

CUET Economics Solution 2023

June 20 Shift 1

Ques 1. Which of the following was not an industrial reform policy introduced in India in and after 1991?

- 1. Many goods produced by small-scale industries have been dereserved**
- 2. The only industries reserved for public sector is a part of atomic energy generation and some core activities in railway transport**
- 3. Industrial licencing for private sector industries**
- 4. In most industries the market has ben allowed to determine the prices**

Solu. The industrial reform policies introduced in India in and after 1991 aimed to liberalize and modernize the industrial sector. Based on the options provided:

1. Dereservation of goods produced by small-scale industries was indeed a part of the industrial reform policies. This move aimed to promote competitiveness and efficiency in the sector.
2. Reserving certain industries for the public sector was a practice that was gradually phased out as part of the reform process. Therefore, the statement "The only industries reserved for the public sector is a part of atomic energy generation and some core activities in railway transport" accurately reflects the policy changes.
3. Industrial licensing for private sector industries was abolished or significantly relaxed as part of the reforms. This allowed for more private investment and reduced bureaucratic hurdles.
4. Allowing the market to determine prices is a fundamental aspect of economic liberalization, and this was indeed a key policy introduced in the post-1991 reforms.

Given these explanations, the statement that does not align with the industrial reform policies introduced in India in and after 1991 is:

2. The only industries reserved for the public sector is a part of atomic energy generation and some core activities in railway transport.

Ques 2. How can morbidity be prevented?

A. Ensuring safe drinking water

B. Taking good education

C. Healthy and nutritive food

D. By employment generation

E. Sanitation

Choose the correct answer from the options given below:

1. B, C, E only

2. A, D, E only

3. A, C, E only

4. C, D, E only

Solu. Preventing morbidity, or illness, involves various factors related to health and well-being. Let's analyze each option:

A. Ensuring safe drinking water: Safe drinking water is crucial for preventing waterborne diseases and promoting overall health.

B. Taking good education: Education can empower individuals with knowledge about healthy behaviors, disease prevention, and accessing healthcare services.

C. Healthy and nutritive food: Proper nutrition is essential for maintaining a strong immune system and overall health, reducing the risk of various diseases.

D. By employment generation: While employment can indirectly contribute to health by providing income for accessing healthcare and improving living conditions, it is not a direct preventive measure against morbidity.

E. Sanitation: Proper sanitation practices, such as adequate sewage disposal and hygiene, play a significant role in preventing the spread of diseases.

Based on the analysis:

- Option 1 includes education, healthy food, and sanitation, which are all important factors in preventing morbidity.
- Option 2 includes safe drinking water, employment generation, and sanitation, missing healthy food which is also crucial for preventing morbidity.
- Option 3 includes safe drinking water, healthy food, and sanitation, which are all important factors in preventing morbidity.
- Option 4 includes healthy food, employment generation, and sanitation, missing safe drinking water which is also crucial for preventing morbidity.

Therefore, the correct answer is:

3. A, C, E only

Ques 3. Arrange the following in sequence in order of their formation.

A. Green Revolution

B. First Industrial Policy Resolution

C. Karve committee

D. Planning Commission

Choose the correct answer from the options given below:

1. B, D, A, C

2. B, D, C, A

3. A, B, C, D

4. B, C, A, D

Solu. Let's arrange these events in chronological order:

1. **First Industrial Policy Resolution:** The First Industrial Policy Resolution was announced in 1948, setting the stage for industrial development in independent India.

2. **Planning Commission:** The Planning Commission was established in 1950, following the adoption of the First Five-Year Plan, to oversee and coordinate economic planning and development initiatives.

3. **Green Revolution:** The Green Revolution in India began in the late 1960s, primarily focusing on agricultural modernization and the adoption of high-yielding varieties of crops.

4. Karve Committee: The Karve Committee, officially known as the Committee on Financing Small Scale Industries, was set up in 1946 to assess the financial needs of small-scale industries in India.

Based on the chronological order, the correct sequence is:

2. B, D, C, A

Ques 4. Arrange the following of elasticities of demand in increasing order as per geometric method.

A. Mid-Point of the demand curve

B. Intercept on Y-axis

C. Between Mid-Point and intercept on X-axis

D. Between Mid-Point and intercept on Y-axis

E. Intercept on X-axis

Choose the correct answer from the options given below:

1. A. B, C, D. E

2. D. B. A. E. C

3. B. D, A, C. E

4. E, C, A, D, B

Solu. To arrange the elasticities of demand in increasing order using the geometric method, let's first understand how each elasticity corresponds to a specific point on the demand curve:

A. Mid-Point of the demand curve: This elasticity represents the midpoint elasticity of demand, calculated using the midpoint formula.

