CUET 2026 May 11 Shift 2 Economics

Question Paper (Memory-Based) With Solutions PDF

Conducted by National Testing Agency (NTA)

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Excellence in Assessment

General Instructions

(i) The examination will be conducted in Computer-Based Test (CBT) mode.

(ii) Each question carries +5 marks for correct answer and -1 mark for wrong answer.

(iii) The total number of questions are 50.

(iv) Duration of the exam is 1 hour (60 minutes).

1. In a hypothetical economy, the Cash Reserve Ratio (CRR) is 20% **and the initial deposit is** 100. **How much money can the bank lend in the first round?**

(A) 80

(B) 100

(C) 120

(D) 90

Correct Answer: (A) 80

Solution:

Concept:

Cash Reserve Ratio means the percentage of total deposits that a commercial bank must keep as reserve with the central bank.

The bank cannot lend the CRR amount.

So, the amount available for lending is:

$$\text{Loanable amount} = \text{Initial Deposit} - \text{Required Reserve}$$

Step 1: Write the given values.

The initial deposit is:

$$100$$

The Cash Reserve Ratio is:

$$20\%$$

Step 2: Calculate the required reserve.

Required reserve is:

$$\text{Required Reserve} = 20\% \times 100$$

$$= \frac{20}{100} \times 100$$

$$= 20$$

So, the bank must keep:

$$20$$

as reserve.

Step 3: Calculate the amount that can be lent.

The bank can lend the remaining amount:

$$\text{Loanable amount} = 100 - 20$$

$$= 80$$

Step 4: Final conclusion.

Therefore, the bank can lend:

$$\boxed{80}$$

Hence, the correct answer is:

$$\boxed{\text{(A) 80}}$$

Quick Tip: If CRR is 20%, then bank keeps 20% as reserve and lends the remaining 80%.

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2. Match the following:

List-I	List-II
A. Primary Deficit	I. Net borrowing at home + Borrowing from RBI + Borrowing from abroad
B. Fiscal Deficit	II. Fiscal deficit - Net interest liabilities
C. Revenue Deficit	III. Revenue expenditure - Revenue receipts
D. Revenue Expenditure	IV. Plan and non-plan expenditure

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

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

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

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

Correct Answer: (B) A-II, B-I, C-III, D-IV

Solution:

Concept:

Government budget has different types of deficits and expenditure categories.
To solve this question, we must match each budget term with its correct formula or meaning.

Step 1: Match Primary Deficit.

Primary deficit is calculated as:

$$\text{Primary Deficit} = \text{Fiscal Deficit} - \text{Interest Payments}$$

In the question, it is given as:

$$\text{Fiscal deficit - Net interest liabilities}$$

So:

$$A \to II$$

Step 2: Match Fiscal Deficit.

Fiscal deficit represents the total borrowing requirement of the government.
It includes:

$$\text{Net borrowing at home} + \text{Borrowing from RBI} + \text{Borrowing from abroad}$$

So:

$$B \to I$$

Step 3: Match Revenue Deficit.

Revenue deficit is:

$$\text{Revenue Deficit} = \text{Revenue Expenditure} - \text{Revenue Receipts}$$

So:

$$C \to III$$

Step 4: Match Revenue Expenditure.

Revenue expenditure includes expenditure which does not create assets.
It is classified into:

$$\text{Plan and non-plan expenditure}$$

So:

$$D \to IV$$

Step 5: Final matching.

The correct matching is:

$$A - II, \quad B - I, \quad C - III, \quad D - IV$$

Hence:

$$\boxed{(B)}$$

Quick Tip: Remember:

$$\text{Primary Deficit} = \text{Fiscal Deficit} - \text{Interest Payments}$$

and

$$\text{Revenue Deficit} = \text{Revenue Expenditure} - \text{Revenue Receipts}$$

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3. The set of all possible combinations of two inputs that produce the same level of output is known as:

(A) Isocost

(B) Indifference Curve

(C) Isoquant

(D) Budget Line

Correct Answer: (C) Isoquant

Solution:

Concept:

In production theory, a firm uses inputs such as labour and capital to produce output.
An isoquant shows all possible combinations of two inputs that produce the same level of output.

Step 1: Understand the meaning of isoquant.

The word isoquant has two parts:

$$\text{Iso} = \text{same}$$

$$\text{Quant} = \text{quantity}$$

So, isoquant means:

$$\text{same quantity of output}$$

Step 2: Apply the definition.

The question says:

$$\text{combinations of two inputs that produce the same level of output}$$

This is exactly the definition of an isoquant.

Step 3: Eliminate other options.

Isocost shows combinations of inputs that cost the same amount.
Indifference curve shows combinations of goods giving the same satisfaction to a consumer.
Budget line shows combinations of goods that a consumer can buy with given income.
So, these are not correct.

