

# CHAPTER 6 - DETERMINATION OF NATIONAL INCOME

1. The concept of 'resident unit' involved in the definition of GDP denotes

- (a) A business enterprise which belongs to a citizen of India with production units solely situated in India
- (b) The unit having predominant economic interest in the economic territory of the country for one year or more irrespective of the nationality or legal status
- (c) A citizen household which had been living in India during the accounting year and one whose economic interests are solely in India
- (d) Households and business enterprises composed of citizens of India alone living in India during the accounting year

2. Read the following statements and answer the following question.

I. Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production,

II. Intermediate consumption excludes fixed assets whose consumption is recorded as consumption of fixed capital.

- (a) Only I is true
- (b) Both I and II are true
- (c) Only II is true
- (d) Neither I nor II is true

3. Gross Domestic Product (GDP) of any nation

- (a) Excludes capital consumption and intermediate consumption
- (b) is inclusive of capital consumption or depreciation
- (c) is inclusive of indirect taxes but excludes subsidies
- (d) None of the above

4. Read the following statements

I. 'Value added' refers to the difference between value of output and purchase of intermediate goods.

II. 'Value added' represents the contribution of labour and capital to the production process.

- (a) Statements I and II are incorrect
- (b) Statements I and II are correct
- (c) Statement I is correct and II is incorrect
- (d) Statement II is correct and I is incorrect

5. Non-economic activities are

- (a) those activities whose value is excluded from national income calculation as it will involve double counting
- (b) those which produce goods and services, but since these are not exchanged in a market transaction they do not command any market value
- (c) those which do not involve production of goods and services as they are meant to provide hobbies and leisure time activities
- (d) those which result in production for self consumption and therefore not included in national income calculation

6. Which of the following does not enter into the calculation of national income?

- (a) Exchange of previously produced goods
- (b) Exchange of second hand goods
- (c) Exchange of stocks and bonds
- (d) All the above

<p>7. Which of the following enters into the calculation of national income?</p> <p>(a) The value of the services that accompany the sale</p> <p>(b) Additions to inventory stocks of final goods and materials</p> <p>(c) Stocks and bonds sold during the current year</p> <p>(d) (a) and (b) above</p>
<p>8. Gross National Product at market prices <math>GNP_{MP}</math> is</p> <p>(a) <math>GDP_{MP} + \text{Net Factor Income from Abroad}</math></p> <p>(b) <math>GDP_{MP} - \text{Net Factor Income from Abroad}</math></p> <p>(c) <math>GDP_{MP} - \text{Depreciation}</math></p> <p>(d) <math>GDP_{MP} + \text{Net Indirect Taxes}</math></p>
<p>9. Choose the correct statement</p> <p>(a) GNP includes earnings of Indian corporations overseas and Indian residents working overseas; but GDP does not include these</p> <p>(b) <math>NNPFC = \text{National Income} = FID (\text{factor income earned in domestic territory}) - NFIA</math>.</p> <p>(c) Capital goods and inventory investment are excluded from computation of GDP</p> <p>(d) <math>NDPMP = GDPMP + \text{Depreciation}</math></p>
<p>10. The basis of distinction between market price and factor cost is</p> <p>(a) net factor income from abroad</p> <p>(b) net indirect taxes (i.e., Indirect taxes - Subsidies)</p> <p>(c) net indirect taxes (i.e., Indirect taxes + Subsidies)</p> <p>(d) depreciation (consumption of fixed capital)</p>
<p>11. If net factor income from abroad is positive, then</p> <p>(a) national income will be greater than domestic factor incomes.</p> <p>(b) national income will be less than domestic factor incomes.</p> <p>(c) net exports will be negative</p> <p>(d) domestic factor incomes will be greater than national income</p>
<p>12. The GDP per capita is</p> <p>(a) a measure of a country's economic output per person</p> <p>(b) actual current income receipts of persons</p> <p>(c) national income divided by population</p> <p>(d) (a) and (c) above</p>
<p>13. Which of the following is an example of transfer payment?</p> <p>(a) Old age pensions and family pensions</p> <p>(b) Scholarships given to deserving diligent students.</p> <p>(c) Compensation given for loss of property due to floods</p> <p>(d) All the above</p>
<p>14. Mixed income of the self-employed means</p> <p>(a) net profits received by self-employed people</p> <p>(b) outside wages received by self-employed people</p> <p>(c) combined factor payments which are not distinguishable,</p> <p>(d) wages due to non-economic activities</p>
<p>15. Which of the following is added to national income while calculating personal income?</p> <p>(a) Transfer payments to individuals</p> <p>(b) Undistributed profits of corporate</p> <p>(c) Transfer payments made to foreigners</p> <p>(d) Mixed income of self-employed</p>

