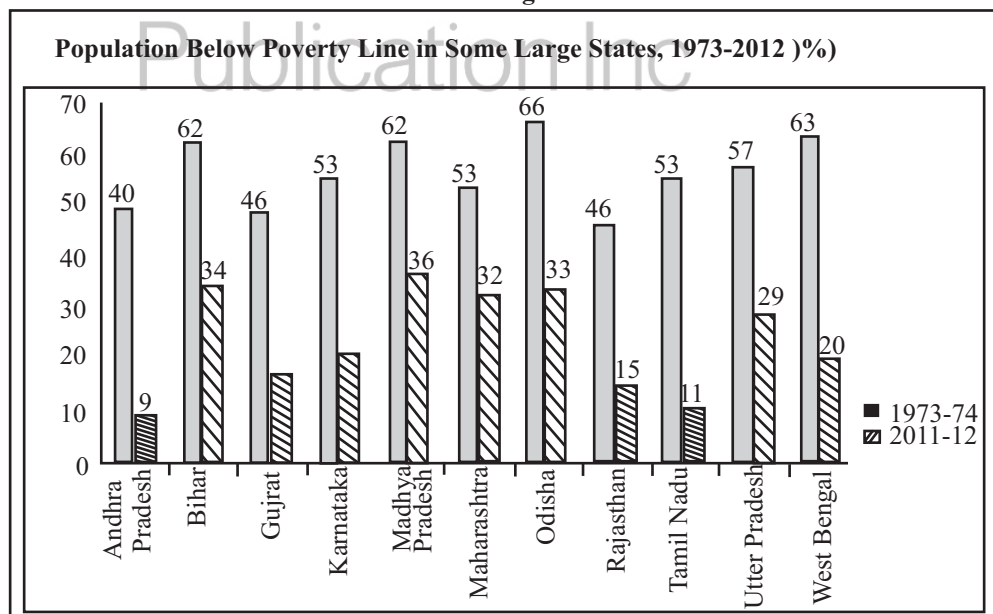
9. Which of the following is correct?

- A. If the GDP of the country is rising, the welfare will always rise.
 B. Externalities refer to the benefits a firm or an individual cause to another for which they are not paid.
 C. Non monetary exchanges can not be excluded in estimation of GDP

- D. Adding the value of final goods once leads to problem of double counting

Choose the correct answer from the option given below:

- (a) A and C only
 (b) C and D only
 (c) B and C only
 (d) A and B only
10. Value added by the oil refinery will be equal to:
 (a) Value of output – intermediate cost
 (b) Value of output + intermediate cost
 (c) Crude oil only
 (d) Amount of oil it refines and crude oil
11. Oil Refinery Polluting nearby area is an example of:
 (a) Non-monetary exchanges
 (b) Positive externalities
 (c) Negative externalities
 (d) GDP externalities
12. In the above case study GDP is _____ actual welfare
 (a) underestimated
 (b) overestimated
 (c) accurately estimating
 (d) equal to
13. A rise in GDP will _____
 (a) reduce welfare
 (b) always increase welfare
 (c) may or may not increase welfare
 (d) not affect welfare

Passage:

14. Which state has the lowest population of poor in 2011-2012.
 (a) Madhya Pradesh (b) Andhra Pradesh
 (c) Odisha (d) Bihar

15. Which state has the highest population of poor in 1973-74.
 (a) Odisha (b) Tamil Nadu
 (c) Andhra Pradesh (d) Rajasthan
16. Which state has the highest population of poor in 2011-12?
 (a) Odisha (b) Bihar
 (c) Maharashtra (d) Madhya Pradesh
17. Which two states has the same proportion of people below the poverty line in 1973-74.
 (a) Odisha and West Bengal
 (b) Gujarat and Andhra Pradesh
 (c) Bihar and Madhya Pradesh
 (d) Gujarat and West Bengal
18. _____ state reduced poverty level much better than other states.
 (a) Tamil Nadu (b) Odisha
 (c) Bihar (d) Madhya Pradesh
- D. Open market operations IV. percentage of deposits which a bank must keep as reserves in liquid form with itself
- Choose the correct answer from the option given below:
 (a) A-I, B-II, C-III, D-IV
 (b) A-II, B-IV, C-I, D-III
 (c) A-II, B-IV, C-III, D-I
 (d) A-IV, B-II, C-III, D-I
4. Which of the following comes under financial sector reforms?
 (a) Taxation (b) Banking
 (c) Delicensing (d) Devaluation

