

Practice Paper

2

Section II of CUET (UG) is Domain specific. In this section of Economics, 40 questions to be attempted out of 50.

Max. Marks : 200

Time : 45 minutes

Multiple Choice Questions (MCQs)

- Production possibility frontier can be a straight line: when
 - decrease in production of both goods.
 - more of both goods can be produced.
 - all resources are equally efficient in production of both goods.
 - all resources are not equally efficient in production of both goods.
- Which of these statement is correct about opportunity cost?
 - Opportunity cost is always higher than the given price.
 - Opportunity cost is always less than the given price.
 - Opportunity cost is always calculated in money.
 - Opportunity cost can be less than, more than or equal to given price.
- Which of these is Normative Economics?
 - 25 per cent population of India is below poverty line.
 - Increase in FDI has increased the GDP of India.
 - Equal distribution of income will make India poverty free.
 - Higher welfare spending by government increases the aggregate demand.
- Macroeconomics is also known as
 - income Theory
 - consumption Theory
 - economic Recovery Theory
 - price Theory
- Elasticity of demand in case of inferior goods is:
 - zero
 - negative
 - positive
 - infinite
- Factor which affects market demand but not individual demand can be
 - number of consumers in the market
 - age and sex composition of population
 - distribution of income
 - all of the above.
- What is the maximum number of indifference curves of a consumer?
 - Unlimited numbers of indifference curves
 - Upto his maximum satisfaction level
 - Depends upon his budget line
 - Equal to various bundles of budget sets
- At break-even point, a firm makes
 - normal profits
 - extra normal profits
 - extra normal losses
 - none of these.
- When percentage change in price is equal to percentage change in supply?
 - $E_s > 1$
 - $E_s = 1$
 - $E_s < 1$
 - $E_s = 0$
- 500 units of a commodity are supplied at rupees 5 per unit. At what price 700 units of the commodity will be supplied for elasticity to be unitary
 - 4
 - 5
 - 6
 - 7
- A producer supplies 200 units of a good at \$10 per cent. The price elasticity of supply is 2, how many units will be producer supply at \$ 11 per unit.
 - 300
 - 40
 - 240
 - 160
- According to law of diminishing marginal utility, satisfaction obtained from consumption of each successive unit.
 - Increases
 - Decreases
 - Remains same
 - Either increases or decreases
- In a government budget, if revenue receipts are ₹ 100, capital receipts are ₹ 50 and revenue deficit is ₹ 25, how much is the revenue expenditure?
 - ₹ 100
 - ₹ 125
 - ₹ 50
 - ₹ 75
- Excess supply _____ the price. (Choose the correct alternative).
 - Pulls down
 - Pushes up
 - Doesn't influence
 - None of the above

Practice Paper-2

15. The products in perfect competition are _____ in nature (Fill in the blank with correct).
 (a) Heterogeneous (b) Differing
 (c) Homogeneous (d) All of the above
16. The price taker firm sells at _____. (Fill in the blank with correct option).
 (a) Fixed price
 (b) Pre-determined price
 (c) Market price
 (d) None of the above
17. Under oligopoly
 (a) large no. of sellers (b) few sellers
 (c) single seller (d) none of these.
18. Market equilibrium refers to a situation in which market price?
 (a) Is high enough to allow firms to earn a fair profit.
 (b) Is low enough for consumers to buy all that they want.
 (c) Is at a level where there is neither a shortage nor a surplus.
 (d) Is just above the intersection of the market supply and demand curves.
19. Merchandise trade Balance =
 (a) difference between export of goods and import of goods
 (b) difference between export of services and import of services
 (c) investment income + compensation of employees
 (d) none of these.
20. The cause of upward movement along a supply curve is
 (a) decrease in price (b) increase in income
 (c) decrease in income (d) increase in price.
21. The supply curve of foreign exchange is
 (a) negatively sloped from left to right
 (b) positively sloped from left to right
 (c) a straight line from left to right
 (d) a rectangular hyperbola curve.
22. Which of the cost will never be zero?
 (a) TVC (b) AFC
 (c) AVC (d) None
23. When TP falls, MP is
 (a) increasing (b) decreasing
 (c) negative (d) zero.
24. The short run equilibrium of the firm can be illustrated by (Choose the correct alternative).
 (a) Combining the short run curve with the demand curve
 (b) Amount of output produced
 (c) Profit maximisation
 (d) None of the above.
25. What is a fiscal measure of correcting deficient demand?
 (a) Increase in public expenditure and decrease in taxes
 (b) Decrease in public debt
 (c) Deficit financing
 (d) All of these
26. India legal reserve ratio is set by the commercial banks.
 (a) True (b) False
 (c) Partially true (d) Can't say
27. The great depression occurred in which period?
 (a) 1929-30 (b) 1934-35
 (c) 1938-39 (d) 1941-42
28. Example of Attributes or 'variables' are
 (a) prices (b) rate of interest
 (c) wage rates (d) all of these.
29. 'All financial institutions are banking institutions.'
 (a) True (b) False
 (c) Partially true (d) Can't be predicted
30. $GDP_{MP} = GNP_{MP}$ when
 (a) indirect taxes are zero
 (b) consumption of fixed capital is zero
 (c) subsidies are zero
 (d) net factor income from abroad is zero.
31. Term deposits are those
 (a) against which no cheque can be issued
 (b) against which no interest is paid to the depositors
 (c) which are fixed deposits
 (d) both (a) and (c).
32. GDP Deflator is:
 (a) difference in costs of entire goods and services within the domestic territory of the country.
 (b) difference in costs of entire goods and services outside the domestic territory of the country.
 (c) difference in costs of goods within the domestic territory of the country.
 (d) difference in costs of services outside the domestic territory of the country.
33. Consumer Price Index is a widely used measure of:
 (a) production (b) inflation
 (c) population (d) wealth.
34. Which is the Agency Function of Commercial Banks?
 (a) Advancing loans (b) Accepting deposits
 (c) Act as trustee (d) Locker Facility

