

CUET Economics Set-3

Year 2025

Time Allowed: **60** minutes

Maximum Marks: **250**

Total Questions: **50**

Number of questions to be answered : **50**

Kindly read the Instructions given on this Page and Back Page carefully before attempting this Question Paper.

Important Instructions for the Candidates :

1. This Test contains 50 questions printed in English. Out of these, the candidate is required to answer all 50 questions.
2. Each question has four answer options. Out of these four options choose the MOST APPROPRIATE OPTION.
3. Five (5) marks will be given for each correct answer. One (1) mark will be deducted for each incorrect answer. Unanswered questions will be given no mark.

Q1. In a two-sector economy, if $MPC = 0.8$ and investment increases by ₹500 crore, the total increase in income will be:

- a) ₹3,000 crore
- b) ₹2,500 crore
- c) ₹1,600 crore
- d) ₹1,000 crore

Q2. Which of the following is a common challenge for India and Pakistan in economic development?

- a) High literacy rates
- b) Dependence on remittances
- c) Low population growth
- d) Surplus trade balance

Q3. Assertion (A): Full employment equilibrium can coexist with demand-deficient unemployment.

Reason (R): Structural rigidities prevent wage flexibility in the short run.

- a) Both A and R are true, and R explains A.
- b) Both A and R are true, but R does not explain A.
- c) A is true but R is false.
- d) A is false but R is true.

Q4. Devaluation of currency aims to:

- a) Boost exports
- b) Reduce imports
- c) Both (a) and (b)
- d) None of these [2023, 2024]

Q5. Match the following:

List-I (Country)	List-II (Development Indicator)
A. India	1. Highest HDI in South Asia
B. Bangladesh	2. Rapid growth in garment exports
C. Sri Lanka	3. Highest poverty rate in region
D. Nepal	4. Remittance-driven economy

- a) A-1, B-2, C-3, D-4
- b) A-3, B-2, C-1, D-4
- c) A-4, B-3, C-2, D-1
- d) A-2, B-4, C-1, D-3

Q6. Stagflation refers to:

- a) High inflation + High unemployment
- b) Low inflation + High growth
- c) Deflation + Recession
- d) None of these [2022, 2024]

Q7. A current account deficit can be financed by:

- a) Foreign Direct Investment (FDI)
- b) Borrowing from IMF
- c) Both (a) and (b)
- d) None of these

Q8. The WTO replaced which organization?

- a) IMF
- b) GATT
- c) World Bank
- d) UNCTAD [2022, 2023]

Q9. Match List I with List II:

List I (Market Structure)

- A. Perfect Competition
- B. Monopoly
- C. Monopolistic Competition
- D. Oligopoly

List II (Characteristics)

- 1. Single seller
- 2. Many sellers with differentiated products
- 3. Many sellers with identical products
- 4. Few sellers

- a) A-3, B-1, C-2, D-4
- b) A-1, B-3, C-4, D-2
- c) A-2, B-4, C-1, D-3
- d) A-1, B-4, C-2, D-3 [2022, 2024]

Q10. "Vocal for Local" aims to promote:

- a) Exports
- b) Domestic manufacturing
- c) Foreign investment
- d) None of these [2023, 2024]

Q11. Balance of Payments includes:

- a) Current Account + Capital Account
- b) Trade Balance + Services
- c) Only Current Account
- d) Only Capital Account [2022, 2024]

Q12. The multiplier effect is calculated as:

- a) $1/(1-MPC)$
- b) $1/MPS$
- c) Both (a) and (b)
- d) None of these [2023, 2024]

Q13. The Gini coefficient measures:

- a) Poverty
- b) Income inequality
- c) Unemployment
- d) Inflation [2022, 2023]

Q14. CRR (Cash Reserve Ratio) is maintained with:

- a) RBI
- b) Government
- c) Other banks
- d) None of these [2023, 2024]

Q15. Which is not a qualitative credit control tool?

- a) Moral Suasion
- b) CRR
- c) Margin Requirements
- d) Selective Credit Control

Q16. Arrange in chronological order:

1. Nationalisation of Banks
 2. Green Revolution
 3. Economic Liberalisation
 4. Demonetisation
- a) 1-2-3-4
 - b) 2-1-3-4
 - c) 3-2-1-4
 - d) 4-3-2-1

Q17. LPG reforms (1991) did NOT include:

- a) Abolition of Industrial Licensing
- b) Privatization of PSUs
- c) Introduction of GST
- d) FDI liberalization

Q18. Case-Based:

RBI increases Repo Rate by 50 bps to curb inflation.

