

**SAMPLE CONTENT**



# CUET (UG)

COMMON UNIVERSITY ENTRANCE TEST

Based on notified syllabus prescribed by NTA



# ECONOMICS / BUSINESS ECONOMICS

Section - II CODE: 309

**832 MCQs**

## LOADED WITH AMAZING FEATURES

- Knowledge Boosters: Gyan Guru, Smart Recap and Enrich Your Knowledge
- Subtopic-wise MCQs
- Variety of questions
- Model papers with solutions
- Previous years papers with solutions

Mrs. Tejashree Miskin  
M.Com., B.Ed.

Mr. Aklesh Gupta  
B.Com. (Hons), M.Com. (Adv. Accounting)

**Target** Publications® Pvt. Ltd.

# CUET (UG)

## Economics/Business Economics

Subject code: 309

### Salient Features

- ☞ '832' MCQs for ample practice
- ☞ Based on the latest syllabus prescribed by NTA
- ☞ Subtopic-wise segregation of MCQs for efficient practice
- ☞ Exhaustive coverage of all types of questions based on the latest CUET (UG) examination
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  - **Smart Recap**
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  - **Enrich Your Knowledge**
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- ☞ Includes Glossary for better understanding of subject specific terms
- ☞ Detailed explanation provided for difficult questions wherever applicable
- ☞ Includes Two Model Question Papers with Answer Keys and Solutions
- ☞ Includes Question Papers and Answer Keys and Solutions of the previous examinations:
  - **CUET (UG) - 2022 (10<sup>th</sup> August, Shift: 2)**
  - **CUET (UG) - 2023 (27<sup>th</sup> May, Shift: 1)**

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## PREFACE

Common University Entrance Test, CUET (UG) is a pivotal juncture in a student's academic journey. It is a single-window opportunity for the students to seek admission in the premier higher education institutions.

Target Publications, with more than a decade of experience and expertise in the domain of competitive examination, offers “**CUET (UG) Economics/Business Economics**” for all the CUET (UG) aspirants. This book is compiled according to the notified syllabus prescribed by the NTA for CUET (UG).

It is a complete preparation and practice book with an unmatched comprehensive amalgamation of theory, MCQs and the tools that will be needed to clear the exam successfully.

The content of this book is arranged in a logical sequence to enable strategic learning. It provides the students with accurate context, several study techniques and relevant supporting details essential for a better understanding of the concepts of Economics/Business Economics.

The chapter begins with **Theory** and is followed by ‘**Multiple Choice Questions**’ (MCQs). The questions in the MCQs section are specially created and compiled to help students revise concepts as well as to give them practice of questions that require understanding of multiple-concepts. To aid students, detailed explanations are provided for difficult questions.

While ensuring the complete coverage of the syllabus in an effortless and easy to grasp format, emphasis is also given to optimize students learning outcomes. We have infused several features such as **Glossary, For Your Understanding, GG-Gyan Guru, Enrich Your Knowledge and Smart Recap** for better understanding of topics.

A section of **Concept Fusion** is given at the end of each chapter. These section covers complex questions such as *Passage/Case-Study Based Questions, Match the Columns, Statement Based Questions, Assertion and Reason*.

**Two Model Question Papers** are provided based on the CUET paper pattern along with their solutions. Additionally, Question papers and Answer keys of CUET (UG) - 2022 (10<sup>th</sup> August, Shift - 2) and CUET (UG) - 2023 (27<sup>th</sup> May, Shift - 1) are provided to offer students a glimpse of the complexity of questions asked in the entrance examination.

We are confident that this book will cater to the needs of students across varied backgrounds and effectively assist them to achieve their goals.

*We hope the book benefits the learner as we have envisioned.*

Publisher

**Edition:** First

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## KEY FEATURES

'**Glossary**' can be used for better understanding of subject specific terms.

Glossary

For Your Understanding

'**For Your Understanding**' helps students to have better conceptual clarity of certain tricky and difficult concepts.