Assertion & Reasoning Based MCQs

For question numbers 35-38, a statement of Assertion(A) followed by a statement of Reason(R) is given. Choose the correct answer out of the following choices.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 (c) Assertion (A) is true but Reason (R) is False.
 (d) Assertion (A) is False but Reason (R) is True.

35. **Assertion (A)** : Average Propensity to Consume can be greater than one.

Reason (R) : Consumption can be greater than income in an economy.

36. **Assertion (A)** : Economic infrastructure is also known as direct productive activities.

Reason (R) : Energy, transport and communication directly helps in production.

37. **Assertion (A)** : The growth rate of population of Pakistan is lowest as compared to India and China in 2017-18.

Reason (R) : China adopted one child policy to control population in the year 1979.

38. **Assertion (A)** : GDP growth rate increase in the reform period.

Reason (R) : Outsourcing provides job opportunities to Indian workers.

Match the Following

39. Identify the correct part from Column I and Column II and choose the correct alternative.

- | Column I | Column II |
|--|---------------------------------------|
| A. Some progress in agriculture sector | (i) Under irrigation |
| B. Low productivity | (ii) Commercialisation of agriculture |
| C. Sound base under colonial rule | (iii) Industrial sector |
| D. Suez Canal UK to India | (iv) Through Bay of Bengal |
| (a) A-(i) | (b) B-(ii) |
| (c) C-(iii) | (d) D-(iv) |

40. Identify the correct part from Column I and Column II and choose the correct alternative.

- | Column I | Column II |
|----------------------|--|
| A. Hydro electricity | (i) It is generated using coal, petroleum etc. |

- B. Thermal electricity (ii) It is generated using radioactive elements.
 C. Nuclear electricity (iii) It is generated from water
 D. Solar electricity (iv) It is generated by heat emitted by sun.
 (a) A-(i) (b) B-(ii)
 (c) C-(iii) (d) D-(iv)

Case Based MCQs

Case I : Read the following text and answer the following questions from 41 to 45.

There are three main justifications for imposing a tax on a specific good. Firstly, it raises money for the government. Secondly, its use inflicts costs on third parties that are not factored into its price. The third rationale for imposing sin taxes is to discourage the use of undesirable goods. Critics of such taxes have argued that they are ineffective because the goods they target tend to be addictive, making consumers relatively unresponsive to changes in price. In fact, study after study has shown that sin taxes do tend to reduce consumption.

Without intervention from the government, the economy will produce too many goods that foul up the atmosphere and that benefits both manufacturers and consumers, but harms everyone who breathes in the by-products. Proponents of so-called "sin taxes" apply this logic to goods deemed to be socially undesirable. Many studies have a tendency to overstate the magnitude of such externalities, since they present gross costs instead of net ones.

41. Intermediate consumption refers to the use of _____ goods in the production process.
 (a) Durable (b) Capital
 (c) Intermediate (d) Public
42. 'Pollution created by factories/vehicles' is an example of _____ externality.
 (a) Positive (b) Negative
 (c) Either (a) or (b) (d) Neither (a) nor (b)
43. Goods purchased for the satisfaction of wants are
 (a) capital goods (b) final goods
 (c) consumption goods (d) none of these.
44. Total addition of capital goods to the existing stock of capital during the given year is known as
 (a) depreciation (b) gross costs
 (c) gross investment (d) net investment.
45. Which of the following represents Veblen Good?
 (a) Bread (b) Rolls Royce toy car
 (c) Diamond (d) None of these

Practice Paper-2

Case II : Read the following text and answer the following questions from 46 to 50.