Impact:

- a) Bank loans become cheaper
- b) Money supply decreases
- c) Investment increases
- d) None of these

Q19. In a three-sector economy with $MPC = 0.75$, if the government increases spending by ₹200 crore while raising taxes by ₹200 crore, the net change in national income will be:

- a) ₹200 crore increase
- b) ₹800 crore increase
- c) No change
- d) ₹200 crore decrease

Q20. $GNP = GDP +$:

- a) Net factor income from abroad
- b) Depreciation
- c) Indirect taxes
- d) None of these

Q21. Capital receipts include:

- a) Tax revenue
- b) Disinvestment proceeds
- c) Interest receipts
- d) None of these

Q22. Which sector contributes the most to India's GDP?

- a) Agriculture
- b) Industry
- c) Services
- d) Mining

Q23. Indifference curves cannot intersect because:

- a) It violates transitivity
- b) MRS becomes zero
- c) Budget constraints change
- d) None of these

Q24. Match the following:

List-I (Budget Term)	List-II (Definition)
A. Fiscal Deficit	1. Total receipts – Total expenditure
B. Primary Deficit	2. FD – Interest payments
C. Revenue Deficit	3. Borrowing + Other liabilities
D. Budget Deficit	4. Revenue exp – Revenue receipts

- a) A-3, B-2, C-4, D-1
- b) A-1, B-3, C-2, D-4
- c) A-4, B-1, C-3, D-2
- d) A-2, B-4, C-1, D-3

Q25. The marginal rate of substitution (MRS) is calculated as:

- a) $\Delta Y/\Delta X$
- b) $\Delta X/\Delta Y$
- c) MU_x/MU_y
- d) MU_y/MU_x [Appeared in 2023, 2024]

Q26. Short-run supply curve of a firm is:

- a) MC above AVC
- b) MC above AC
- c) Entire MC curve
- d) None of these

Q27. If cross-elasticity of demand between tea and coffee is +1.5, they are:

- a) Complementary goods
- b) Substitute goods
- c) Inferior goods
- d) Giffen goods

Q28. Which is NOT a function of the RBI?

- a) Issuing currency
- b) Regulating stock markets
- c) Lender of last resort
- d) Controlling credit [2022, 2024]

Q29. Assertion (A): The Keynesian consumption function assumes MPC is constant in the short run.

Reason (R): Psychological factors influence consumption behavior more than income in the long run.

- a) Both A and R are true, and R explains A.
- b) Both A and R are true, but R does not explain A.
- c) A is true but R is false.
- d) A is false but R is true.

Q30. In the short run, a firm will shut down if:

- a) Price < AVC
- b) Price < ATC
- c) Price < MC
- d) Price < AFC [2022, 2024]

Q31. Which of the following is NOT a component of GDP (expenditure method)?

- a) Consumption
- b) Investment
- c) Government spending
- d) Transfer payments [2022, 2023]

Q32. Which of the following is a key difference between India's and China's development strategies?

- a) China focused on agriculture-led growth initially
- b) India prioritized export-oriented manufacturing early
- c) China implemented one-child policy to control population
- d) India avoided FDI in infrastructure

Q33. Match the following:

List-I (Scheme)	List-II (Objective)
A. PM-KISAN	1. Financial inclusion
B. MGNREGA	2. Direct income support to farmers
C. Jan Dhan Yojana	3. Guaranteed wage employment
D. Make in India	4. Boosting domestic manufacturing

- a) A-2, B-3, C-1, D-4
- b) A-1, B-2, C-3, D-4
- c) A-4, B-3, C-2, D-1
- d) A-3, B-4, C-1, D-2

Q34. Quantitative easing is a tool used by:

- a) Commercial banks
- b) Central banks
- c) SEBI
- d) Ministry of Finance [2023]

Q35. Case-Based:

India's forex reserves drop from 600 billion to 550 billion in 6 months.