Chapter - 10 : Determination of Income and Employment

1. Match the List I with List II

List I

- A. Direct tax
 B. Non-Tax Revenue
 C. Indirect Tax
 D. Capital Receipts

List II

- I. Sale of shares of public sector undertaking
 II. Corporate Tax
 III. Customs duties
 IV. Cash grants-in-aid from foreign countries

Choose the correct answer from the options given below:

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

2. If Marginal propensity to save (MPS) is 0.5 and initial change in investment is Rs 250 crore, then the final change in income, is:

- (a) ₹125 crore
 (b) ₹1250 crore
 (c) ₹600 crore
 (d) ₹500 crore

3. Match the List I with List II

List I

- A. Marginal property to consume
 B. Marginal property to save
 C. Average property to save
 D. Average propensity to consume

List II

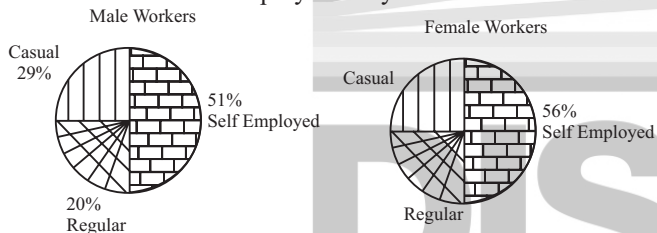
- I. $\frac{C}{Y}$
 II. $\frac{\Delta C}{\Delta Y}$
 III. $\frac{S}{Y}$
 IV. $\frac{\Delta S}{\Delta Y}$

Choose the correct answer from the option given below:

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

Chapter - 9 : Money and Banking

1. Distribution of Employment by Gender.



Observe the pie chart and identify the major source of livelihood for both men and women.

- (a) Casual Wage Labourers (b) Hired Workers
 (c) Self Employed (d) Regular Salaried Employees
2. Which of the following components is not included in M_1 measure of money supply.
 (a) Currency and coins held by public
 (b) Demand deposits of public
 (c) Inter bank deposits of commercial banks
 (d) Other deposits of banks
3. Match the List I with List II

List I

- A. CRR
 B. SLR
 C. Repo rate

List II

- I. Buying and selling of government securities by RBI from/ to the public and commercial banks
 II. Percentage of deposits which a bank must keep as reserves with RBI
 III. Rate at which RBI lends money to commercial banks to meet their short term needs.

Chapter - 11 : Government Budget and the Economy

- The process which involves assembling storage processing, transportation, packaging, grading and distribution of different agricultural products across the country is known as _____.
 - TANWA
 - Agricultural marketing
 - Diversification
 - Cooperative Marketing
- Which of the following is not a feature of unorganised sector.
 - No job security
 - Social security schemes
 - Irregular payment
 - No fixed working hours.
- All the public sector establishments and those private sector establishments which employ 10 hired workers or more are called _____.
 - Informal sector establishments
 - Formal sector establishments
 - Public sector establishments
 - Private sector establishments

Chapter - 12 : Open Economy Macroeconomics

- Match the List I with List II

| List I | List II |
|---|---|
| A. Investments made abroad | I. Credit side of current account of BOP |
| B. Remittances to a relative staying abroad | II. Debit side of current account of BOP |
| C. Borrowing from IMF to save | III. Debit side Capital account of BOP |
| D. Export of cotton clothes | IV. Credit side of Capital account of BOP |

Choose the correct answer from the option given below:

 - A-III, B-II, C-IV, D-I
 - A-I, B-II, C-III, D-IV
 - A-IV, B-III, C-II, D-I
 - A-II, B-III, C-I, D-IV
- A _____ function describes the functional relationship between consumption and income.
 - Income
 - Production
 - Consumption
 - Cost

Chapter - 14 : Current Issues Confronting The Indian Economy

- Arrange the following in Chronological order.
 - Foundation of World Trade Organisation (WTO)
 - Establishment of General Agreement on Trade and Tariff (GATT)
 - India's New Economic Policy (NEP)