B. Intercept on Y-axis: This elasticity corresponds to the elasticity at the upper end of the demand curve where quantity demanded is zero.

C. Between Mid-Point and intercept on X-axis: This elasticity represents a point between the midpoint and the lower end of the demand curve where price is zero.

D. Between Mid-Point and intercept on Y-axis: This elasticity represents a point between the midpoint and the upper end of the demand curve where quantity demanded is zero.

E. Intercept on X-axis: This elasticity corresponds to the elasticity at the lower end of the demand curve where quantity demanded is zero.

Now, let's arrange them in increasing order:

1. E: Intercept on X-axis (lower end)
2. C: Between Mid-Point and intercept on X-axis
3. A: Mid-Point of the demand curve (midpoint elasticity)
4. D: Between Mid-Point and intercept on Y-axis
5. B: Intercept on Y-axis (upper end)

So, the correct answer is:

4. E, C, A, D, B

Ques 5. When Central Bank buys securities, this agreement of purchase also has specification about date and price of the resale, it is called:

1. Output open market operation
2. Repo open market operation
3. Coin reserve ratio
4. Reverse Repo Rate

Solu. When the central bank buys securities with an agreement specifying the date and price of the resale, it is called a "Repo open market operation."

So, the correct answer is:

2. Repo open market operation

Ques 6. The Government Budget has a revenue deficit this can be financed by:

- A. Borrowings
- B. Tax Revenue
- C. Disinvestment
- D. Indirect taxes

Choose the correct answer from the options given below:

1. A and B only
2. D and C only
3. A and C only

4. B and D only

Solu. A revenue deficit in the government budget can be financed through various means. Let's analyze the options:

A. Borrowings: The government can finance its revenue deficit by borrowing from domestic or international sources.

B. Tax Revenue: Increasing tax revenue is another way to finance a revenue deficit. The government can raise taxes or improve tax collection efficiency.

C. Disinvestment: Disinvestment refers to the sale of government-owned assets, such as shares in public sector enterprises. The revenue generated from disinvestment can help finance the deficit.

D. Indirect taxes: Indirect taxes, such as sales tax, excise duty, and customs duty, can contribute to government revenue. However, they are not directly linked to financing a revenue deficit.

Based on the options:

1. A and B only: This option includes borrowing and tax revenue, which are both viable methods to finance a revenue deficit.

2. D and C only: Indirect taxes and disinvestment are not commonly used to directly finance revenue deficits.

3. A and C only: This option includes borrowing and disinvestment, both of which can be used to finance a revenue deficit.

4. B and D only: This option includes tax revenue and indirect taxes, but indirect taxes are not typically used to directly finance revenue deficits.

Therefore, the correct answer is:

3. A and C only

Ques 7. When Central Bank buys securities without any promise to sell them later, it is known as?

1. Repo open market operation
2. Output open market operation
3. Margin Requirement
4. Reverse repo rate

Solu. When the central bank buys securities without any promise to sell them later, it is known as an "Output open market operation."

So, the correct answer is:

2. Output open market operation

Ques 10. Arrange the following events relating to India in the correct time line sequence.

A. First 'Industrial Policy Resolution'

B. "Modern Bread", a bread manufacturing firm sold to private sector

C. First phase of green revolution

D. Setting up of planning commission

Choose the correct answer from the options given below:

1. D, A, C, B

2. A, D, C, B

3. D, A, B, C

4. A, C, B, D

Solu. Let's arrange the events in chronological order:

1. Setting up of planning commission (D)

2. First 'Industrial Policy Resolution' (A)

3. First phase of green revolution (C)

4. "Modern Bread", a bread manufacturing firm sold to private sector (B)

So, the correct sequence is: 3. D, A, C, B

Ques 12. Arrange the following in sequence in the events of happening.

A. First census in India

B. The Tata Iron steel company

C. The opening of Suez canal

D. Railways in India

Choose the correct answer from the options given below:

1. A, C, D, B

2. D, C, B, A
3. D, C, A, B
4. C, D, A, B

Solu. Let's arrange the events in chronological order:

1. The opening of Suez canal (C) - The Suez Canal was opened in 1869.
2. Railways in India (D) - The first railway in India began operating in 1853.
3. First census in India (A) - The first census in India took place in 1871.
4. The Tata Iron Steel Company (B) - The Tata Iron Steel Company was established in 1907.

