PREFACE

Welcome to the **CUET UG Economics** book, designed specifically to help you achieve success in the CUET (Common University Entrance Test) for undergraduate programs. This book is structured to provide you with comprehensive resources that will enhance your understanding, practice, and performance for the Economics subject.

The CUET UG Economics paper demands a solid understanding of the fundamental concepts in Economics, Coupled with the ability to apply this knowledge to solve complex questions efficiently. Our goal with this Book is to make your preparation as focused, systematic, and efficient as possible.

Key Features of This Book:

1. **Previous Year Questions (PYQs) from 2022 to 2024**: This book contains a carefully curated collection of **Previous Year Questions (PYQs)** from the **CUET UG Economics** exam (2022-2024). Every PYQ is organized **chapter-wise** and **topic-wise**, allowing you to focus on specific areas that require more attention. This makes it easier to track patterns, understand the types of questions asked, and pinpoint areas where you may need additional practice.

2. **Detailed Solutions and Explanations:** Each PYQ is accompanied by a **detailed solution and step-by-step explanation**. These explanations not only help you understand the correct answers but also provide insights into the reasoning and concepts behind each question.

3. **10 Mock Tests for Practice:** To further aid in your preparation, this book contains **10 full-length mock tests** designed to simulate the actual exam. These mock tests are crafted in the same format as the CUET UG Economics exam, ensuring that you get an authentic practice experience.

4. **OMR Sheet for Practice**: The book includes a **solvable OMR sheet**, enabling you to practice marking answers in the same way you would in the actual exam. This will help you get comfortable with time management, answer marking, and improving your speed and accuracy under exam conditions.

As you proceed through the book, we encourage you to stay focused, practice regularly, and review the solutions to your practice questions and mock tests. By doing so, you will not only improve your performance in the CUET UG exam but also build a solid foundation in Economics that will serve you well in future academic pursuits.

Good luck with your preparation, and may you achieve great success in your CUET UG Economics exam!
Happy studying!

ACKNOWLEDGEMENT

First and foremost, I'd like to thank our entire Institute for Advanced Studies (IFAS) students for inspiring me to write this book. I would like to express my gratitude to **Er. Radheshyam Choudhary**, founding CEO of IfAS Edutech Pvt. Ltd. and Director of IFAS Publications, for his invaluable assistance and critical suggestions in completing the work.

My special thanks to **Mr. Sukhjinder Singh** for proofreading and verifying answers ,reviewing and assisting me in preparing the systematic layout; your comments were invaluable in improving the content of this book.

I would not forget to thank all the IfAS team where I was able to further continue my teaching and especially learning the many facets of the process of building this book.

This book is the result of a collaborative effort, and it would not have been possible without the outstanding members of the IFAS publication team. During the production of this book, it was a pleasure to collaborate with many other dedicated and creative **IFAS publication team members**.

Special thanks to **Gitanjalle Jadhav** for keeping track of this project on a regular basis and **Vikendra Metha** for turning our ideas into a beautiful cover page design and text diagram. **Kuldeep Singh Rathore** and his team should also be thanked for formatting and typesetting. And finally, my humble greetings to all who put their significant efforts and are unmentioned.

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MOCK TEST

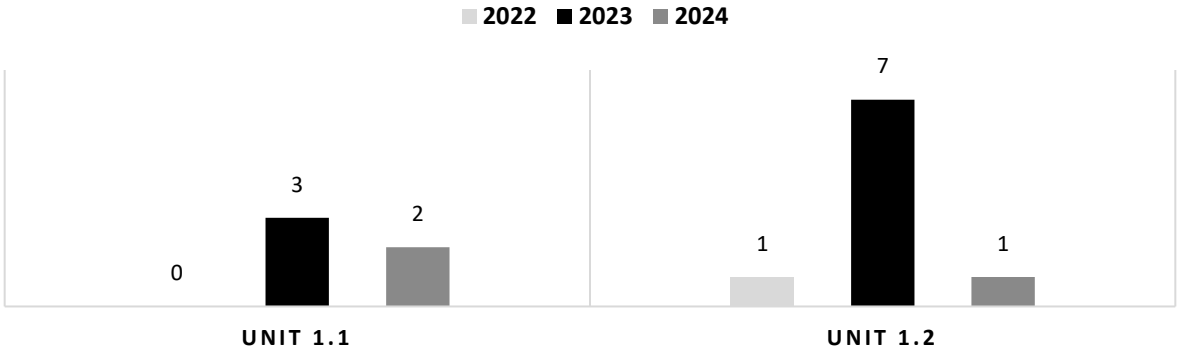
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CHAPTER 1

Introduction to Micro Economics

NUMBER OF QUESTIONS ASKED IN CUET (UG) ECONOMICS



Unit 1.1: What is Micro-Economics?

