



CUET 2026 May 31 Shift 1 Economics

Question Paper (Memory-Based) with Solutions

Conducted by National Testing Agency (NTA)

1. In a country, the total population is 1200 million. Out of this, 300 million are below 15 years of age and 100 million are above 60 years of age. The labour force consists of 480 million persons. The Labour Force Participation Rate (LFPR) is:

- (A) 40%
- (B) 50%
- (C) 60%
- (D) 75%

Correct Answer: (A) 40%

Solution:

Concept:

Labour Force Participation Rate (LFPR) is one of the most important concepts from Employment chapter in Macroeconomics and Indian Economic Development. It measures the percentage of total population that is part of the labour force.

The formula is:

$$LFPR = \frac{\text{Labour Force}}{\text{Total Population}} \times 100$$

where Labour Force includes both employed and unemployed persons who are willing and able to work.

Step 1: Identify the values given in the question.

Total Population:

1200 million

Labour Force:

480 million

Step 2: Apply the LFPR formula.

$$LFPR = \frac{480}{1200} \times 100$$

$$= 0.4 \times 100$$

$$= 40$$

$$= 40\%$$

Step 3: Understand why age-group data is given.

The population below 15 years and above 60 years has been provided merely to distract students.

For Labour Force Participation Rate, we directly use:

Labour Force

and

Total Population

Therefore those values are not required for calculation.

Step 4: Verification.

$$40\% \text{ of } 1200 = 480$$

Hence our answer is correct.

Step 5: Final conclusion.

Therefore:

$$LFPR = 40\%$$

Hence,

Option (A)

Quick Tip: Remember:

$$LFPR = \frac{\text{Labour Force}}{\text{Total Population}} \times 100$$

CUET often gives extra demographic data to confuse students. Focus only on the quantities required in the formula.

2. The working-age population of an economy is 800 million. Out of these, 520 million are employed and 80 million are unemployed. The Worker-Population Ratio of the economy is:

- (A) 55%
- (B) 60%
- (C) 65%
- (D) 75%

Correct Answer: (C) 65%

Solution:

Concept:

Worker-Population Ratio indicates the proportion of population that is actually employed. It differs from Labour Force Participation Rate because LFPR includes both employed and unemployed persons whereas Worker-Population Ratio includes only employed persons.

Formula:

$$\text{Worker-Population Ratio} = \frac{\text{Number of Workers}}{\text{Population}} \times 100$$

Step 1: Extract relevant information.

Workers:

520 million

Population:

800 million

Step 2: Apply the formula.

$$\frac{520}{800} \times 100$$

$$= 0.65 \times 100$$

$$= 65\%$$

Step 3: Analyze the role of unemployed persons.

Many students mistakenly add unemployed persons.

However:

Worker-Population Ratio

uses only employed workers.

Thus:

80 million unemployed

is not used directly.

Step 4: Verification.

$$65\% \text{ of } 800 = 520$$

Hence the answer is verified.

Step 5: Final conclusion.

65%

Hence,

Option (C)

Quick Tip: LFPR and Worker-Population Ratio are different.

LFPR includes employed + unemployed.

Worker-Population Ratio includes only employed workers.

3. The marginal propensity to consume (MPC) in an economy is 0.75. If autonomous investment increases by 400 crore, the total increase in national income will be:

- (A) 1200 crore
- (B) 1400 crore
- (C) 1600 crore
- (D) 2000 crore

Correct Answer: (C) 1600 crore

Solution:

Concept:

The Investment Multiplier is one of the most important concepts in Macroeconomics and has been repeatedly reported by students in recent CUET examinations.

The multiplier shows how much national income changes when autonomous investment changes.

Formula:

$$K = \frac{1}{1 - MPC}$$

where:

K = Multiplier

MPC = Marginal Propensity to Consume

National income change:

$$\Delta Y = K \times \Delta I$$

Step 1: Identify the given values.

$$MPC = 0.75$$

$$\Delta I = 400 \text{ crore}$$

Step 2: Calculate the multiplier.

$$K = \frac{1}{1 - 0.75}$$

$$= \frac{1}{0.25}$$

$$= 4$$

Thus:

$$K = 4$$

Step 3: Calculate change in income.

$$\Delta Y = 4 \times 400$$

$$= 1600$$

Therefore:

$$\Delta Y = 1600 \text{ crore}$$

Step 4: Economic interpretation.

The initial investment of 400 crore creates income for producers.

A portion of this income is spent on consumption.

This expenditure becomes income for others.

The process continues repeatedly.

As a result:

400 crore

generates a much larger increase in national income:

1600 crore

Step 5: Verification.

$$4 \times 400 = 1600$$

The result is consistent with the multiplier formula.

