

CUET Economics Set-4

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. When RBI conducts a reverse repo operation, it:

- a) Injects liquidity into banking system
- b) Absorbs liquidity from banking system
- c) Regulates foreign exchange
- d) Controls fiscal deficit

Q2. NITI Aayog replaced: (2022, 2024)

- a) Finance Commission
- b) Planning Commission
- c) SEBI
- d) RBI

Q3. Case Study: If CRR is reduced from 4% to 3% while SLR remains at 18%, what will be the impact on credit creation capacity of banks?

- a) Increases
- b) Decreases
- c) No impact
- d) First increases then decreases

Q4. PM-KISAN provides: (2023, 2024)

- a) Crop insurance
- b) Direct income support to farmers
- c) Subsidized fertilizers
- d) Free education

Q5. Match the following:

Development Indicator	Country
A. Highest HDI in SAARC	1. India
B. Remittance-dependent economy	2. Nepal
C. Garment export leader	3. Bangladesh
D. Service sector dominated growth	4. Sri Lanka

Options:

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

Q6. Arrange in chronological order:

1. Introduction of LERMS
2. Full convertibility on current account
3. Adoption of managed float system
4. Demonetization (2016)

Options:

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

Q7. Which is NOT a function of commercial banks? (2022, 2023)

- a) Accepting deposits
- b) Issuing currency
- c) Providing loans
- d) Credit creation

Q8. If India's current account shows a deficit of 20 billion and capital account shows a surplus of 15 billion, what will happen to forex reserves?

- a) Increase by 5 billion
- b) Decrease by 5 billion
- c) Remain unchanged
- d) Decrease by \$35 billion

Q9. Which of these was NOT a focus area of India's Twelfth Five Year Plan (2012-17)?

- a) Inclusive growth
- b) Infrastructure development
- c) Digital India initiative
- d) Health and education

Q10. The base year for GDP calculation in India (as of 2024) is: (2023, 2024)

- a) 2011-12
- b) 2004-05
- c) 1999-00
- d) None of these

Q11. Primary deficit equals: (2022, 2023)

- a) Fiscal deficit – Interest payments
- b) Revenue deficit – Capital expenditure
- c) Fiscal deficit + Borrowings
- d) None of these

Q12. The Narasimham Committee II (1998) primarily recommended reforms in:

- a) Agricultural sector
- b) Banking sector
- c) Industrial licensing
- d) Foreign trade policy

Q13. Match the following reforms with years:

Reform	Year
A. GST implementation	1. 2016
B. Insolvency and Bankruptcy Code	2. 1991
C. LPG reforms	3. 2017
D. FRBM Act	4. 2003

Options:

- 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-4, B-2, C-3, D-1

Q14. Open Market Operations (OMO) are conducted by: (2023, 2024)

- a) Ministry of Finance
- b) SEBI
- c) RBI
- d) Commercial Banks

Q15. The Green Revolution primarily focused on: (2022, 2023)

- a) Wheat and rice
- b) Pulses and oilseeds
- c) Cotton and jute
- d) None of these

Q16. The Gini coefficient measures: (2022, 2023)

- a) Poverty
- b) Income inequality
- c) Unemployment
- d) Inflation

Q17. Which of these would be included in GDP but not in GNP?

- a) Profits earned by foreign companies in India
- b) Salaries of Indian workers abroad
- c) Value added by domestic firms
- d) None of these

Q18. Cost-push inflation can be caused by: (2022, 2023)

- a) Increase in money supply
- b) Rise in crude oil prices
- c) Higher government spending
- d) None of these

Q19. Non-tax revenue includes: (2022, 2023)

- a) Income tax
- b) GST
- c) Profits from PSUs
- d) None of these

Q20. The value-added method of calculating GDP avoids:

- a) Double counting
- b) Including depreciation
- c) Counting indirect taxes
- d) All of the above

Q21. Case Study: In an economy with $MPC=0.6$, if autonomous consumption increases by ₹200 crore and investment decreases by ₹100 crore simultaneously, what will be the net change in equilibrium income?