PREVIOUS YEAR EXAM QUESTIONS

(20 June 2023 Shift-1)

1. Which of the following is studied under micro economics?

(1) National Income of a country
(2) Condition of unemployment
(3) Textile industry
(4) Revenue deficit of the country

(20 June 2023 Shift-1)

2. Which statement is not related to Normative Economics?

(1) It prescribes norms of welfare of the society
(2) It regulates in order to achieve idealised norms
(3) It explains ideal situation and gives policy prescriptions explicitly
(4) It explains actual behavior of economic agents

(21 June 2023 Shift-2)

3. Economic Activites are best defined as those activities that:

(1) Contribute to Foreign Policy
(2) Contribute to Gross National Product
(3) Contribute to Esthetic Feeling
(4) Contribute to Psychological Satisfaction

(16 May 2024 Shift 1)

4. Paradox of Thrift means:

(1) If all the people of the economy increase the proportion of income they save, the total value of investment in the economy will not increase, it will either decline or remain unchanged.
(2) If all the people of the economy increase the proportion of income they spend, the total value of savings in the economy will not increase, it will either decline or remain unchanged.
(3) If all the people of the economy decrease the proportion of income they save, the total value of savings in the economy will not increase, it will either decline or remain unchanged.
(4) If all the people of the economy increase the proportion of income they save, the total value of savings in the economy will not increase, it will either decline or remain unchanged.

(16 May 2024 Shift 1)

5. _____ is a market where economic agents can freely exchange their endowments with each other.

(1) Market economy
(2) Centrally planned economy
(3) Aggregate demand based economy
(4) Aggregate supply based economy

Answer Key				
1	2	3	4	5
(3)	(4)	(2)	(4)	(1)

EXPLANATIONS

1. **Correct Answer is (3): Microeconomics** is the branch of economics that deals with the behavior of individual units within an economy, such as households, firms, and industries. It focuses on the allocation of resources, pricing, production, and consumption decisions at a smaller scale.
- **National Income of a country** (Option 1) is a **macroeconomic** concept, as it looks at the economy as a whole.
- **Condition of unemployment** (Option 2) is also a **macroeconomic** issue, which deals with labor market conditions at the national level.
- **Textile industry** (Option 3) falls under **microeconomics**, as it deals with the specific industry, its production, pricing, demand, and supply at the firm and industry level.
- **Revenue deficit of the country** (Option 4) is a **macroeconomic** issue that focuses on government finances at the national level.

Thus, **3. Textile industry** is studied under **microeconomics**.

2. **Correct Answer is (4): Normative economics** is concerned with what ought to be rather than what is. It focuses on prescribing policies, principles, or norms that aim to improve societal welfare and achieve specific economic goals. It involves subjective judgments about what should be done in the economy.
- **Option 1**: "It prescribes norms of welfare of the society" — This is true. Normative economics is concerned with welfare and ethical standards in society.
- **Option 2**: "It regulates in order to achieve idealised norms" — This is true. Normative economics often suggests regulations or policies to achieve an ideal economic state.
- **Option 3**: "It explains ideal situation and gives policy prescriptions explicitly" — This is true. Normative economics outlines ideal conditions and gives recommendations to reach those conditions.
- **Option 4**: "It explains actual behavior of economic agents" — **This is not true**. **Positive economics** deals with the actual behavior of economic agents and explains economic phenomena as they are, without judgments or prescriptions.

Thus, **Option 4** is not related to **Normative Economics**.

3. **Correct Answer is (2):** Economic activities are those activities that involve the production, distribution, and consumption of goods and services, which contribute to the economic welfare of individuals or society as a whole.

The correct definition of economic activities is:

(2) Contribute to Gross National Product.

These activities are typically measured in terms of their contribution to national income, such as Gross National Product (GNP) or Gross Domestic Product (GDP).