Step 6: Final conclusion.

$$\Delta Y = 1600 \text{ crore}$$

Hence,

Option (C)

Quick Tip: For multiplier questions:

$$K = \frac{1}{1 - MPC}$$

and

$$\Delta Y = K \times \Delta I$$

Higher MPC implies a larger multiplier.

4. The fiscal deficit of an economy is 8,500 crore and the interest payments on previous borrowings amount to 2,000 crore. The Primary Deficit of the economy is:

- (A) 10,500 crore
- (B) 8,500 crore
- (C) 6,500 crore
- (D) 5,500 crore

Correct Answer: (C) 6,500 crore

Solution:

Concept:

Primary Deficit is an important concept from Government Budget and the Economy. It measures the fiscal deficit after excluding interest obligations on past debt.

It helps economists understand whether the current government's expenditure is responsible for the deficit or whether the deficit is mainly due to interest burden accumulated from previous years.

The formula is:

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

Step 1: Write the given values.

Fiscal Deficit:

8,500 crore

Interest Payments:

2,000 crore

Step 2: Apply the formula.

$$\text{Primary Deficit} = 8500 - 2000$$

$$= 6500$$

Thus,

$$\text{Primary Deficit} = 6,500 \text{ crore}$$

Step 3: Understand the economic significance.

The fiscal deficit includes:

- Current expenditure
- Development expenditure

- Interest burden from previous borrowings

Primary deficit removes the effect of past borrowing.

Therefore it reflects the current year's fiscal position more accurately.

Step 4: Verify the answer.

$$8500 - 2000 = 6500$$

The calculation is correct.

Step 5: Final conclusion.

Primary Deficit = 6,500 crore

Hence,

Option (C)

Quick Tip: Remember the hierarchy:

Revenue Deficit

Fiscal Deficit

Primary Deficit

and

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

This formula is frequently tested in CUET.

5. The price of a commodity decreases from 100 to 80. As a result, its quantity demanded increases from 200 units to 260 units. Using the percentage method, the price elasticity of demand is closest to:

- (A) 1.0
- (B) 1.5
- (C) 2.0
- (D) 3.0

Correct Answer: (B) 1.5

Solution:

Concept:

Price Elasticity of Demand measures the responsiveness of quantity demanded to a change in price.

Formula:

$$E_d = \frac{\% \Delta Q}{\% \Delta P}$$

Since elasticity is usually expressed as an absolute value in objective questions, we ignore the negative sign.

Step 1: Calculate percentage change in quantity demanded.

Initial quantity:

$$Q_1 = 200$$

Final quantity:

$$Q_2 = 260$$

Change:

$$260 - 200 = 60$$

Percentage change:

$$\frac{60}{200} \times 100$$

$$= 30\%$$

Step 2: Calculate percentage change in price.

Initial price:

$$P_1 = 100$$

Final price:

$$P_2 = 80$$

Change:

$$80 - 100 = -20$$

Percentage change:

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

$$= -20\%$$

Ignoring sign:

$$20\%$$

Step 3: Calculate elasticity.

$$E_d = \frac{30}{20}$$

$$= 1.5$$

Step 4: Interpret the result.

Since:

$$E_d > 1$$

Demand is relatively elastic.

Consumers respond significantly to changes in price.

Step 5: Verification.

$$\frac{30}{20} = 1.5$$

Hence the answer is verified.

Step 6: Final conclusion.

$$E_d = 1.5$$

Therefore,

Option (B)

Quick Tip: For MCQs, use:

$$E_d = \frac{\% \Delta Q}{\% \Delta P}$$

If:

$$E_d > 1$$

Demand is elastic.

If:

$$E_d < 1$$

Demand is inelastic.

6. Read the following statements regarding Special Economic Zones (SEZs):

1. SEZs are treated as foreign territory for trade operations and duties.
2. SEZs were introduced to promote exports and attract investment.
3. Goods moving from SEZs to the Domestic Tariff Area are generally subject to customs duties.

Which of the following is correct?

- (A) Only 1 and 2 are correct
- (B) Only 2 and 3 are correct
- (C) Only 1 and 3 are correct
- (D) 1, 2 and 3 are correct

Correct Answer: (D) 1, 2 and 3 are correct

Solution:

Concept:

Special Economic Zones (SEZs) are among the most important topics in Indian Economic Development and Economic Reforms.

Recent CUET papers have repeatedly asked conceptual questions regarding SEZs, foreign investment, export promotion and trade liberalisation.

SEZs were established to create internationally competitive business environments.

Step 1: Analyze Statement 1.

Statement 1 says:

SEZs are treated as foreign territory for trade operations and duties.

This is correct.

For customs and trade purposes, SEZs are considered outside the domestic customs territory.

Therefore:

Statement 1 is correct

Step 2: Analyze Statement 2.