'**GG- Gyan Guru**' our very own mascot, keeps popping up throughout the book. He offers you a practical and real-life example or an interesting fact associated with the topic.

GG- Gyan Guru

Enrich Your Knowledge

'**Enrich Your Knowledge**' presents latest and important information about the topic.

'**Smart Recap**' presents a quick review of important topics and concepts in an efficient manner.

Smart Recap

Concept Fusion

'**Concept Fusion**' section encompasses questions whose solutions require knowledge of concepts from the same chapter to develop cognitive thinking in the students.

'**Model Papers**' section includes two model papers to aid students' learning, focused practice and exam readiness.

Model Papers

CUET (UG) Previous Years Question Papers

'**CUET (UG) Previous Years Question Papers**' section includes questions from the CUET (UG) examination to give students practice of CUET (UG) questions and advance them to acquire the ability to solve such questions.



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Please scan the adjacent QR code to know more about our 'CUET (UG) Economics/Business Economics 10 Practice Paper Set'. Get sufficient practice with all types of objective questions based on the latest syllabus.



Please scan the adjacent QR code to know more about NTA CUET (UG) examination and the latest exam paper pattern.



## How This Book Covers the Entire Syllabus of CUET (UG) Economics/Business Economics

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<b>Chapter 5 : Money and Banking</b>		
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Commercial banks: meaning and functions	5.3	Commercial Banks
<b>Chapter 6 : Government Budget and the Economy</b>		
Government budget – meaning and its components, Objectives of government budget	6.1	Government Budget

Classification of receipts – revenue and capital; classification of expenditure – revenue and capital, plan and non-plan, and developmental and non-developmental	6.2	Components of Government Budget
Balanced budget, surplus budget, and deficit budget: meaning and implications	6.3	Types of Budget
Revenue deficit, fiscal deficit, and primary deficit: meaning and implications; measures to contain different deficits.	6.4, 6.5	Budget Deficit, Public Debt & Fiscal Policy
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**Note:** This book covers a few subtopics in addition to the syllabus prescribed by NTA to help students have thorough and complete understanding of the concepts.

# 01 Introduction to Microeconomics

## Content and Concepts

1.1	Simple Economy	1.2	Central Problems of an economy
1.3	Organisation of Economic Activities	1.4	Microeconomics and Macroeconomics

## Glossary

- Economy:** An economy refers to the system of production, distribution, and consumption of goods and services within a region or a country.
- Economic activities:** Economic activities are all those human activities which generate money or wealth.
- Inflation:** Inflation is the sustained increase in the general price level of goods and services in an economy over a period of time.
- Lumping method:** It is a method in which entire economy is studied as a whole.
- Opportunity cost:** The advantages that an individual, investor, or business foregoes when selecting one option instead of another.
- Slicing method:** It is the method in which entire economy is divided into small parts and then each part is studied in detail.
- Trade cycle:** It refers to the pattern of fluctuations in economic activities.

### ➤ Simple Economy

A simple economy is an economic system which deals with production, distribution and consumption of goods and services among people of the society. A simple economy usually involves a small number of goods and services that are produced and consumed by the population. These goods and services are often essential for survival and basic needs.

The resources of the society are scarce in nature, therefore these resources should be allocated in appropriate manner for production of goods and services. Any allocation of a society's resources leads to the creation of a specific combination of different goods and services. These goods and services must be distributed among people of the society. The allocation of the limited resources and the distribution of the final mix of goods and services are two of the basic economic problems faced by the society.

### ➤ Central Problems of an economy

#### i. Unlimited Wants:

Human wants are human needs. In economics, want denotes a feeling of 'lack of satisfaction'. This feeling enables the individual to satisfy his want. Wants are unlimited in nature. Wants not only arise again and again but they are also unending. If one want gets satisfied, another arises. Wants go on multiplying in number. E.g.: You may want to go for shopping clothes every month (wants arise again and again). In fact, once want of clothes gets satisfied, you may want to purchase accessories, glares, footwear etc. that goes well with your outfit (wants go on multiplying in number).