4. **Correct Answer is (4):**

Paradox of Thrift: The **Paradox of Thrift** refs to a situation where, if everyone in the economy decides to save more and reduce consumption, it could actually lead to a **reduction in total savings** in the economy, rather than an increase.

Here's why:
- **If everyone saves more**, they will spend less on goods and services.
- This reduction in consumption leads to a **decrease in aggregate demand**.
- As demand for goods and services falls, businesses may produce less, leading to lower income (wages and profits) in the economy.
- Lower income means that even though people are saving a higher proportion of their income, the **total savings in the economy can actually decline** because the overall income has decreased.

In other words, while individual savings may increase in proportion, the total amount of savings can **fall** due to the contraction in overall economic activity.

5. **Correct Answer is (1):** A **market economy** is one in which economic agents (such as individuals and firms) can freely exchange their endowments (such as goods, services, and resources) with each other. In a market economy, decisions regarding production, investment, and distribution are driven by the forces of supply and demand, with minimal government intervention.

COMMON UNIVERSITY ENTRANCE TEST

(CUET-UG)

– PAPER –

ECONOMICS

MOCK TEST

MOCK TEST

1

MOCK TEST

1. Which of the following will be included while estimating Gross Domestic Product at market price (GDP_{MP})?

(A) Profit earned by American express Bank from its Branch in India

(B) Dividends paid to shareholders of firm situated in Kerala

(C) Donations made to a religious institution

(D) Salary paid to an Indian working in Japanese Embassy

(E) Purchase of taxi by Travel Services company

Choose the correct answer from the options given below:

(1) (A), (B) and (C) only

(2) (A), (B) and (D) only

(3) (B), (C) and (D) only

(4) (A), (B) and (E) only

2. Brundtland Commission relates to:

(1) Poverty alleviation

(2) Employment generation

(3) Rural development

(4) Sustainable development

3. Arrange the following statements relating to India in the sequence of their occurence:

(A) Setting up of National Bank for Agriculture and Rural credit

(B) Saansad Adarsh Gram Yojana Scheme introduce by Government

(C) Social banking and multi agency approach adopted to meet rural credit needs

(D) Kudumbashree' was started as a small savings bank for poor women in Kerala

Choose the correct answer from the options given below:

(1) (A), (B), (C), (D)

(2) (D), (C), (B), (A)

(3) (C), (A), (D), (B)

(4) (D), (B), (A), (C)

4. Match List - I with List - II.

List - I	List - II
(A) Quotas	(I) Monetary assistance given by government for production activities
(B) Import substitution	(II) Government protects domestic industries from foreign competition
(C) Tariffs	(III) Tax on imported goods
(D) Subsidy	(IV) Specify the quantity of goods which can be imported

Choose the correct answer from the options given below:

(1) (A)-(IV), (B)-(II), (C)-(III), (D)-(I)

(2) (A)-(I), (B)-(II), (C)-(IV), (D)-(III)

(3) (A)-(IV), (B)-(III), (C)-(I), (D)-(II)

(4) (A)-(I), (B)-(II), (C)-(III), (D)-(IV)

5. Identify the programme that the government has adopted to help the elderly people and poor and destitute women?

(1) Pradhan Mantri Gram Sadak Yojana

(2) Integrated Child Development Scheme

(3) National Social Assistance Programme

(4) Valmiki Ambedkar Awas Yojana

6. Match List - I with List - II.

List - I	List - II
(A) Ex-ante saving	(I) Planned output
(B) Multiplier	(II) $\frac{\Delta Y}{\Delta I}$
(C) Aggregate supply	(III) Direct relationship with investment multiplier
(D) Marginal Propensity to consume	(IV) Desired saving

Choose the correct answer from the options given below:

(1) (A)-(III), (B)-(II), (C)-(IV), (D)-(I)

(2) (A)-(IV), (B)-(II), (C)-(I), (D)-(III)

(3) (A)-(IV), (B)-(I), (C)-(II), (D)-(III)

(4) (A)-(II), (B)-(IV), (C)-(I), (D)-(III)

49. Calculate the value of Domestic Income:

(1) 18,500/- (2) 18,800/-

(3) 22,500/- (4) 21,800/-

50. Calculate the value of National Income:

(1) ₹ 18,500 (2) ₹ 22,000

(3) ₹ 22,200 (4) ₹ 18,600

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

EXPLANATIONS

1. Correct Answer is (4):

(A) Profit earned by American Express Bank from its branch in India (A): This will be **included** in the GDP at market price, because the profits earned by foreign companies operating in the country contribute to the market economy.