So, the correct sequence is: 4. C, D, A, B

Ques 13. Which of the main factor is responsible to create economic problems in society?

1. Resources are costly
2. Unlimited wants and surplus resources
3. Unlimited wants and scarce resources
4. High density of population

Solu. The main factor responsible for creating economic problems in society is:

3. Unlimited wants and scarce resources

Ques 15. Given a Cash Reserve Ratio (CRR) being 20%, the value of the money multiplier will be

- 1.3
- 2.20
- 3.10
- 4.5

Solu. The money multiplier is the reciprocal of the reserve ratio.

Given the Cash Reserve Ratio (CRR) being 20%, the money multiplier will be:

1. 5

Explanation:

Money Multiplier = $1 / \text{Reserve Ratio}$

Money Multiplier = $1 / 0.20$

Money Multiplier = 5

Ques 16. Choose the correct example of Revenue Expenditure.

1. Excise duty

2. Post office savings Accounts

3. Payment of salary to staff of government hospital

4. Recovery of loans

Solu. The correct example of Revenue Expenditure is:

3. Payment of salary to staff of government hospital

Explanation:

Revenue expenditure refers to the expenditure incurred by the government for its day-to-day functioning and for providing public services. Payment of salaries to staff, such as those working in government hospitals, falls under this category as it is a regular and recurring expense necessary for the operation of public services.

Ques 17. Arrange the sequence of events in the correct order relating to a quantitative tool used by the central bank during the times of inflation.

A. Hence the money supply in the economy decreases

B. As a result, loans taken by commercial banks become more expensive

C. The central bank increases the bank rate

D. This reduces the reserves held by the commercial banks

Choose the correct answer from the options given below:

1. B, C, A, D

2. C, B, D, A

3. A, B, C, D

4. D, B, A, C

Solu. Let's arrange the sequence of events in the correct order:

1. The central bank increases the bank rate (C).
2. As a result, loans taken by commercial banks become more expensive (B).
3. This reduces the reserves held by the commercial banks (D).
4. Hence the money supply in the economy decreases (A).

So, the correct sequence is: 2. C, B, D, A

Ques 19. Arrange the following events in a sequence of its happening.

A. Reforms in Pakistan

B. Great Proletarian Cultural Revolution

C. Commune system

D. Pakistan's First Five year plan

E. China's Twelfth Five Year Plan

Choose the correct answer from the options given below:

1. C, D, B, A, E
2. C, D, A, B, E
3. E, B, A, C, D
4. A, D, C, B, E

Solu. Let's arrange the events in chronological order:

1. Commune system (C)
2. Pakistan's First Five year plan (D)
3. Reforms in Pakistan (A)
4. Great Proletarian Cultural Revolution (B)
5. China's Twelfth Five Year Plan (E)

So, the correct sequence is: 4. A, D, C, B, E

Ques 20. Formal sector establishment are those establishment that employs ?

1. 20 hired workers or more
2. 20 hired workers or less

3. 10 hired workers or more
4. 10 hired workers or less

Solu. Formal sector establishments typically refer to those that have a larger number of hired workers and operate within a structured, regulated framework. Therefore, the correct option would be:

1. 20 hired workers or more

Ques 21. Which of the following are operating in the informal sector of the country?

- A. Cycle-rickshaw puller
- B. Civil engineer in a government construction enterprises
- C. Cook in a hostel which employs nine hired workers
- D. Private school teacher in a school which has eleven hired teachers.
- E. Farmer cultivating his plot of land

Choose the correct answer from the options given below:

1. B, and C only
2. A and D only
3. A, B and D only
4. A, C and E only

Solu. The informal sector typically encompasses activities that are not regulated by the government and often involve small-scale or self-employment. Based on this definition, the informal sector includes:

- A. Cycle-rickshaw puller
- C. Cook in a hostel which employs nine hired workers
- E. Farmer cultivating his plot of land

So, the correct answer is: 4. A, C, and E only

Ques 22. Which of the following is not a central problem of an economy?

1. What to produce more?
2. How much of which resource to be used?
3. How to increase resources?

4. Distribution of final produce among the individuals.

Solu. The central problems of an economy typically revolve around allocation, scarcity, and distribution of resources. Let's analyze each option:

1. What to produce more? - This relates to the allocation of resources and is indeed a central problem.
2. How much of which resource to be used? - This also pertains to resource allocation and is a central problem.
3. How to increase resources? - While increasing resources is a desirable goal, it's not considered one of the central problems of an economy. It's more about resource availability and efficiency.
4. Distribution of final produce among the individuals. - This is a central problem concerning the equitable distribution of goods and services.