Step 4: Final conclusion.

Therefore, the correct answer is:

$$\boxed{\text{Isoquant}}$$

Hence:

$$\boxed{(C)}$$

Quick Tip: Isoquant is used in production theory, while indifference curve is used in consumer theory.

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4. When goods are financed through the government budget and can be used without any direct payment, they are known as:

(A) Public Goods

(B) Public Provision

(C) Public Production

(D) Private Goods

Correct Answer: (B) Public Provision

Solution:

Concept:

Public provision means goods or services are financed by the government budget and made available to people without direct payment at the time of use.
The government collects taxes and then provides such goods or services to the public.

Step 1: Understand the phrase "financed through the government budget".

If a good or service is financed through the government budget, it means the cost is paid by the government.
The users do not directly pay the full cost while using it.

Step 2: Understand the phrase "used without direct payment".

When people can use a good or service without making direct payment, it means it is provided publicly.
Examples may include:

public schools, public hospitals, roads and basic public services

Step 3: Distinguish public provision and public production.

Public provision means the government finances the good or service.
Public production means the government itself produces it.
A good can be publicly provided even if it is produced by a private firm.

Step 4: Final conclusion.

Since the question focuses on financing through the government budget and use without direct payment, the correct term is:

$$\boxed{\text{Public Provision}}$$

Hence:

$$\boxed{(B)}$$

Quick Tip: Public provision means government-financed goods or services available without direct payment at the time of use.

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5. Match the following:

List-I	List-II
A. M1	I. M1 + Net time deposits of commercial banks
B. M3	II. Assets - Liabilities
C. Net Worth	III. $\frac{1}{CRR}$
D. Money Multiplier	IV. Currency + Demand Deposits

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

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

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

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

Correct Answer: (B) A-IV, B-I, C-II, D-III

Solution:

Concept:

Money supply measures and financial terms have specific formulas.

We must match each term with its correct definition.

Step 1: Match M1.

M1 is the narrow measure of money supply.

It includes:

$$\text{Currency} + \text{Demand Deposits}$$

So:

$$A \rightarrow IV$$

Step 2: Match M3.

M3 is a broader measure of money supply.

It includes:

$$M1 + \text{Net time deposits of commercial banks}$$

So:

$$B \rightarrow I$$

Step 3: Match Net Worth.

Net worth is calculated as:

$$\text{Net Worth} = \text{Assets} - \text{Liabilities}$$

So:

$$C \rightarrow II$$

Step 4: Match Money Multiplier.

Money multiplier is:

$$\text{Money Multiplier} = \frac{1}{CRR}$$

So:

$$D \rightarrow III$$

Step 5: Final matching.

The correct matching is:

$$A-IV, \quad B-I, \quad C-II, \quad D-III$$

Hence:

$$\boxed{\text{(B)}}$$

Quick Tip: Remember:

$$M1 = \text{Currency} + \text{Demand Deposits}$$

$$M3 = M1 + \text{Net time deposits}$$

$$\text{Money Multiplier} = \frac{1}{CRR}$$

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6. Identify the correct statement regarding final goods:

(A) They pass through various stages of production

(B) They undergo transformation by retailers

(C) They do not undergo any further stages of production or transformation

(D) They are resold by traders

Correct Answer: (C) They do not undergo any further stages of production or transformation

Solution:

Concept:

Final goods are those goods which are ready for final use.

They are not used for further production or resale in the production process.

They may be used for:

$$\text{consumption}$$

or

$$\text{investment}$$

Step 1: Understand final goods.

A final good has already completed the production process.
It is not going to be transformed into another good.
For example:

$$\text{bread bought by a household for eating}$$

is a final good.

Step 2: Distinguish from intermediate goods.

Intermediate goods are used in further production.
For example:

$$\text{flour used by a bakery to make bread}$$

is an intermediate good.
But bread bought by a consumer for eating is a final good.

Step 3: Check the options.

Options (A), (B), and (D) describe goods that are still moving through production or resale.
Final goods do not undergo further stages of production or transformation.

Step 4: Final conclusion.

Therefore, the correct statement is:

$$\boxed{\text{They do not undergo any further stages of production or transformation}}$$

Hence:

$$\boxed{(C)}$$

Quick Tip: Final goods are used for final consumption or investment and are not used for further production.

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7. An economic system in which individuals are free to interact and carry out their economic activities without central control is known as:

(A) Centrally Planned Economy

(B) Mixed Economy

(C) Market Economy

(D) Colonised Economy

Correct Answer: (C) Market Economy

Solution:

Concept:

A market economy is an economic system in which economic decisions are mainly taken by individuals, households and firms.

The decisions are guided by:

demand

supply

price mechanism

Step 1: Understand freedom of individuals.