<p>16. In the Keynesian model, equilibrium aggregate output is determined by</p> <p>(a) aggregate demand  (b) consumption function  (c) the national demand for labor  (d) the price level</p>
<p>17. Keynes believed that an economy may attain equilibrium level of output</p> <p>(a) only at the full-employment level of output  (b) below the full-employment level of output  (c) only if prices were inflexible  (d) a) and c) above</p>
<p>18. According to Keynes, consumption expenditure is determined by</p> <p>(a) the level of interest rates  (b) extent of government taxes and subsidies  (c) disposable income  (d) autonomous investment expenditure</p>
<p>19. The marginal propensity to consume (MPC) can be defined as</p> <p>(a) a change in spending due to a change in income  (b) a change in income that is saved after consumption  (c) part of income that is spent on consumption.  (d) part of income that is not saved.</p>
<p>20. If the consumption function is expressed as <math>C = a + bY</math> then b represents</p> <p>(a) autonomous consumer expenditure when income is zero  (b) the marginal propensity to consume.  (c) the expenditure multiplier when consumption is increased  (d) part of disposable income</p>
<p>21. If the consumption function is expressed as <math>C = a + bY</math> then a represents</p> <p>(a) autonomous consumer expenditure.  (b) the marginal propensity to consume.  (c) the consumption income relationship  (d) Non- linear consumption function</p>
<p>22. If the consumption function is <math>C = 20 + 0.5Y_d</math>, then an increase in disposable income by ₹ 100 will result in an increase in consumer expenditure by ₹ ---</p> <p>(a) 25                      (b) 70  (c) 50                        (d) 100</p>
<p>23. If the autonomous consumption equals ₹ 2,000 and the marginal propensity to consume equals 0.8. If disposable income equals ₹ 10,000, then total consumption will be ₹ _____</p> <p>(a) 8,000                  (b) 6,000  (c) 10,000                (d) None of the above</p>
<p>24. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the</p> <p>(a) level of full employment income.  (b) less than full employment level of income.  (c) equilibrium level of income which may or may not be full employment level of income  (d) autonomous level of income which may not be full employment level of income</p>
<p>25. In a closed economy, aggregate demand is the sum of</p> <p>(a) consumer expenditure, demand for exports and government spending.</p>

- (b) consumer expenditure, planned investment spending and government spending.  
(c) consumer expenditure, actual investment spending, government spending and net exports.  
(d) consumer expenditure, planned investment spending, government spending, and net exports.

26. Under equation  $C = a + by$ ,  $b = 0.8$ , what is the value of 2 sector expenditure multiplier?

- (a) 4 (b) 2  
(c) 5 (d) 1

27. If a farmer sells wheat to miller for ₹ 600 and miller sells flour to baker for ₹ 800. The baker sells bread to consumer for ₹ 1300, then the total value added in the process is:

- (a) ₹ 600 (b) ₹ 800  
(c) ₹ 700 (d) ₹ 1200

28. Which investment is made without any reference to level of income or profits?

- (a) Induced (b) Autonomous  
(c) Inventory (d) Gross

29. The Value of National Income adjusted for inflation is called?

- (a) Disposable income  
(b) Per capita income  
(c) Inflation adjusted income.  
(d) Real national Income

30. What is the value of Investment Multiplier when saving function is represented as  $S = -60 + 0.2Y$ ?

- (a) 2 (b) 5  
(c) 4 (d) 0.2

31. "What could be the cause of the increase in Aggregate Demand within an economy?"

- (a) Increase in Imports  
(b) Decrease in Govt. Expenditure  
(c) Rise in Investment Expenditure  
(d) Decrease in Exports

32. Which of the following will cause a leakage in the National Income of an economy?

- (a) Decrease in Expenditure  
(b) Decrease in Taxation  
(c) Increase in Imports  
(d) Both a & c

33. The per capita income in country Y increased from ₹ 50,000 to ₹ 65,000 while the per capita consumption increased from ₹ 37,500 to ₹ 48,750. Calculate the spending multiplier for this economy.