(B) Dividends paid to shareholders of a firm situated in Kerala (B): Dividends are **part of the income** generated by the firm and will contribute to the GDP, as they reflect the income earned by individuals from their ownership of firms.

(C) Donations made to a religious institution (C): Donations are transfers and **do not directly contribute** to the production of goods and services, so they are **not** included in GDP.

(D) Salary paid to an Indian working in the Japanese Embassy (D): Salaries paid by foreign embassies **are not included in GDP** because they are not part of the domestic production of goods and services. These payments are typically considered as foreign income, not domestic income.

(E) Purchase of a taxi by Travel Services company (E): This is an expenditure on capital goods, which contributes to the GDP as it reflects investment in the economy.

Thus, the correct combination is (A), (B), and (E).

2. Correct Answer is (4): The **Brundtland Commission**, formally known as the **World Commission on Environment and Development (WCED)**, was established in 1983 by the United Nations. It is best known for its **1987 report**, *Our Common Future*, which popularized the concept of **sustainable development**. This concept emphasizes meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Thus, the Brundtland Commission is primarily associated with promoting **sustainable development**.

3. Correct Answer is (3): Chronological order of the events:

(C) Social banking and multi-agency approach adopted to meet rural credit needs: This began in the 1960s, as a strategy to provide credit to rural areas through multiple channels, including regional rural banks and co-operative banks.

(A) Setting up of National Bank for Agriculture and Rural Credit (NABARD): NABARD was established in 1982 to support and promote rural development, agricultural finance, and micro-financing initiatives.

(D) 'Kudumbashree' was started as a small savings bank for poor women in Kerala: Kudumbashree was launched in 1998 by the Kerala government as a women's empowerment program aimed at improving living standards through small savings and micro-credit groups.

(B) Saansad Adarsh Gram Yojana Scheme introduced by Government: This was launched in 2014, by the Government of India, to develop model villages that would serve as models for others in terms of rural development.

Thus, the correct order is **(C), (A), (D), (B)**.

4. Correct Answer is (1):

(A) Quotas → (IV) Specify the quantity of goods which can be imported: Quotas limit the amount of a particular good that can be imported into a country.

(B) Import substitution → (II) Government protects domestic industries from foreign competition: Import substitution is an economic strategy where a country encourages domestic production by reducing reliance on imports.

(C) Tariffs → (III) Tax on imported goods: Tariffs are taxes imposed on imported goods to protect domestic industries and generate revenue.

(D) Subsidy → (I) Monetary assistance given by government for production activities: A subsidy is financial support provided by the government to

promote production or reduce costs for certain industries.

Thus, the correct answer is **(1)**.

5. Correct Answer is (3): The **National Social Assistance Programme (NSAP)** was launched by the Government of India in 1995 to provide financial assistance to the elderly, poor, and destitute women and individuals, particularly in rural areas. It includes various schemes like the **Indira Gandhi National Old Age Pension Scheme (IGNOAPS)**, **National Family Benefit Scheme (NFBS)**, and **Annapurna Scheme**, all aimed at providing support to the vulnerable sections of society, including elderly people and women.

6. Correct Answer is (2):

(A) Ex-ante saving → (IV) Desired saving: Ex-ante saving refers to the planned or desired saving in an economy, i.e., the amount people intend to save.

(B) Multiplier → (II) ΔY/ΔI: The multiplier measures the ratio of change in output (ΔY) to a change in investment (ΔI). This is a direct relationship, as it shows how an increase in investment leads to a greater increase in output.

(C) Aggregate supply → (I) Planned output: Aggregate supply refers to the total quantity of goods and services that producers in an economy are willing and able to supply at a given overall price level in a given period.

(D) Marginal Propensity to consume → (III) Direct relationship with investment multiplier: The marginal propensity to consume (MPC) is directly related to the investment multiplier because a higher MPC leads to a higher multiplier effect, meaning that an increase in investment leads to a greater increase in national income. Thus, the correct answer is **(2)**.