Choose the correct answer from the options given below:

 - D, B, A, C
 - A, C, B, D
 - B, C, A, D
 - Not given
- AYUSH stands for:
 - Alloevera, Yoga, Unity, Siddha, Naturopathy and Homeopathy
 - Ayurveda, Yin Yan, Unani, Spirituality and Homeopathy
 - Ayurveda, Yoga, Unani, Siddha, Naturapathy and Homeopathy
 - Allovera, Yin Yan, Unani, Siddha and Homeopathy
- An Indicator used by experts to gauge the number of people dying prematurely due to a particular disease as well as the number of years spent by them in a state of disability owing to the disease is called _____.
 - Grief of Burden of Disease
 - Goal Burden of disease
 - Global Burden of disease
 - Great Burden of disease

Chapter - 15 : Economic Reform Since 1991

- Which of the following is not a goal of the five year plans?
 - Self reliance
 - Land ceiling
 - Equity
 - Modernisation
- In 1991, India approached the _____ and _____ and received \$7 billion as loan to manage the economic crises.
 - World Bank, World Trade organisation
 - International Monetary Fund, OPEC
 - World Bank, International Monetary Fund
 - World Trade Organisation, International Monetary Fund

Hints & Explanations

Chapter - 1 : Introduction to Economy

1. (b) The economic policies pursued by the colonial government in India were concerned more with the protection and promotion of the economic interests of their home country than with the development of the Indian economy.
2. (d) Basic education and health is considered as the rights of citizens.
3. (a) Infrastructure enables trade, powers businesses, connects workers to their jobs, creates opportunities for struggling communities and protects the nation from an increasingly unpredictable natural environment.
4. (d) Absorptive capacity of the environment means the ability of the environment to absorb degradation.

Chapter - 2 : Theory of Consumer behaviour

1. (d) Before the advent of industrial revolution, the rate of resource extraction was less than the rate of regeneration of these resources. But with expanding population and its growing needs the demand for resources for both production and consumption went beyond the rate of regeneration of the resources. This has resulted in a reversal of supply-demand relationship for environmental resources as now there is very high demand for environmental resources and services but their supply is limited due to overuse and misuse.

Chapter - 4 : Forms of Market and Price Determination

1. (d)
2. (c) Disputed

Chapter - 5 : Market Equilibrium

1. (*) Equilibrium in a perfectly competitive market can be defined alternatively as zero excess demand-zero excess supply situation. Whenever market supply is not equal to market demand, and hence the market is not in equilibrium, there will be a tendency for the price to change.
2. (c) As the law of diminishing marginal utility states, as a consumer consumes more of the same product in one setting, the satisfaction he/she gains from the product reduces as she consumes more and more of the product. This means the marginal utility is falling.

Total utility is the overall satisfaction that a consumer derives from the consumption of particular goods and services. Each individual unit of goods or services has a marginal utility of their own. Total utility is the sum of marginal utilities of all such individual items. Hence D is correct.

3. (b)
4. (c) A stock variable is a quantified variable that is measured at a particular point of time.

Chapter - 7 : Introduction to Macroeconomics

1. (a) Great Leap Forward, in Chinese history, the campaign undertaken by the Chinese communists between 1958 and early 1960 to organize its vast population, especially in large-scale rural communes, to meet China's industrial and agricultural problems.
2. (d)
3. (c) A socialist economy is a system of production where goods and services are produced directly for use, in contrast to a capitalist economic system, where goods and services are produced to generate profit (and therefore indirectly for use). "Production under socialism would be directly and solely for use."

4. (a)

Chapter - 8 : National Income Accounting

1. (b)
2. (c) Normal resident is said to be one who ordinarily resides in the country concerned and whose center of economic interest lies in that country. A person is said to have his economic interest in a country when he conducts his economic transactions in that country on a significant scale.
3. (*) When the whole output is sold in a financial year, then the value of output will be equal to the total sales of the output.
Value of Output = Sales
 - When the whole output is not sold in a financial year, then the value of output will be equal to the sum of sold output and the unsold stock of output. Here, the unsold stock is the difference between closing stock and opening stock and is also known as Change in Stock.