So, the answer is: 3. How to increase resources?

Ques 24. A fall in Bank rate can increase the

- 1. Money supply**
- 2. Liability**
- 3. G.D.P**
- 4. Reverse Repo Rate**

Solu. A fall in the Bank rate typically leads to certain economic effects.

Let's analyze each option:

1. Money supply - When the Bank rate falls, it becomes cheaper for commercial banks to borrow from the central bank. This encourages commercial banks to borrow more, leading to an increase in money supply. So, option 1 is correct.
2. Liability - A fall in the Bank rate wouldn't directly impact liabilities.
3. GDP - While a fall in the Bank rate can stimulate economic activity and investment, leading to potential GDP growth, it's not a direct consequence of the Bank rate change.

4. Reverse Repo Rate - A fall in the Bank rate wouldn't directly impact the Reverse Repo Rate, which is the rate at which the central bank borrows money from commercial banks.

So, the correct answer is: 1. Money supply

Ques 25. Identify the correct formula of calculating of domestic income by Expenditure Method.

1. $GDP_{MP} = PFCE + GFCE + NDCF - NE$

2. $GDP_{MP} = PFCE - GFCE + GDCF - NE$

3. $GDP_{MP} = PFCE + GFCE + GDCF + NE$

4. $GDP_{MP} = PFCE - GFCE - NDCF + NE$

Solu. The correct formula for calculating domestic income by the Expenditure Method is:

1. $GDP_{MP} = PFCE + GFCE + GDCF + NE$

Explanation:

- PFCE: Private Final Consumption Expenditure

- GFCE: Government Final Consumption Expenditure

- GDCF: Gross Domestic Capital Formation (or Gross Fixed Capital Formation)

- NE: Net Exports (Exports - Imports)

So, the correct formula is option 3.

Ques 26. Which of the following is not true about a commercial Bank?

1. **Assets Reserves + Loans**

2. **Net worth = Assets - Liabilities**

3. **Liabilities = Loans**

4. **Deposits Assets - Net worth**

Solu. Let's evaluate each statement:

1. Assets = Reserves + Loans - This statement is generally true. Assets of a commercial bank typically include reserves held with the central bank and loans extended to customers.

2. Net worth = Assets - Liabilities - This statement is generally true. Net worth, also known as equity or capital, represents the difference between a bank's assets and liabilities.

3. Liabilities = Loans - This statement is not true. Liabilities of a commercial bank include deposits, borrowings, and other obligations. Loans are part of the bank's assets, not liabilities.

4. Deposits = Assets - Net worth - This statement is not true. Deposits are a type of liability for a commercial bank, not an asset. The equation should be Assets = Deposits + Other Liabilities + Net Worth.

So, the statement that is not true about a commercial bank is: 3. Liabilities = Loans

Ques 27. Flexible exchange rate is determined by:

1. RBI
2. Govt
3. Market forces
4. IMF

Solu. Flexible exchange rates are determined by market forces of supply and demand in the foreign exchange market. Therefore, the correct option is:

3. Market forces

Ques 29. Those group who regularly moves in and out of poverty are known as

1. Churning poor
2. Chronic poor
3. Occasionally poor
4. Never poor

Solu. The group that regularly moves in and out of poverty are commonly referred to as "churning poor." So, the correct option is:

1. Churning poor

Ques 30. Full form of IBRD

- 1. Indian Bank for Reconstruction**
- 2. Indian Bank for Rural Development**
- 3. International Bank for Rural Development**
- 4. International Bank for Reconstruction and Development**

Solu. The correct full form of IBRD is:

- 4. International Bank for Reconstruction and Development**

Ques 31. 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**

Solu. Microeconomics primarily focuses on the behavior of individual economic units such as households, firms, and industries, as well as the allocation of resources at a smaller scale. Based on this, the correct option is:

- 3. Textile industry**

Ques 33. 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**

Solu. Certainly, let's simplify it further:

- 1. It prescribes norms of welfare of the society - This is about setting standards for what's considered good for society, which is what normative economics does.**
- 2. It regulates in order to achieve idealised norms - This also falls under normative economics as it involves creating rules to reach ideal standards.**

3. It explains ideal situation and gives policy prescriptions explicitly - This is also what normative economics does, providing clear recommendations for policies based on ideal scenarios.