- (a) 5 (b) 4  
(c) 2.5 (d) 8

34. Which organization is accountable for calculating the Gross Domestic Product of India?

- (a) Indian Statistical Institute  
(b) Reserve Bank of India  
(c) National Statistical Office  
(d) Ministry of Commerce and Industry

35. In an economy  $C = 300 + 0.5Y$  and  $I = ₹ 600$  (where  $C$  is consumption,  $Y$  is income or investment). The Equilibrium level of income will be:

- (a) 1800 (b) 1500  
(c) 1400 (d) None of these

36. When Investment in an economy increases from ` 10000 crores to ` 14000 crores and as a result of this national income rises ` 80000 to ` 92000 crores, Investment Multiplier will be:  
 (a) 5 (b) 3  
 (c) 2 (d) None of these

37. Calculate National Income from the following data:

Consumption	1000
Investment	500
Government Purchases	200
Exports	200
Imports	400

- (a) 1500 (b) 1800  
 (c) 600 (d) None of these

38. Microeconomics deals primarily with:

- (a) comparative statics, general equilibrium, and positive economics  
 (b) comparative statics, partial equilibrium, and normative economics  
 (c) dynamics, partial equilibrium, and positive economics  
 (d) comparative statics, partial equilibrium, and positive economics.

39. Which one makes GDP an improper index of welfare?

- (a) Non-monetary transaction  
 (b) Externalities  
 (c) Composition & distribution of GDP  
 (d) All of these

40. Interest on national debt is treated as:

- (a) Transfer payment (b) Domestic payment  
 (c) Govt. Payment (d) None of these

41. Parallel economy emerges because of what?

- (a) Tax Estimation (b) Tax Compliance  
 (c) Tax Avoidance (d) Tax Evasion

42. Which of the following is a limitation of using GDP as a measure of economic well-being?

- (a) It includes only monetary transactions.  
 (b) It does not account for income distribution.  
 (c) It considers both market and non-market activities.  
 (d) It is not affected by inflation.

43. If a country's Gross Domestic Product (GDP) is greater than its Gross National Product (GNP), it implies that the country:

- (a) Is a net exporter. (b) Is a net importer.  
 (c) Has a trade surplus (d) Has a trade deficit

44. In the very long-run AD-AS model, if the AD-curve shifts to the left, then:

- (a) prices and output will both decrease  
 (b) prices and output will both increase  
 (c) prices will decrease but output will remain the same  
 (d) output will decrease but prices will remain the same

45. Countries with higher saving rates may have higher equilibrium growth rates since:

- (a) people who save more also are more industrious

(b) higher income allows for more savings

(c) a higher saving rate allows for more investment in human capital which ultimately enhances economic growth

(d) having more capital equipment is more important than having better capital equipment

46. Assume you built a new house, bought a used car, and bought some government bonds. Which of the following is true?

(a) consumption and government purchases went up since you bought a used car and government bonds

(b) consumption and investment went up since you bought a used car and government bonds

(c) investment and government purchases went up since you built a new house and bought government bonds

(d) investment went up since you built a new house

47. The expenditure multiplier is used to calculate the change in:

(a) spending caused by a change in income

(b) equilibrium income caused by a change in autonomous spending

(c) intended spending caused by a change in consumption

(d) disposable income caused by a change in saving

48. What is the formula for calculating Gross Domestic Product (GDP) using the expenditure approach?

(a)  $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending}$

(b)  $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Net Exports}$

(c)  $GDP = \text{Consumption} + \text{Investment}$

(d)  $GDP = \text{Consumption} + \text{Net Exports}$

49. Which component of National Income represents the income earned by individuals and businesses before taxes and other deductions?

(a) Personal Income

(b) Disposable Income

(c) Gross National Product (GNP)

(d) Gross Domestic Product (GDP)

50. Which of the following represents the total amount of money the government owes to external creditors and domestic lenders?