The question says individuals are free to interact and carry out economic activities.

This means people can decide:

what to buy

what to sell

what to produce

where to work

Step 2: Understand absence of central control.

In a centrally planned economy, the government makes major economic decisions.

But the question says there is no central control.

So, it cannot be a centrally planned economy.

Step 3: Identify the correct system.

An economy based on free interaction of buyers and sellers is called:

Market Economy

Step 4: Final conclusion.

Therefore, the correct answer is:

$$\boxed{\text{Market Economy}}$$

Hence:

$$\boxed{(C)}$$

Quick Tip: Market economy works through free interaction of buyers and sellers and the price mechanism.

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8. Match the following:

List-I	**List-II**
A. Production Function	I. $f(tx_1, tx_2) > tf(x_1, x_2)$
B. Constant Returns to Scale	II. $f(tx_1, tx_2) < tf(x_1, x_2)$
C. Increasing Returns to Scale	III. $f(x_1, x_2)$
D. Decreasing Returns to Scale	IV. $f(tx_1, tx_2) = tf(x_1, x_2)$

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

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

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

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

Correct Answer: (D) A-III, B-IV, C-I, D-II

Solution:

Concept:

A production function shows the relationship between inputs and output.
If both inputs are increased by the same proportion t, then output may increase by the same, more than the same, or less than the same proportion.

Step 1: Match Production Function.

A production function with two inputs is written as:

$$f(x_1, x_2)$$

So:

$$A \rightarrow III$$

Step 2: Match Constant Returns to Scale.

Constant returns to scale means when inputs are increased t times, output also increases exactly t times.
So:

$$f(tx_1, tx_2) = tf(x_1, x_2)$$

Thus:

$$B \rightarrow IV$$

Step 3: Match Increasing Returns to Scale.

Increasing returns to scale means output increases more than proportionately.
So:

$$f(tx_1, tx_2) > tf(x_1, x_2)$$

Thus:

$$C \rightarrow I$$

Step 4: Match Decreasing Returns to Scale.

Decreasing returns to scale means output increases less than proportionately.

So:

$$f(tx_1, tx_2) < tf(x_1, x_2)$$

Thus:

$$D \rightarrow II$$

Step 5: Final matching.

The correct matching is:

$$A - III, \quad B - IV, \quad C - I, \quad D - II$$

Hence:

$$\boxed{\text{(D)}}$$

Quick Tip: Returns to scale shortcut:

$$= \text{ means constant}, \quad > \text{ means increasing}, \quad < \text{ means decreasing}$$

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9. Individuals or institutions that take economic decisions are known as:

(A) Consumers

(B) Producers

(C) Government

(D) Economic Agents

Correct Answer: (D) Economic Agents

Solution:

Concept:

Economic agents are individuals or institutions that make economic decisions.
They participate in economic activities such as consumption, production, saving, investment and policy-making.

Step 1: Understand who takes economic decisions.

In an economy, decisions are taken by many participants.
For example:

$$\text{households decide what to consume}$$

$$\text{firms decide what to produce}$$

$$\text{government decides policies and public spending}$$

Step 2: Find the general term.

Consumers, producers and government are all examples of decision-makers.
The broad term covering all of them is:

$$\text{Economic Agents}$$

Step 3: Eliminate narrow options.

Consumers are only one type of economic agent.
Producers are also only one type.
Government is also an economic agent, but it does not include all decision-makers.
Therefore, the most general answer is Economic Agents.

Step 4: Final conclusion.

Hence:

$$\boxed{\text{Economic Agents}}$$

Quick Tip: Economic agents include households, firms, government and other institutions that make economic decisions.

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10. In which year was the book "The Economic Consequences of the Peace" written by John Maynard Keynes?

(A) 1909

(B) 1919

(C) 1929

(D) 1936

Correct Answer: (B) 1919

Solution:

Concept:

John Maynard Keynes was one of the most important economists of the twentieth century.
His book *The Economic Consequences of the Peace* was written after the First World War.

Step 1: Understand the historical background.

After the First World War, the Treaty of Versailles was signed in 1919.
Keynes criticized the economic terms of the peace settlement.

Step 2: Connect the book with the peace settlement.

The book *The Economic Consequences of the Peace* discusses the economic impact of the peace treaty after World War I.
Since the treaty and the book are connected with the year:

$$1919$$

Step 3: Eliminate other years.

1909 is too early.

1929 is associated with the Great Depression.

1936 is the year of Keynes's famous book:

The General Theory of Employment, Interest and Money

Step 4: Final conclusion.

Therefore, the correct year is:

$$\boxed{1919}$$

Hence:

$$\boxed{(B)}$$

Quick Tip: Keynes wrote *The Economic Consequences of the Peace* in 1919, while *The General Theory* was published in 1936.