7. Correct Answer is (1):

1. At the upper end of the demand curve (high price, low quantity):

Elasticity ed>1: When you are at the high price and low quantity (the top part of the demand curve), demand is **elastic**. This means that a small change in price causes a relatively large change in quantity demanded. Here, the quantity is small, so consumers are highly responsive to changes in price.

2. At the midpoint of the demand curve:

Elasticity ed=1: At this point, the demand is **unitary elastic**, meaning the percentage change in quantity demanded is exactly equal to the percentage change in price. The slope of the demand curve is neither too steep nor too flat here, and price and quantity demanded change proportionately.

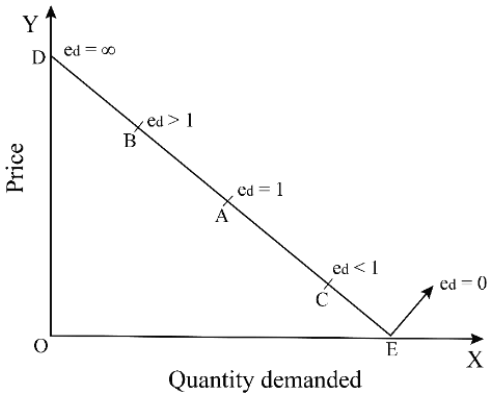
3. At the lower end of the demand curve (low price, high quantity):

Elasticity ed<1: As you move further down the curve, where the price is low and the quantity demanded is high, demand becomes **inelastic**. This means that a small change in price leads to a relatively smaller change in quantity demanded. Consumers are less responsive to price changes because they already buy large quantities at low prices.

The Extreme Ends:

- **At the very top (the highest price)**, where quantity demanded is close to zero, elasticity can approach **infinity** (ed=∞), meaning the demand is **perfectly elastic** at this point. Any small price change leads to an infinite change in quantity demanded.
- **At the very bottom (the lowest price)**, where quantity demanded is very high, demand becomes **perfectly inelastic** (ed=0). A change in price has no effect on quantity demanded because consumers will continue to buy the same amount regardless of price.

Correct Order of Elasticity as We Move Up the Linear Demand Curve:



(B) ed=0 (perfectly inelastic) at the extreme lower end.

(E) ed<1 in the lower part of the curve (inelastic demand).

(A) ed=1 at the midpoint of the curve.

(D) ed>1 in the upper part of the curve (elastic demand).

(C) ed=∞ -0(perfectly elastic) at the extreme upper end of the curve.

8. Correct Answer is (1):

(1) Distribution of food grains and sugar through public distribution system (PDS): This is a government-managed scheme, not directly related to cooperative marketing. The Public Distribution System (PDS) deals with the distribution of essential commodities like food grains and sugar to the poor and doesn't specifically

CUET UG ECONOMICS MOCK TEST 1

ANSWER SHEET

Name _____

Seat Number

Booklet Code **A**

Medium **E**

Marks Obtained

ANSWER COLUMNS

Checked By _____

Q. No.	ANSWER ①	②	③	④
1	○	○	○	○
2	○	○	○	○
3	○	○	○	○
4	○	○	○	○
5	○	○	○	○
6	○	○	○	○
7	○	○	○	○
8	○	○	○	○
9	○	○	○	○
10	○	○	○	○
11	○	○	○	○
12	○	○	○	○
13	○	○	○	○
14	○	○	○	○
15	○	○	○	○
16	○	○	○	○
17	○	○	○	○
18	○	○	○	○
19	○	○	○	○
20	○	○	○	○
21	○	○	○	○
22	○	○	○	○
23	○	○	○	○
24	○	○	○	○
25	○	○	○	○

Q. No.	ANSWER ①	②	③	④
26	○	○	○	○
27	○	○	○	○
28	○	○	○	○
29	○	○	○	○
30	○	○	○	○
31	○	○	○	○
32	○	○	○	○
33	○	○	○	○
34	○	○	○	○
35	○	○	○	○
36	○	○	○	○
37	○	○	○	○
38	○	○	○	○
39	○	○	○	○
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44	○	○	○	○
45	○	○	○	○
46	○	○	○	○
47	○	○	○	○
48	○	○	○	○
49	○	○	○	○
50	○	○	○	○

Note : Roll Number, Subject Code & Centre Code Should Be Filled In the Boxes Using The Pattern Given As :