(a) National debt      (b) Budget surplus

(c) Fiscal deficit      (d) Revenue deficit

51. The concept of the "multiplier effect" in Keynesian economics refers to:

(a) The impact of interest rates on investment

(b) The magnification of an initial change in spending throughout the economy

(c) The impact of taxes on consumer spending

(d) The role of exports in economic growth

52. According to Keynes, what can cause involuntary unemployment in an economy?

(a) High interest rates

(b) Insufficient aggregate demand

(c) Government intervention

(d) Excessive savings

53. The concept of "animal spirits" in Keynesian theory refers to:

(a) The unpredictable behavior of financial markets

(b) Psychological factors influencing economic decisions



(b) A actual GDP is greater than Potential GDP

(c) Potential GDP is greater than actual GDP

(d) The unemployment rate is rising

64. Which of the following parameter consist of interest, dividend, fees and other receipts for services of the government:

(a) Non-tax expenses (b) Tax expenses

(c) Non-tax revenue (d) Tax revenue

65. A nation's gross domestic product (GDP):

(a) can be found by summing  $C + I + G + X_n$ .

(b) is the dollar value of the total output produced by its citizens, regardless of where they are living.

(c) can be found by summing  $C + S + G + X_n$ .

(d) is always some amount less than its NDP.

66. Gross investment refers to:

(a) private investment minus public investment.

(b) net investment plus replacement investment.

(c) net investment after it has been "inflated" for changes in the price level.

(d) net investment plus net exports.

67. Which of the following is NOT a component of Gross Domestic Product (GDP)?

(a) Consumption (b) Investment

(c) Government Spending (d) Imports

68. Which of the following is the correct formula for calculating Gross Domestic Product (GDP)?

(a)  $GDP = Consumption + Investment + Government Spending$

(b)  $GDP = Consumption + Investment + Government Spending + Exports - Imports$

(c)  $GDP = Consumption + Investment + Net Exports$

(d)  $GDP = Consumption + Investment + Government Spending + Exports$

69. Which of the following is a measure of a country's Gross National Product (GNP)?

(a) The total value of all goods and services produced within a country's borders in a specific period.

(b) The total value of all goods and services produced by a country's residents, both domestically and abroad, in a specific period.

(c) The total value of all goods and services sold by a country to other countries in a specific period.

(d) The total value of all goods and services produced by a country's domestic companies in a specific period.

70. In national income accounting, "Net Domestic Product (NDP)" is defined as:

(a) The total value of all goods and services produced within a country's borders in a specific period.

(b) The total value of all final goods and services produced within a country's borders in a specific period.

(c) The total value of all goods and services produced within a country's borders minus depreciation in a specific period.

(d) The total value of all goods and services produced by a country's residents, both domestically and abroad, in a specific period.

71. What does GNP stand for in national income accounting?

(a) Gross National Product

(b) Gross Net Profit

(c) Government National Payment

(d) General National Practice

72. In national income accounting, what does the term "disposable income" refer to?

- (a) The total income earned by a nation's residents.
- (b) The income that individuals have after paying taxes.
- (c) The total income earned by a nation's residents minus government spending.
- (d) The income earned from foreign sources.

73. Which of the following is used to measure the total income earned by a country's residents, regardless of their location?

- (a) Gross National Product (GNP)
- (b) Gross Domestic Product (GDP)
- (c) Net National Product (NNP)
- (d) Net Domestic Product (NDP)

74. In National Income Accounting, depreciation of capital refers to:

- (a) The decrease in the value of a nation's currency
- (b) The decrease in the value of physical assets over time
- (c) The decrease in the government's budget deficit
- (d) The decrease in consumer spending on durable goods

75. Which of the following is an example of a transfer payment in National Income Accounting?

- (a) Salary of a government employee
- (b) Social Security benefits
- (c) Income earned from selling goods
- (d) Corporate taxes paid to the government

76. Which of the following is NOT a component of Aggregate Expenditure in National Income Accounting?

- (a) Consumption (C)
- (b) Investment (I)
- (c) Government Spending (G)
- (d) Net Exports (NX)

77. National Income estimates are essential for:

- (a) Calculating government debt
- (b) Evaluating the overall health of the financial sector
- (c) Measuring the economic growth and development of a country
- (d) Determining the inflation rate

78. The Gross Domestic Product (GDP) per capita is used to.

- (a) Measure the overall size of the economy
- (b) Determine the average income of a country's citizens
- (c) Calculate the total value of exports and imports
- (d) Analyze the distribution of wealth in a nation

79. Which of the following is NOT a usefulness of National Income estimates?

- (a) Facilitating economic planning and formulation of policies
- (b) Assessing the contribution of different sectors to the economy
- (c) Aiding in international trade negotiations
- (d) Estimating the unemployment rate