#### ii. Limited Resources:

We get resources from nature and these resources are limited in numbers. Limited resources result in scarcity, which means that there are not enough resources to fulfil all human wants and needs. Therefore society must make decisions about how to allocate these resources among different competing uses.

The central problem of an economy deals with effectively managing its limited resources to meet the unlimited wants of the society. This challenge gives rise to three interconnected economic questions i.e. what to produce?, how to produce?, and for whom to produce?





**a. What to Produce?**

This question focuses on the type of goods and services to be produced in the economy. Producer should analyse consumer demand and accordingly use the resources for production.

**b. How to Produce?**

This question focuses on selecting the most efficient and cost-effective methods of production. It involves decisions about the utilization of different factors of production, such as labour, capital, and technology, to create goods and services in the most optimal manner.

**c. For Whom to Produce?**

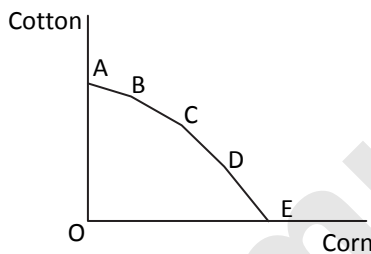
This question concerns the distribution of the produced goods and services among the members of the society. It involves addressing issues of income distribution and ensuring that individuals and groups have access to the goods and services according to their needs and purchasing power.

These questions collectively represent the central problem of an economy, also known as the fundamental economic problem. It highlights the fundamental challenge of resource scarcity and the necessity to make choices and trade-offs in allocating and utilizing those resources efficiently to maximize societal welfare

**iii. Production Possibility Frontier**

The Production Possibility Frontier (PPF), also known as the Production Possibility Curve (PPC). It is a graphical representation of various combinations of two goods or services that an economy can produce with its limited resources and technology. The PPF demonstrates the concept of opportunity cost, which refers to the trade-offs involved in producing one good over another.

**For Your Understanding**



**Table 1.1: Production Possibilities**

Possibilities	Corn	Cotton
A	0	10
B	2	8
C	4	6
D	6	4
E	8	2

- The table and diagram shows that, there are different combinations of corn and cotton that economy can produce.
- If more resources are used for cotton then less will be available for corn and vice versa.
- Every economy has to choose one of the many possibilities that it has. In other words, one of the central problems of the economy is to choose from one of the many production possibilities.

➤ **Organisation of Economic Activities**

**i. The Centrally Planned Economy:**

In a centrally planned economy, the government or the central authority plans all the important activities in the economy. All important decisions regarding production, distribution and consumption of goods and services are made by the government. Government will distribute the resources of the society after thinking about the benefit of the society. The resources will be used for most desirable goods and services of the society.

**ii. The Market Economy:**

A market economy is also known as a free-market economy or capitalism. It is an economic system where most economic decisions, including what to produce, how to produce, and for whom to produce, are determined by the interactions of demand and supply in competitive markets. Market economy is contrast to centrally planned economy. In a market economy, resources are allocated based on individual choices and preferences, without significant government intervention.

**iii. The Mixed Economy:**

In a mixed economy the important decisions of the society are taken by the government and the economic activities are conducted by the market forces i.e. demand and supply. It is a combination of centrally planned economy and market economy.

**a. Distinguish Between Positive Economics & Normative Economics**

Sr. No.	Positive Economics	Normative Economics
i.	Positive economics aims to provide a neutral and unbiased assessment of economic reality. It focuses on facts and observable data rather than subjective opinions or beliefs.	Normative economics involves making statements about what should be done, based on personal beliefs, ethical considerations, and social preferences. These statements are often influenced by individual opinions and societal values.
ii.	Positive economics seeks to describe and explain how economic systems, behaviours, and outcomes function. It does not prescribe how things should be or make judgments about what is good or bad.	Normative statements are inherently subjective because they express opinions and preferences. They are not universally accepted and can vary among individuals and cultures.