- a) ₹250 crore increase
- b) ₹50 crore decrease
- c) ₹150 crore increase
- d) No change

Q22. Assertion (A): The 45-degree line in the Keynesian cross diagram represents all points where aggregate expenditure equals output.

Reason (R): This line helps determine the equilibrium level of income in an economy.

- a) Both A and R are true and R explains A
- b) Both A and R are true but R doesn't explain A
- c) A is true but R is false
- d) A is false but R is true

Q23. Case Study: If a government has:

=>Revenue receipts: ₹50 lakh crore

=>Capital receipts: ₹30 lakh crore

=>Revenue expenditure: ₹60 lakh crore

=>Capital expenditure: ₹25 lakh crore

What is the fiscal deficit?

- a) ₹5 lakh crore
- b) ₹10 lakh crore
- c) ₹15 lakh crore
- d) Cannot be determined

Q24. The investment multiplier is inversely related to: (2022, 2024)

- a) Marginal Propensity to Consume (MPC)
- b) Marginal Propensity to Save (MPS)
- c) Autonomous consumption
- d) None of these

Q25. The Lorenz curve plots: (2023, 2024)

- a) Cumulative % income vs. cumulative % population
- b) Price vs. quantity demanded
- c) Inflation vs. unemployment
- d) None of these

Q26. If two goods X and Y have negative cross elasticity, they are:

- a) Substitutes
- b) Complements
- c) Inferior goods
- d) Giffen goods

Q27. In perfect competition, firms are price takers because:

- a) Products are differentiated
- b) Each firm's output is insignificant to market supply
- c) There are legal barriers
- d) All of the above

Q28. The short-run supply curve of a firm is the portion of MC curve:

- a) Above AVC
- b) Above AC
- c) Below AVC
- d) None of these

Q29. A firm under perfect competition is a price taker because: (2023, 2024)

- a) It produces differentiated products
- b) Its output is negligible relative to market supply
- c) It faces high barriers to entry
- d) None of these

Q30. The law of equi-marginal utility is based on the assumption of:

- a) Constant marginal utility of money
- b) Increasing returns to scale
- c) Perfect competition
- d) None of these

Q31. Match the following:

SDG Goal	Target Area
A. SDG 7	1. Clean water and sanitation
B. SDG 9	2. Affordable clean energy
C. SDG 6	3. Industry, innovation and infrastructure
D. SDG 11	4. Sustainable cities

Options:

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

Q32. The National Infrastructure Pipeline (2019) aims to invest:

- a) ₹50 lakh crore over 5 years
- b) ₹100 lakh crore over 5 years
- c) ₹111 lakh crore over 5 years
- d) ₹150 lakh crore over 10 years

Q33. In an economy with $MPC=0.75$, if the government increases spending by ₹200 crore while raising taxes by ₹160 crore, the net change in equilibrium income will be:(2023)

- a) ₹120 crore
- b) ₹200 crore
- c) ₹320 crore
- d) ₹480 crore

Q34. The WTO was established to replace: (2022, 2024)

- a) IMF
- b) World Bank
- c) GATT
- d) UNCTAD

Q35. Match the following poverty alleviation programs with their focus areas: (2022, 2024)

Program	Primary Target Group
A. PMAY	1. Rural employment
B. MGNREGA	2. Affordable housing
C. PM-KISAN	3. Agricultural inputs
D. POSHAN Abhiyaan	4. Maternal nutrition

Options:

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

Q36. If the exchange rate changes from ₹74 to ₹78, which statement is correct?(2023)

- a) Indian exports become cheaper
- b) Foreign debt repayment becomes costlier
- c) Both (a) and (b)
- d) Neither (a) nor (b)

Q37. Devaluation aims to improve: (2022, 2023)

- a) Current account deficit
- b) Capital account surplus
- c) Foreign direct investment
- d) None of these