Communist leader Mao Zedong launched the cultural revolution in China in 1966 in order to reassert his authority over the Chinese government. Believing that current Communist leaders were taking the party, and China itself, in the wrong direction. Mao thus ultimately adopted four goals for the Cultural Revolution : to replace his designated successors with leaders more faithful to his current thinking; to rectify the Chinese Communist Party; to provide China's youths with a revolutionary experience; and to achieve some specific policy changes so as to make the educational, health care, and cultural systems less elitist. The Cultural Revolution continued in various phases until Mao's death in 1976. Some 1.5 million people were killed during the Cultural Revolution, and millions of others suffered imprisonment, seizure of property, torture or general humiliation. The Cultural Revolution's short-term effects may have been felt mainly in China's cities, but its long-term effects would impact the entire country for decades to come.

46. Cultural Revolution in China is also known as:
 (a) Great Leap Forward Cultural Revolution
 (b) Great Proletarian Cultural Revolution
 (c) Both (a) and (b)
 (d) None of these.
47. When was the end of cultural revolution in India?
 (a) 1974 (b) 1980
 (c) 1978 (d) 1976
48. In cultural revolution, students and professionals were sent to work and learn from the
 (a) cities (b) foreign countries
 (c) countryside (d) all of these.
49. Cultural revolution was initiated by
 (a) Deng Xiaoping (b) Mao Zedong
 (c) Both (a) and (b) (d) None of these.
50. When did cultural revolution launched in China.
 (a) 1966 (b) 1976
 (c) 1986 (d) 1965

SAMPLE OMR SHEET

Candidate's Name : _____ Roll No : _____

General Instructions

- Darken one circle against each question number in the OMR answer sheet as shown. Faintly darkened or half darkened circle might be rejected by the optical scanner.
- Use blue/black ball point pen to record the answer.
- Rough work must not be done on the answer sheet.
- Please do not make any stray marks on the answer sheet.

Wrong Marking



Correct Marking



1. (a) (b) (c) (d)	11. (a) (b) (c) (d)	21. (a) (b) (c) (d)	31. (a) (b) (c) (d)	41. (a) (b) (c) (d)
2. (a) (b) (c) (d)	12. (a) (b) (c) (d)	22. (a) (b) (c) (d)	32. (a) (b) (c) (d)	42. (a) (b) (c) (d)
3. (a) (b) (c) (d)	13. (a) (b) (c) (d)	23. (a) (b) (c) (d)	33. (a) (b) (c) (d)	43. (a) (b) (c) (d)
4. (a) (b) (c) (d)	14. (a) (b) (c) (d)	24. (a) (b) (c) (d)	34. (a) (b) (c) (d)	44. (a) (b) (c) (d)
5. (a) (b) (c) (d)	15. (a) (b) (c) (d)	25. (a) (b) (c) (d)	35. (a) (b) (c) (d)	45. (a) (b) (c) (d)
6. (a) (b) (c) (d)	16. (a) (b) (c) (d)	26. (a) (b) (c) (d)	36. (a) (b) (c) (d)	46. (a) (b) (c) (d)
7. (a) (b) (c) (d)	17. (a) (b) (c) (d)	27. (a) (b) (c) (d)	37. (a) (b) (c) (d)	47. (a) (b) (c) (d)
8. (a) (b) (c) (d)	18. (a) (b) (c) (d)	28. (a) (b) (c) (d)	38. (a) (b) (c) (d)	48. (a) (b) (c) (d)
9. (a) (b) (c) (d)	19. (a) (b) (c) (d)	29. (a) (b) (c) (d)	39. (a) (b) (c) (d)	49. (a) (b) (c) (d)
10. (a) (b) (c) (d)	20. (a) (b) (c) (d)	30. (a) (b) (c) (d)	40. (a) (b) (c) (d)	50. (a) (b) (c) (d)

- Number of questions attempted : _____
- Number of questions correct : _____
- Marks scored : _____ out of 200

For every correct answer award yourself 5 marks, for every incorrect answer deduct 1 mark.