**➤ Microeconomics and Macroeconomics**

Sr. No.	Micro-economics	Macro-economics
i.	Micro-economics deals with a small part of national economy. It studies the individual units such as individual consumer, individual producer, individual firm, the price of a particular commodity or a factor etc.	Macro-economics analyses the entire economy. It deals with total employment, national income, national output, total investment, total consumption, total savings, general price level, interest rates, inflation, trade cycles, etc.
ii.	Micro-economics is a study of micro variables.	Macro-economics is a study of macro variables or aggregates.
iii.	It uses slicing method.	It uses lumping method.
iv.	Micro-economic analysis is based on partial equilibrium analysis. It neglects the interdependence between economic variables.	Macro-economic analysis is based on general equilibrium analysis. It studies the functional relationship and interdependence between economic variables.
v.	The scope of micro-economics is narrow or limited.	The scope of macro-economics is wide.
vi.	It deals with determination of factor prices as well as prices of goods and services. Hence, it is also called as price theory.	It explains what determines level of national income and employment and what causes fluctuations in them. Hence, it is also called theory of income and employment.



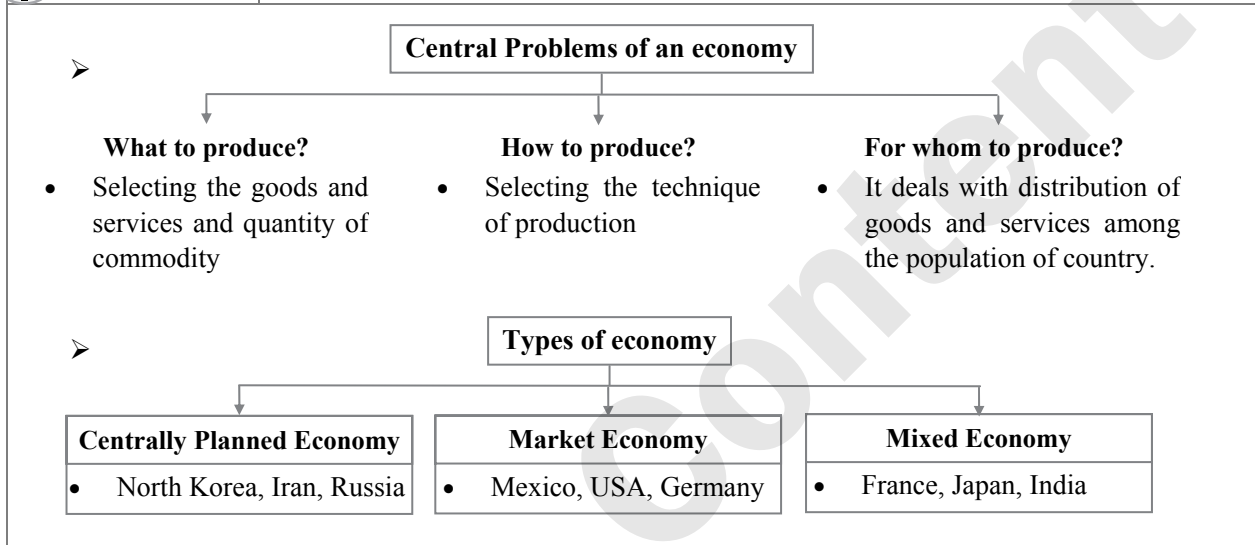
**ENRICH YOUR KNOWLEDGE**



1. Adam Smith is known as “The Father of Economics” and is considered as the founder of Micro-economics. In his book “Wealth of Nations” published in 1776, he discussed how prices of individual commodities and factors of production are determined.
2. Prof. Alfred Marshall is considered as the real architect of Micro-economics. He popularised Micro-economics in his book “Principles of Economics” published in 1890.