SEZs were established to:

- Promote exports
- Increase foreign investment
- Generate employment
- Improve infrastructure

Hence:

Statement 2 is correct

Step 3: Analyze Statement 3.

When goods move from an SEZ into the Domestic Tariff Area (DTA), they are generally treated as imports.

Consequently customs duties become applicable.

Hence:

Statement 3 is correct

Step 4: Evaluate the options.

Statement 1:

Correct

Statement 2:

Correct

Statement 3:

Correct

Therefore all statements are true.

Step 5: Final conclusion.

1, 2 and 3 are correct

Hence,

Option (D)

Quick Tip: SEZ Keywords:

Export Promotion

Foreign Investment

Employment Generation

Duty Benefits

Infrastructure Development

These are frequently tested in CUET Economics.

7. Arrange the following events of Indian Economic Development in chronological order and choose the correct answer.

1. Establishment of the National Bank for Agriculture and Rural Development (NABARD)
2. Launch of the New Economic Policy (LPG Reforms)
3. Introduction of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

4. Green Revolution in India

- (A) $4 \rightarrow 1 \rightarrow 2 \rightarrow 3$
(B) $1 \rightarrow 4 \rightarrow 2 \rightarrow 3$
(C) $4 \rightarrow 2 \rightarrow 1 \rightarrow 3$
(D) $1 \rightarrow 2 \rightarrow 4 \rightarrow 3$

Correct Answer: (A) $4 \rightarrow 1 \rightarrow 2 \rightarrow 3$

Solution:

Concept:

Chronology-based questions have become increasingly important in CUET Economics, especially from Indian Economic Development. Such questions test factual understanding along with historical sequencing.

Students often know individual events but lose marks because they cannot place them correctly in time.

Step 1: Identify the year of the Green Revolution.

The Green Revolution began during the mid-1960s.

The introduction of HYV seeds, irrigation facilities, fertilizers, and mechanization significantly increased agricultural productivity.

Approximate period:

1966 – 67

Therefore:

Green Revolution comes first

Step 2: Identify the establishment of NABARD.

NABARD was established in:

1982

It became the apex institution for agricultural and rural development finance.

Therefore:

NABARD comes after the Green Revolution

Step 3: Identify the New Economic Policy.

Economic Liberalisation, Privatisation and Globalisation reforms were launched in:

1991

These reforms transformed the Indian economy.

Therefore:

LPG Reforms come after NABARD

Step 4: Identify MGNREGA.

MGNREGA was enacted in:

2005

and implemented in phases from 2006 onward.

Therefore:

MGNREGA is the latest event

Step 5: Arrange all events chronologically.

Green Revolution → NABARD → LPG Reforms → MGNREGA

or

4 → 1 → 2 → 3

Step 6: Final conclusion.

4 → 1 → 2 → 3

Hence,

Option (A)

Quick Tip: Important years frequently asked in CUET:

Green Revolution – 1960s

NABARD – 1982

LPG Reforms – 1991

MGNREGA – 2005

Keep a separate chronology sheet while revising Indian Economic Development.

8. Which of the following employment programmes guarantees at least 100 days of wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work?

- (A) PMKVY
- (B) SGSY
- (C) MGNREGA
- (D) NRLM

Correct Answer: (C) MGNREGA

Solution:

Concept:

Employment generation programmes are a major component of Indian Economic Development. Questions from this area are usually direct, but CUET often creates confusion by providing names of multiple government schemes.

The student must understand the objective of each programme.

Step 1: Understand the key phrase in the question.

The most important phrase is:

100 days of guaranteed wage employment

This phrase is directly associated with:

MGNREGA

Step 2: Recall the full form.

MGNREGA stands for:

Mahatma Gandhi National Rural Employment Guarantee Act

It was enacted in:

2005

and implemented from:

2006

Step 3: Analyze the objective.

The programme guarantees:

- At least 100 days of wage employment
- Rural households
- Adult members
- Unskilled manual work

This guarantee makes MGNREGA unique among employment schemes.

Step 4: Eliminate the remaining options.

PMKVY:

Skill development programme.

SGSY:

Self-employment programme.

NRLM:

Rural livelihood mission.

None of these provide a legal guarantee of 100 days of employment.

Step 5: Final conclusion.

The correct answer is:

MGNREGA

Hence,

Option (C)

Quick Tip: Whenever you see:
“100 Days Guaranteed Employment”
immediately think of
MGNREGA.

9. Read the following case carefully and answer the question.

An economy experiences a rise in investment expenditure by 500 crore. The Marginal Propensity to Consume (MPC) is 0.8. Assume there are no leakages other than savings.

What will be the total increase in national income?