Value of Output = Sales + Change in Stock

Change in Stock = Closing Stock – Opening Stock

4. (c)
5. (b) Macroeconomic variable are macro level factors used in estimation of outputs. Here General price level and Employment of workers in a leather factory seems to be not defined clearly also the general price level belongs to individual product which could be added to Microeconomic variables.
6. (c) Income and change in inventories both belong to flow variable as they change continuously depending on the outer factors that affect their flow from one to the other point.
7. (c) Given, consumption function, $C=300+0.6Y$.
Income = Consumption + Savings
 \Rightarrow Savings (S) = Income (Y) – Consumption (C)
 $\Rightarrow S=Y-C$
 $\Rightarrow S=Y-(300+0.6Y)$
 $\Rightarrow S=Y-300-0.6Y$
 $\Rightarrow S=-300+Y(1-0.6)$
 $\Rightarrow S=-300+0.4Y$
8. (b) GDP at MP= $C+I+G+X-M$
As from Question:
Private final consumption expenditure +
Government final consumption expenditure +
Gross domestic formation + Net exports
 $200+100+50+50= 400$
Hence Answer is 400
Indirect tax and depreciation will be further used in calculation of NDP and NNP.
9. (b) 10. (b) 11. (a) 12. (b) 13. (d)
14. (b) 15. (a) 16. (d) 17. (c) 18. (a)

Chapter - 9 : Money and Banking

1. (c) According to the graph major source of income is through self employed services because other two substantially are lot less in comparison to the self employed section from the graph.
2. (c) M1 is the money supply that is composed of currency, demand deposits, other liquid deposits—which includes savings deposits. M1 includes the most liquid portions of the money supply because it contains currency and assets that either are or can be quickly converted to cash.
3. (d) SLR- Percentage of deposits which has to be kept as reserves with RBI. CRR- Percentage of deposits which a bank must keep as reserves in liquid form with itself. Repo rate: Rate at which

BI lends money to commercial banks to their short term needs. OMO-Buying and selling of government securities by RBI from/to the public and commercial banks.

4. (c) * disputed

Chapter - 10 : Determination of Income and Employment

1. (a)
2. (d) ₹500 crores
 $\Delta Y = \Delta I \times 1/MPS$
 $\Delta Y = ₹250 \times 1/0.5 = ₹500$ crores
3. (d)

Chapter - 11 : Government Budget and the Economy

1. (b) The term agricultural marketing is composed of two words- agriculture and marketing. Agriculture, generally means growing and/or raising of crops and livestock while marketing encompasses a series of activities involved in moving the goods from the point of production to point of consumption. Agricultural marketing essentially involves the buying and selling of agricultural produces.
2. (b) Social security schemes are not the feature of the unorganised sector. All the rest are naturally part of unorganised sector cause it is not formal and are not accounted for in data form.
3. (d) Those private sector establishments which employ 10 hired workers are called Private sector establishment.

Chapter - 12 : Open Economy Macroeconomics

1. (a)
2. (c) Consumption function refers to the standard equation of consumption which defines the relationship between consumption and income where consumption value can be derived at each level with the use of income value. $C= c+ bY$ where c =autonomous consumption, b = marginal propensity to consume, and Y = income.

Chapter - 14 : Current Issues Confronting The Indian Economy

1. (c) GATT has been established in 1948. India's new economic NEP in 1991. Foundation of world trade Organisation in 1995. Introduction of GST happened in 2010.
2. (c)
3. (c) The Global Burden of Disease (GBD) is a tool that provides a comprehensive picture of mortality and

disability across countries, time, age, and sex. It quantifies health loss from hundreds of diseases, injuries, and risk factors, so that health systems can be improved and disparities eliminate(d)

Chapter - 15 : Economic Reform Since 1991

1. (a) Self reliance is not the goal of Five year plans as the plans are made to do the welfare in the country for the upcoming years which includes all the rest but does not emphasize on self sufficiency of individuals of the country. It focuses on creation of infrastructure and through it employment generation.
2. (c) In 1991, India met with an economic crisis relating to its external debt. India approached the International Bank for Reconstruction and Development (IBRD), popularly known as World Bank and the International Monetary Fund (IMF), and received \$7 billion as loan to manage the crisis.