**Smart Recap**



**Multiple Choice Questions**

**1.1 Simple Economy**

1. The term “economics” is most frequently associated with:
  - (A) Free
  - (B) Scarcity
  - (C) Unlimited
  - (D) Restricted
2. The main reason for economic problem in all economies?
  - (A) Scarcity of resources
  - (B) Unlimited wants
  - (C) Alternatives usage
  - (D) Underemployment
3. The branch of economics that deals with the allocation of resources:
  - (A) Micro-economics
  - (B) Macro-economics
  - (C) Econometrics
  - (D) None of these

4. Economics is:
  - (A) Mainly the study of business firms
  - (B) The problem of choice under scarcity
  - (C) The study of stocks and bond market
  - (D) The study of management decisions

**1.2 Central Problems of an Economy**

1. The problem of ‘How to produce’ is concerned with:
  - (A) Distribution of goods and services among factors of production
  - (B) Techniques to be used for producing different goods and services
  - (C) Quantity of goods to be produced
  - (D) All of the above
2. \_\_\_\_\_ is the cost of next best alternative.
  - (A) Economic cost
  - (B) Opportunity cost
  - (C) Variable cost
  - (D) Marginal cost



3. The production possibility frontier is generally:  
(A) Convex shaped downward sloping  
(B) Concave shaped downward sloping  
(C) Either (A) or (B)  
(D) Neither (A) or (B)
4. What will be the opportunity cost of an input which does not have alternative use?  
(A) Zero  
(B) One  
(C) Three  
(D) Two
5. PPC is also known as:  
(A) Marginal cost curve  
(B) Opportunity cost curve  
(C) Transformation curve  
(D) Production Possibility Frontier.
6. Centrally Planned Economy is different from Market economy because:  
(A) Former is regulated by foreign parties and the latter by central authority.  
(B) Former is regulated by central authority and latter by market forces.  
(C) Former is regulated by private firms and latter by government.  
(D) Both are managed by foreign parties.
7. From the following given statements, identify the incorrect one.  
(A) Wants of men and women different goods according to their needs.  
(B) Individual habits, tastes and preferences matters a lot while deciding wants of the people.  
(C) Human wants go on multiplying in numbers.  
(D) Human wants remains constant with regard to change in seasons.

### 1.3 Organisation of Economic Activities

1. An economy is broadly classified as:  
(A) Market economy  
(B) Centrally planned economy  
(C) Mixed economy  
(D) All of the above
2. The co-existence of private and public sector is called \_\_\_\_\_ economy.  
(A) Mixed  
(B) Capitalist  
(C) Socialist  
(D) None of these.

3. “The government should provide basic healthcare and education to all citizens” is an example of which type of economics?  
(A) Positive Economics.  
(B) Normative Economics  
(C) Both (A) and (B)  
(D) None of these.
4. Who is the controller of economic activities in centrally planned economy?  
(A) Consumer (B) Private firms  
(C) Government (D) Foreign parties.
5. During the period of COVID-19 pandemic, a nationwide lockdown was imposed, triggering the movement of labour across the state. The state government should have proactively implemented measures to curtail the extent of this population migration. This state indicates \_\_\_\_\_  
(A) Positive statement  
(B) General statement  
(C) Normative statement  
(D) None of these

### 1.4 Microeconomics and Macroeconomics

1. \_\_\_\_\_ is the subject matter of micro economics.  
(A) Aggregate demand  
(B) Aggregate supply  
(C) National Income  
(D) Interaction of producers and consumers in a market
2. Macroeconomics deals with \_\_\_\_\_.  
(A) Economic Aggregates  
(B) Behaviour of individual firm  
(C) Activities of individual units  
(D) Behaviour of cotton industry
3. Macro-economics is a study of \_\_\_\_\_.  
(A) Aggregates (B) Firm  
(C) Individual unit (D) Factor prices
4. The terms Micro and Macro-economics were first used by \_\_\_\_\_.  
(A) Adam Smith (B) Robbins  
(C) Ragnar Frisch (D) Marshall
5. \_\_\_\_\_ is the father of modern macroeconomics.  
(A) Lionel Robbins. (B) Adam Smith  
(C) J.M Keynes (D) Prof Samuelson.