ANSWER KEYS

1. (c) 2. (d) 3. (c) 4. (a) 5. (b) 6. (d) 7. (a) 8. (a) 9. (b) 10. (d)
 11. (c) 12. (b) 13. (b) 14. (a) 15. (c) 16. (c) 17. (b) 18. (c) 19. (a) 20. (d)
 21. (b) 22. (b) 23. (c) 24. (a) 25. (d) 26. (b) 27. (a) 28. (d) 29. (b) 30. (d)
 31. (d) 32. (a) 33. (d) 34. (c) 35. (a) 36. (a) 37. (d) 38. (a) 39. (a) 40. (d)
 41. (b) 42. (c) 43. (b) 44. (c) 45. (c) 46. (b) 47. (d) 48. (c) 49. (b) 50. (a)

Hints & Explanations

1. (c) : Production possibility frontier can be a straight line when all resources are equally efficient in production of both goods.
2. (d) : Opportunity cost can be less than, more than or equal to given price.
3. (c) : Normative Economics is a perspective on economics that reflects normative, or ideologically prescriptive judgements towards economic development, investment projects, statements and scenarios. So, equal distribution of income will make India poverty free.
4. (a) : Macroeconomics is also known as income theory.
5. (b) : Negative: As consumer's income rises, they shift towards inferior goods which creates a negative elasticity of demand for inferior goods.
6. (d)
7. (a) : The maximum number of indifference curves of a consumer is unlimited number of indifference curves.
8. (a) : At break-even point, a firm makes normal profits.
9. (b) : When percentage change in price is equal to percentage change in supply then elasticity of supply is equal to 1.
10. (d) : Let new price be x . Using point elasticity of supply, $(700 - 500)/500$ divided by $(x - 5)/5 = 1$
 We get, $2/5$ multiplied by $5 / (x - 5) = 1$
 Therefore, $2 / (x - 5) = 1$
 We get, $2 + 5 = 7 = x$. Therefore, new price for 700 units is rupees 7 per unit.
11. (c) : Let new quantity be x . Using point elasticity of supply, $(200 - x)/200$ divided by $1/10 = 2$
 We get, $(200 - x)/200 \times 10 = 2$
 Therefore, $200 - x = 40$ which gives us $x = 240$ units
12. (b) : According to law of diminishing marginal utility, satisfaction obtained from consumption of each successive units decreases.
13. (b) : Revenue Deficit = Revenue Expenditure - Revenue Receipt
 $25 = \text{Revenue Expenditure} - 100$
 Revenue Expenditure = $25 + 100 = ₹ 125$
14. (a) : Excess supply pulls down the price.
15. (c) : The products in perfect competition are homogeneous in nature.
16. (c) : The price taker firm sells at market price.
17. (b) : An oligopoly is a market characterised by a small number of firms who realize they are interdependent in their pricing and output policy.
18. (c) : Market equilibrium refers to a situation in which market price is at a level where there is neither a shortage nor a surplus.
19. (a) : The merchandise trade balance is the difference between exports of goods and import of goods.
20. (d) : The cause of upward movement along a supply curve is increase in price.
21. (b) : The supply curve of foreign exchange is positively sloped from left to right.
22. (b) : AFC (Average Fixed Cost) will never be zero.
23. (c) : When TP falls, MP is negative and when TP is at maximum then MP = 0.
24. (a) : The short run equilibrium of the firm can be illustrated by combining the short run curve with the demand curve.
25. (d)
26. (b) : Central bank of the country sets both cash reserve ratio and statutory reserve ratio.
27. (a) : The great depression occurred is period 1929-30.

Practice Paper-2

28. (d)
29. (b): Not all financial institutions are banks, there are non-banking financial institutions also like LIC.
30. (d): $GNP_{MP} = GDP_{MP} + NFIA$
So as $GNP_{MP} = GDP_{MP}$
 $\therefore NFIA = 0$.
31. (d): Term deposits are those against which no cheque can be issued and which are fixed deposits.
32. (a): Difference in costs of entire goods and services within the domestic territory of the country.
33. (d): Consumer price index is a widely used measure the inflation.
34. (c): The agency function of commercial banks is to act as trustee.
35. (a)
36. (a)
37. (d)
38. (a)
39. (a)
40. (d)
41. (b): Intermediate consumption refers to the use of capital goods in the production process.
42. (c): Goods purchased for the satisfaction of wants are consumption goods.
43. (b): Pollution created by factories/vehicle are example of negative externality.
44. (c): Total addition of capital goods to the existing stock of capital during the given year is known as gross investment.
45. (c): A veblen good is a type of luxury good for which the demand increases as the price increases. Example : Diamond.
46. (b): Cultural revolution in China is also known as great proletarian cultural revolution.
47. (d): The end of cultural revolution in China is 1976.
48. (c)
49. (b): Cultural revolution was initiated by Mao Zedong.
50. (a): The cultural revolution launched in China in 1966.