Possible reasons:

- 1. RBI selling dollars to stabilize rupee
- 2. Rising trade deficit
- 3. Increased FDI inflows
- 4. Higher remittances

- a) 1 and 2
- b) 2 and 3
- c) 3 and 4
- d) 1 and 4

Q36. SDG 8 focuses on:

- a) Quality education
- b) Decent work and economic growth
- c) Clean energy
- d) None of these

Q37. National Infrastructure Pipeline (NIP) aims to:

- a) Reduce fiscal deficit
- b) Invest ₹111 lakh crore (2020-25)
- c) Replace GST
- d) None of these

Q38. If RBI reduces SLR from 20% to 18%, banks will have:

- a) More funds to lend
- b) Less liquidity
- c) Higher CRR compliance
- d) None of these

Q39. Arrange in order of implementation:

- 1.FRBM Act
- 2.Insolvency and Bankruptcy Code (IBC)
- 3.GST
- 4.Demonetisation

- a) 1-4-2-3
- b) 1-2-3-4
- c) 4-3-2-1
- d) 2-1-4-3

Q40. Oligopoly is characterized by:

- a) Many sellers with identical products
- b) Single seller
- c) Few sellers with interdependent decisions
- d) No barriers to entry [2023]

Read the following passage and answer the next five questions.

Inflation, a sustained increase in the general price level, is influenced by demand-pull and cost-push factors. Demand-pull inflation arises when aggregate demand (AD) exceeds aggregate supply (AS), often due to expansionary fiscal policies or increased consumer spending. Cost-push inflation, on the other hand, results from rising production costs, such as wages or raw materials, which reduce AS. Central banks, like the RBI, use monetary policy tools—Repo Rate, CRR, and Open Market Operations (OMO)—to control inflation.

The Phillips Curve suggests an inverse relationship between inflation and unemployment in the short run, but this breaks down in the long run due to adaptive expectations. Stagflation, a rare scenario of high inflation and stagnant growth, challenges traditional policy responses. Recently,

supply chain disruptions and geopolitical tensions have exacerbated inflationary pressures globally.

Q41. Demand-pull inflation occurs when:

- a) Aggregate supply exceeds aggregate demand
- b) Aggregate demand exceeds aggregate supply
- c) Production costs rise sharply
- d) Government reduces public expenditure

Q42. Which monetary policy tool involves the buying/selling of government securities?

- a) Repo Rate
- b) CRR
- c) OMO
- d) SLR

Q43. Stagflation is characterized by:

- a) High inflation + High unemployment
- b) Low inflation + High growth
- c) Deflation + Recession
- d) None of these

Q44. The long-run Phillips Curve is:

- a) Downward-sloping
- b) Vertical
- c) Horizontal
- d) Upward-sloping

Q45. Cost-push inflation can be caused by:

- a) Increased consumer spending
- b) Higher crude oil prices
- c) Reduced taxes
- d) Expansionary monetary policy

Read the following passage and answer the next five questions.

Market structures—perfect competition, monopoly, monopolistic competition, and oligopoly—differ in terms of barriers to entry, product differentiation, and price-setting power. Perfect competition, with many sellers and homogeneous products, achieves allocative efficiency ($P = MC$) but lacks incentives for innovation. Monopolies, with a single seller, restrict output to maximize profits, leading to deadweight loss.

Oligopolies (e.g., automobile industry) feature interdependence, often leading to cartels or price wars. The kinked demand curve model explains price rigidity in such markets. Game theory analyzes strategic behavior, exemplified by the Prisoner's Dilemma.

Q46. Allocative efficiency occurs when:

- a) $P > MC$
- b) $P = MC$
- c) $P < MC$
- d) $TR = TC$

Q47. A key feature of monopolistic competition is:

- a) Single seller
- b) Homogeneous products
- c) Product differentiation
- d) High barriers to entry

Q48. Deadweight loss is most associated with:

- a) Perfect competition
- b) Monopoly
- c) Oligopoly
- d) None of these

Q49. The kinked demand curve explains:

- a) Price flexibility in perfect competition
- b) Price rigidity in oligopoly
- c) Output decisions in monopoly
- d) None of these

Q50. Game theory is used to analyze:

- a) Consumer behavior
- b) Strategic interactions among firms
- c) Government fiscal policy
- d) Inflation trends

Answer key:

Q.No.	Ans	Q.No.	Ans
1	b	26	a
2	b	27	b
3	a	28	b
4	c	29	b
5	b	30	a
6	a	31	d
7	c	32	c
8	b	33	a
9	a	34	b
10	b	35	a
11	a	36	b
12	c	37	b
13	b	38	a
14	a	39	a
15	b	40	c
16	a	41	b
17	c	42	c
18	b	43	a
19	a	44	b
20	a	45	b
21	b	46	b
22	c	47	c
23	a	48	b
24	a	49	b
25	a	50	b