6. Which of the following is a not component of microeconomics?
- (A) Theory of Product Pricing
  - (B) Theory of Factor Pricing
  - (C) Theory of Economic Growth and Development
  - (D) All of the above



**Concept Fusion**

1. **Assertion (A):** There are two types of modern economics i.e. Microeconomics and macroeconomics.

**Reason (R):** The terms ‘Micro-economics’ and ‘Macro-economics’ were coined by Prof. Alfred Marshall.

- (A) Assertion (A) is true, but Reason (R) is false.
- (B) Assertion (A) is false, but Reason (R) is true.
- (C) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (D) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

2. Read the following statements and choose the correct alternative from the following with regards to central problem of an economy.

**Statement I :** How to produce is the problem related what technique is to be used for producing various goods and service.

**Statement II :** What to produce solely relates to determining the types of goods and services to be manufactured.

- (A) Both the statements are true
- (B) Both the statements are false
- (C) Statement I is true and Statement II is false
- (D) Statement I is false and Statement II is true

3. Read the following statements and choose the correct alternative.

**Statement I :** The capitalist economy works for social welfare.

**Statement II :** Study of the cotton industry is part of macroeconomics study.

- (A) Both the statements are true
- (B) Both the statements are false
- (C) Statement I is true and Statement II is false
- (D) Statement I is false and Statement II is true

4. Match the following:

	Column A		Column B
i.	National Income	a.	Positive economics
ii.	Individual Demand	b.	Macro economics
iii.	The provision of healthcare by the government results in an increase in public expenditures.	c.	Micro economics

- (A) i – b, ii – c, iii – a
- (B) i – a, ii – b, iii – c
- (C) i – c, ii – b, iii – a
- (D) i – c, ii – a, iii – b

5. Match the following:

	Column A		Column B
i.	What to produce?	a.	Technique of Production
ii.	How to produce?	b.	Quantity of goods and services
iii.	For whom to produce?	c.	Distribution of goods and services among the population of country

- (A) i – b, ii – a, iii – c
- (B) i – a, ii – b, iii – c
- (C) i – c, ii – b, iii – a
- (D) i – b, ii – c, iii – a

**Read the following text and answer the given questions from 6 to 9**

Economics is about how individuals make decisions with their limited resources. The decisions are taken with regards to the basic economic activities such as production and consumption of goods and services and savings and investment. However, decision-making is a complex process. One must decide the wants and the availability of resources while taking decisions on production of goods and services. Similarly, distribution of the produced goods in the society needs to be done properly. Production, distribution and consumption are the basic central problems of an economy.





6. Economics is related to make choices with limited \_\_\_\_\_.
- (A) Services  
(B) Investment  
(C) Resources  
(D) Commodity
7. Which of the following components impacts the production decision in an economy?
- (A) Availability of resources  
(B) Wants  
(C) Neither (A) or (B)  
(D) Both (A) and (B)
8. The basic problems of an economy is related to \_\_\_\_\_.
- (A) Consumption  
(B) Distribution  
(C) Production  
(D) All of the above
9. Unlimited human wants are the most dominant reason behind the economic problems. Select the right option:
- (A) False  
(B) True  
(C) Incomplete statement  
(D) Partially true

**Answer Key****MCQs:**

- 1.1** 1. (B) 2. (A) 3. (A) 4. (B)
- 1.2** 1. (B) 2. (B) 3. (B) 4. (A) 5. (D) 6. (B) 7. (D)
- 1.3** 1. (D) 2. (A) 3. (B) 4. (C) 5. (C)
- 1.4** 1. (D) 2. (A) 3. (A) 4. (C) 5. (C) 6. (C)
- Concept Fusion** 1. (A) 2. (C) 3. (B) 4. (A) 5. (A) 6. (C) 7. (D) 8. (D) 9. (D)