4. It explains actual behavior of economic agents - This statement doesn't relate to normative economics. Instead, it's about describing how people or entities behave in the economy, which is typically the realm of positive economics.

So, the answer is: 4. It explains actual behavior of economic agents.

Ques 34. Which of the following are to be considered while Measuring Fiscal Deficit?

A. Capital expenditure

B. Revenue receipts

C. Debt creating receipts

D. Revenue expenditure

E. Deficit on current A/c

Choose the correct answer from the options given below:

1. A, B and C only

2. A, B and D only

3. A, B and E only

4. A, D and E only

Solu. To measure fiscal deficit, we typically consider various components of government finances. Let's analyze each option:

A. Capital expenditure - Capital expenditure is part of government spending and is included in the calculation of fiscal deficit.

B. Revenue receipts - Revenue receipts represent the income received by the government from various sources, such as taxes and fees, and are relevant for measuring fiscal deficit.

C. Debt creating receipts - Debt creating receipts usually refer to borrowings or loans taken by the government, which impact fiscal deficit.

D. Revenue expenditure - Revenue expenditure represents the day-to-day expenses of the government, including salaries, subsidies, and maintenance costs, and is also relevant for measuring fiscal deficit.

E. Deficit on current A/c - This option is less relevant to fiscal deficit measurement. Deficit on the current account typically refers to a shortfall in the balance of payments, which is a broader concept than fiscal deficit.

So, the correct answer is: 2. A, B and D only

Ques 35. Which of the following is not true about Public goods?

1. Benefit are available to all
2. May be produced by private sector
3. Benefit not exclude anyone from enjoying the benefits
4. Available free to users

Solu. Let's analyze each statement:

1. Benefit are available to all - This is generally true. Public goods are non-excludable, meaning that once they are provided, everyone can benefit from them.

2. May be produced by private sector - This statement is generally true. While public goods are often provided by governments, they can also be produced by the private sector if there is a viable business model.

3. Benefit not exclude anyone from enjoying the benefits - This is true. Public goods are non-excludable, meaning that no one can be excluded from enjoying their benefits once they are provided.

4. Available free to users - This is not necessarily true. While public goods are non-excludable, they are not always available free of charge. Governments may use taxes or other forms of financing to provide public goods.

So, the statement that is not true about public goods is: 4. Available free to users.

Ques 36. Exchange Rate is the price of a currency expressed in terms of.

1. Gold rates of other country

2. Another currency
3. Income of the country
4. FDI from other country

Solu. The correct answer is 2. Another currency.

Exchange rate represents the value of one currency in terms of another currency. For example, if 1 US dollar is equal to 0.85 euros, the exchange rate between USD and EUR is 0.85. Exchange rates fluctuate based on various factors such as supply and demand, interest rates, inflation, and geopolitical events.

Ques 37. The International Bank for Reconstruction and Development (IBRD) is popularly known as

1. State Bank of India
2. Reserve Bank Of India
3. World Bank
4. International Monetary Fund

Solu. The correct answer is 3. World Bank.

The International Bank for Reconstruction and Development (IBRD) is one of the five institutions that make up the World Bank Group. It focuses on providing loans and financial assistance to middle-income and creditworthy low-income countries for development projects aimed at reducing poverty and promoting sustainable development.

Ques 38. "Human Resource Development was necessarily to be assigned a key role in any development strategy, particularly in a country with a large population" which of the following five year plane states?

1. 5th Five year plan
2. 6th Five year plan
3. 7th Five year plan
4. 8th Five year plan

Solu. The statement aligns with the objectives of the 6th Five Year Plan of India.

The 6th Five Year Plan (1980-1985) emphasized the importance of human resource development in India's development strategy, particularly considering the country's large population. It aimed to focus on education, healthcare, and skill development to improve the quality of life and contribute to overall economic development.

Ques 39. Full form of FII.

1. Foreign Indirect Investment
2. Foreign International Income
3. Foreign Indirect Investors
4. Foreign Institutional Investors

Solu. The correct full form of FII is 4. Foreign Institutional Investors.

FII stands for Foreign Institutional Investors, referring to entities such as mutual funds, pension funds, hedge funds, insurance companies, and other financial institutions from outside the country that invest in the financial markets of another country.

Ques 40. Which of the following statements relate to physical capital?

- A. It is intangible
- B. It is tangible
- C. It creates only private benefit
- D. Owner of physical capital needs to be present at the place where it is used
- E. It can easily be sold in the market

Choose the correct answer from the options given below:

1. A and B only
2. B and C only
3. A, D and E only
4. B, C and E only

Solu. The correct answer is 4. B, C, and E only.