Q38. RBI increases CRR from 4.5% to 5% while keeping repo rate unchanged. The immediate impact will be:

- a) Increased liquidity in banks
- b) Reduced credit creation capacity
- c) Lower interest rates on loans
- d) Higher foreign investment

Q39. Arrange these reforms chronologically:

1. Abolition of License Raj
2. GST Implementation
3. Nationalisation of Banks
4. LPG Reforms

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

Q40. The law of diminishing marginal utility assumes: (2022, 2023)

- a) Rational consumer behavior
- b) Constant marginal utility of money
- c) Utility is cardinally measurable
- d) All of the above

Read the following passage and answer the next five questions.

The paradox of thrift, introduced by John Maynard Keynes, posits that while saving is beneficial at an individual level, a collective increase in savings can reduce aggregate demand, leading to lower output and employment in the economy. This occurs because when households save more, consumption expenditure falls, causing businesses to reduce production. In an economy operating below full employment, this can trigger a vicious cycle of declining income and further reductions in savings.

Central banks often counter this by implementing expansionary monetary policies, such as lowering interest rates to incentivize borrowing and spending. However, in a liquidity trap

scenario, where interest rates are near zero, monetary policy becomes ineffective, and fiscal policy (like increased government spending) becomes crucial. The COVID-19 pandemic exemplified this, as governments worldwide deployed stimulus packages to sustain demand amid heightened savings.

Q41. The paradox of thrift suggests that higher savings can lead to:

- a) Increased investment and growth
- b) Lower aggregate demand and recession
- c) Higher interest rates
- d) Reduced fiscal deficit

Q42. In a liquidity trap, which policy is most effective?

- a) Expansionary monetary policy
- b) Contractionary fiscal policy
- c) Expansionary fiscal policy
- d) Higher taxes

Q43. During the COVID-19 pandemic, stimulus packages aimed to:

- a) Reduce household savings
- b) Boost aggregate demand
- c) Increase interest rates
- d) All of the above

Q44. Keynesian economics emphasizes the role of _____ in stabilizing the economy.

- a) Free markets
- b) Government intervention
- c) Import restrictions
- d) None of these

Q45. A vicious cycle of declining income occurs when:

- a) Savings equal investment
- b) Reduced consumption lowers production
- c) Exports exceed imports
- d) Government spending increases

Read the following passage and answer the next five questions.

The twin deficit hypothesis suggests that a fiscal deficit (government spending > revenue) often coexists with a current account deficit (imports > exports) in developing economies. For instance, India's fiscal deficit of 6.4% of GDP in 2022–23 was accompanied by a current account deficit of 2.8%. This occurs because government borrowing increases domestic demand, raising imports, while higher interest rates attract foreign capital, appreciating the currency and worsening trade balance.

To manage this, the RBI uses sterilization—selling bonds to absorb excess liquidity from foreign inflows. However, this raises domestic interest rates, potentially stifling private investment. Structural reforms like GST and "Make in India" aim to boost exports and reduce import dependency, addressing the root cause.

Q46. The twin deficit problem refers to:

- a) High inflation and unemployment
- b) Fiscal deficit and current account deficit
- c) Trade surplus and budget surplus
- d) None of these

Q47. Sterilization by the RBI involves:

- a) Printing more currency
- b) Selling bonds to absorb liquidity
- c) Lowering interest rates
- d) Banning imports

Q48. A current account deficit can worsen due to:

- a) Currency appreciation
- b) Higher exports
- c) Lower government spending
- d) All of the above

Q49. "Make in India" aims to address the twin deficit by:

- a) Reducing import dependency
- b) Increasing fiscal deficit
- c) Encouraging foreign debt
- d) None of these

Q50. Higher interest rates from sterilization may:

- a) Boost private investment
- b) Reduce foreign capital inflows
- c) Stifle domestic investment
- d) Increase exports

Answer key:

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