**Answer Key with Explanation****Multiple Choice Questions****1.1 Simple Economy**

1. **(B)**
- The term “economics” is primarily linked with the concept of scarcity due to the fundamental idea that resources are limited in comparison to unlimited human wants and needs.
2. **(A)**
3. **(A)**
- The branch of economics that focuses on the distribution of resources is microeconomics because it examines the behaviour of individual consumers and firms in making decisions regarding resource utilization.
4. **(B)**

**1.2 Central Problems of an Economy**

1. **(B)**

2. **(B)**
- Opportunity cost refers to the value of the next best alternative that must be foregone when a decision is made.
3. **(B)**
- The production possibility frontier (PPF) is usually concave shaped and downward sloping due to the principle of increasing opportunity cost. As an economy shifts resources from producing one good to another, the resources that are most specialized in the original production will be used for the alternative good.
- This leads to a diminishing marginal rate of transformation, causing the PPF to curve outward.
4. **(A)**
- If an input does not have an alternative use, its opportunity cost would typically be considered to be zero. Opportunity cost arises from the fact that resources are limited and can be used for different purposes. When an input has no other potential use, there's no trade-off involved in using it for a particular task, and therefore its opportunity cost is negligible.



5. (D)            6. (B)            7. (D)

**1.3 Organisation of Economic Activities**

1. (D)  
Centrally planned economy, market economy and mixed economy are the types of economy.
2. (A)  
In a mixed economy the important decisions of the society are taken by the government and the economic activities are conducted by the market forces i.e. demand and supply. It is a combination of centrally planned economy and market economy.
3. (B)            4. (C)            5. (C)

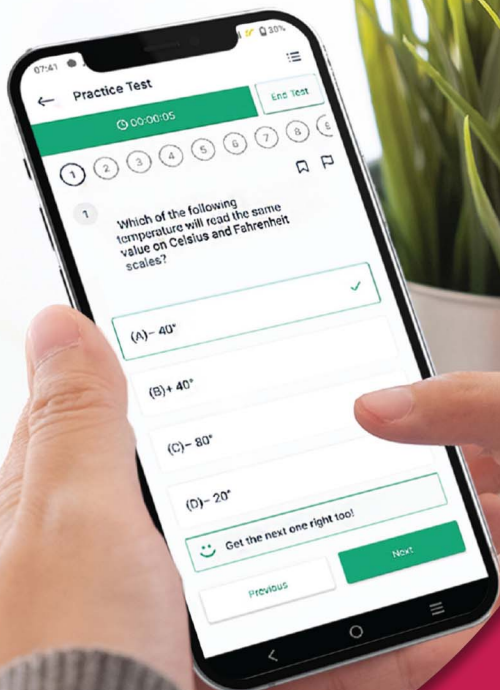
**1.4 Microeconomics and Macroeconomics**

1. (D)  
The interaction between producers and consumers in a market is the subject matter of microeconomics because microeconomics focuses on analysing the behaviour of individual economic agents, such as households, firms, and industries. This branch of economics examines how these entities make decisions about production, consumption, pricing, and resource allocation within specific markets.
2. (A)  
Macroeconomics deals with economic aggregates because it focuses on studying and analysing the behaviours of the entire economy as a whole, rather than on individual markets or specific goods and services.
3. (A)
4. (C)  
The terms “Microeconomics” and “Macroeconomics” were indeed first introduced by Norwegian economist Ragnar Frisch. He used these terms to distinguish between the study of individual economic units and the study of the economy as a whole
5. (C)
6. (C)  
The theory of economic growth and development is indeed a component of macroeconomics. Macroeconomics studies the overall performance, behaviour, and structure of an economy.



**Concept Fusion**

1. (A)    2. (C)    3. (B)    4. (A)  
5. (A)    6. (C)    7. (D)    8. (D)  
9. (D)



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