- (A) 1,500 crore
- (B) 2,000 crore
- (C) 2,500 crore
- (D) 3,000 crore

Correct Answer: (C) 2,500 crore

Solution:

Concept:

This is a case-based question involving the Investment Multiplier. Such questions are increasingly common in CUET because they test conceptual understanding instead of direct memorization.

The multiplier is calculated using:

$$K = \frac{1}{1 - MPC}$$

and

$$\Delta Y = K \times \Delta I$$

Step 1: Identify the given information.

Increase in investment:

$$\Delta I = 500 \text{ crore}$$

Marginal Propensity to Consume:

$$MPC = 0.8$$

Step 2: Calculate the multiplier.

$$K = \frac{1}{1 - 0.8}$$

$$= \frac{1}{0.2}$$

$$= 5$$

Step 3: Calculate the change in income.

$$\Delta Y = 5 \times 500$$

$$= 2500$$

Thus:

$$\Delta Y = 2500 \text{ crore}$$

Step 4: Economic interpretation.

The initial investment becomes income for producers.

A portion of this income is consumed.

That consumption becomes income for others.

The process continues repeatedly.

As a result:

500 crore

creates a much larger increase in aggregate income:

2500 crore

Step 5: Verification.

$$5 \times 500 = 2500$$

Correct.

Step 6: Final conclusion.

2500 crore

Hence,

Option (C)

Quick Tip: The closer MPC is to 1, the larger the multiplier.

For example:

$$MPC = 0.8 \Rightarrow K = 5$$

$$MPC = 0.9 \Rightarrow K = 10$$

10. Read the following passage carefully and answer the question.

India adopted a new economic policy in 1991 in response to a severe balance of payments crisis. The reforms were based on Liberalisation, Privatisation and Globalisation (LPG). Liberalisation aimed at reducing government controls and restrictions on economic activities. Privatisation encouraged greater participation of the private sector in economic activities. Globalisation integrated the Indian economy with the world economy through trade, foreign investment and technology transfer. These reforms increased competition, improved efficiency and accelerated economic growth.

Which of the following statements best explains the objective of Liberalisation under the New Economic Policy?

- (A) To increase government control over industries
- (B) To reduce restrictions and allow market forces greater freedom
- (C) To nationalise private enterprises
- (D) To prohibit foreign investment in India

Correct Answer: (B) To reduce restrictions and allow market forces greater freedom

Solution:

Concept:

Passage-based questions have become an important part of CUET Economics. Although the answer may appear direct, students often make mistakes because multiple options seem partially correct.

The key strategy is to identify the exact economic concept being tested and then match it with the relevant statement.

This passage focuses on:

LPG Reforms

introduced in:

1991

The question specifically asks about:

Liberalisation

Therefore, we must understand the meaning and objectives of Liberalisation.

Step 1: Understand the meaning of Liberalisation.

Liberalisation refers to the process of reducing unnecessary government controls and restrictions on economic activities.

Before 1991, many industries required government approval for expansion, production and investment.

This system was commonly known as:

License Raj

Liberalisation sought to reduce these restrictions.

Thus:

Liberalisation means giving greater economic freedom
--

Step 2: Analyze Option (A).

Option (A) states:

To increase government control over industries.

This is exactly opposite to the objective of Liberalisation.

Liberalisation reduces excessive government intervention.

Therefore:

Option (A) is incorrect

Step 3: Analyze Option (B).

Option (B) states:

To reduce restrictions and allow market forces greater freedom.

This is the precise definition and objective of Liberalisation.

The passage itself mentions reducing controls and restrictions.

Therefore:

Option (B) is correct

Step 4: Analyze Option (C).

Option (C) states:

To nationalise private enterprises.

Nationalisation means transferring ownership to the government.

This is contrary to Liberalisation and Privatisation.

Hence:

Option (C) is incorrect

Step 5: Analyze Option (D).

Option (D) states:

To prohibit foreign investment in India.

Globalisation and Liberalisation actually encouraged foreign investment.

The reforms aimed to attract international capital and technology.

Therefore:

Option (D) is incorrect

Step 6: Connect Liberalisation with economic outcomes.

Liberalisation resulted in:

- Greater competition
- Improved efficiency
- Reduction of licensing requirements
- Easier entry for firms
- Better allocation of resources
- Higher economic growth

These outcomes were expected because firms were allowed to operate with fewer restrictions.

Step 7: Final conclusion.

The objective of Liberalisation was:

To reduce restrictions and allow market forces greater freedom

Therefore,

Option (B)

Quick Tip: Remember the LPG Reforms:

L = Liberalisation = Removal of unnecessary restrictions

P = Privatisation = Greater role of private sector

G = Globalisation = Integration with the world economy

CUET frequently asks direct and passage-based questions from these three concepts.