Explanation:

- Statement B: Physical capital is tangible, meaning it can be touched, felt, and seen.
- Statement C: Physical capital can create both private benefits (for the owner) and social benefits (for society).
- Statement E: Physical capital, such as machinery or equipment, can typically be sold in the market.

Ques 41. The quantity of a good that the consumer chooses can increase or decrease with the rise in the price of a related goods depending on whether the two goods are substitutes or complementary to each other. Goods which are consumed together are called complementary goods. Examples of goods which are complement to each other include tea and sugar, shoes and socks, pen and ink, etc. Since tea and sugar are used together, an increase in the price of sugar is likely to decrease the demand for tea and decrease in the price of sugar is likely to increase the demand for tea. Similar is the case with other complements. In general, the demand for a good moves in the opposite direction of the price of its complementary goods.

The goods which can be used in place of each other are called?

- 1. Normal goods**
- 2. Complementary goods**
- 3. Substitute goods**
- 4. Giffen goods**

Solu. The goods which can be used in place of each other are called substitute goods.

Substitute goods are products that can be used as alternatives to each other. When the price of one substitute rises, the demand for the other substitute usually increases because consumers switch to the cheaper option. For example, if the price of coffee rises, some consumers may switch to tea as a substitute.

Ques 42. The demand for a good moves in opposite direction if change in the price of its _____.

1. Complementary goods
2. Substitute goods
3. Inferior goods
4. Consumption goods

Solu. The demand for a good moves in opposite direction if there's a change in the price of its complementary goods.

So, the correct answer is:

1. Complementary goods

Ques 43. If the price of coffee increases then consumption of tea also increases it implies that tea and coffee are _____.

1. Substitute good
2. Giffen good
3. Complementary good
4. Perishable good

Solu. If the consumption of tea increases when the price of coffee increases, it implies that tea and coffee are substitute goods.

So, the correct answer is:

1. Substitute goods

Ques 44. Car and petrol are the example of goods.

1. Normal goods
2. Inferior goods
3. Substitute goods
4. Complementary goods

Solu. Car and petrol are examples of complementary goods.

So, the correct answer is:

4. Complementary goods

Ques 45. Those goods which can be used together are called _____ goods.

1. Substitute goods
2. Complementary goods
3. Consumption goods
4. Capital goods

Solu. The goods which can be used together are called complementary goods.

So, the correct answer is:

2. Complementary goods

Ques 46. When at a particular price level, aggregate demand for final goods equals aggregate supply of final goods, the final goods or product in market reaches its equilibrium. Aggregate demand for final goods consist of ex-ante consumption, ex-ante investment, government spending etc. The rate of increase in ex-ante consumption due to a unit increase in income is called marginal propensity to consume.

Equilibrium in product market achieved when.

1. $AD = AS$
2. $AD > AS$
3. $AD < AS$
4. $S > I$

Solu. Equilibrium in the product market is achieved when aggregate demand (AD) equals aggregate supply (AS).

So, the correct answer is:

1. $AD = AS$

Ques 47. Final goods are those goods.

1. Which are used in the process of production
2. Which are used as an intermediate good

3. Which are purchased for the purpose of reselling in the same year
4. Which are either used for consumption or for investment

Solu. Final goods are those goods that are either used for consumption or for investment.

So, the correct answer is:

4. Which are either used for consumption or for investment

Ques 48. When at a particular price level, aggregate demand for final goods equals aggregate supply of final goods, the final goods or product in market reaches its equilibrium. Aggregate demand for final goods consist of ex-ante consumption, ex-ante investment, government spending etc. The rate of increase in ex-ante consumption due to a unit increase in income is called marginal propensity to consume.

Aggregate demand for final goods doesn't include.

1. Consumption
2. Saving
3. Investment
4. Government spendings

Solu. Aggregate demand for final goods doesn't include saving, as saving is a part of disposable income not spent on consumption or taxes.

So, the correct answer is:

2. Saving

Ques 49. MPC stands for.

1. Marginal Propensity to Converse
2. Marginal Propensity to Consume
3. Marginal Propensity to Compensate
4. Marginal Propensity to correction

Solu. MPC stands for Marginal Propensity to Consume.

So, the correct answer is:

2. Marginal Propensity to Consume

Ques 50. The sum total of MPC and MPS is always equal to:

1. Zero
2. Infinity
3. One
4. Two

Solu. The sum total of Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) is always equal to 1.

So, the correct answer is:

3. One