80. National Income estimates help in identifying:

- (a) The fiscal deficit of a country
- (b) The sources of economic growth
- (c) The exchange rates of foreign currencies
- (d) The demographic profile of the population

81. The difference between Gross National Product (GNP) and Gross Domestic Product (GDP) is mainly due to.

- (a) Imports and exports
- (b) Government spending
- (c) Foreign aid received
- (d) Remittances from citizens working abroad

82. Which of the following is a usefulness of National Income estimates in economic planning?

- (a) Estimating the number of people in poverty
- (b) Determining the cost of living for citizens
- (c) Assessing the impact of monetary policy
- (d) Identifying the distribution of wealth in society

83. Which of the following is NOT a significance of National Income estimates?

- (a) Comparing the economic performance of different countries
- (b) Guiding businesses in profit maximization strategies
- (c) Formulating fiscal policies and taxation rates
- (d) Predicting short-term fluctuations in the stock market

84. The concept of "per capita income" derived from National Income estimates is used to:

- (a) Determine the total output of an economy
- (b) Measure the average income of individuals in the country
- (c) Assess the level of government debt
- (d) Calculate the value of imports and exports

85. National Income estimates help in identifying:

- (a) The number of foreign tourists visiting the country
- (b) The contribution of different sectors to the economy
- (c) The literacy rate and educational attainment of citizens
- (d) The availability of natural resources within the country

86. National Income estimates are essential for:

- (a) Calculating individual income taxes
- (b) Assessing the overall health of an economy
- (c) Measuring inflation and unemployment rates
- (d) Determining exchange rates between currencies

87. National Income estimates are essential because they help in:

- (a) Calculating the total population of a country
- (b) Measuring the total value of goods and services produced in a country
- (c) Determining the exchange rate of the country's currency
- (d) Evaluating the literacy rate of the country

88. The significance of National Income estimates lies in:

- (a) Assessing the distribution of income among different income groups
- (b) Determining the number of unemployed individuals in the country
- (c) Estimating the total national debt of the country
- (d) Analyzing the birth and death rates in the country

89. Which of the following is NOT a usefulness of National Income estimates?

- (a) Assessing the standard of living in a country
- (b) Formulating economic policies
- (c) Calculating the inflation rate
- (d) Comparing the economic performance of different countries

90. National Income estimates help in international comparisons of countries' economies because they:

- (a) Provide information about the military strength of the countries
- (b) Show the total exports and imports of the countries
- (c) Indicate the level of technological advancement in the countries
- (d) Offer a common measure to compare economic performance

91. Which of the following statements is true regarding the usefulness of National Income estimates?

- (a) It helps in predicting the stock market trends.
- (b) It assists in identifying the environmental challenges faced by a country.
- (c) It is only relevant for developed countries, not for developing countries.
- (d) It aids in assessing the contribution of different sectors to the economy.

92. Gross Domestic Product (GDP) measures:

- (a) The total value of goods and services produced within a country's borders, including net income from abroad.
- (b) The total value of goods and services produced by a country's residents, regardless of their location.
- (c) The total value of goods and services produced within a country's borders, excluding net income from abroad.
- (d) The total value of goods and services consumed within a country's borders.

93. Gross National Product (GNP) is defined as:

- (a) The total value of goods and services produced within a country's borders, excluding depreciation.
- (b) The total value of goods and services produced by a country's residents, regardless of their location.
- (c) The total value of goods and services produced within a country's borders, including indirect taxes.
- (d) The total value of goods and services produced by a country's residents, excluding net income from abroad.

94. Personal Income (PI) is calculated as:

- (a) National Disposable Income (NDI) minus corporate profits and social insurance contributions.
- (b) National Income (NI) minus indirect taxes.
- (c) Gross Domestic Product (GDP) minus depreciation.
- (d) Gross National Product (GNP) minus net income from abroad.

95. Gross Domestic Product (GDP) is defined as the total:

- (a) Income earned by a country's residents, regardless of their location
- (b) Value of goods and services produced within a country's borders
- (c) Income earned by foreign residents within the country
- (d) Value of goods and services produced by a country's residents abroad

96. Net National Product (NNP) is derived by deducting:

- (a) Depreciation from GDP
- (b) Depreciation from GNP
- (c) Net indirect taxes from GDP
- (d) Net indirect taxes from GNP

97. Personal Income (PI) is derived from National Income (NI) by:

- (a) Adding transfer payments and deducting undistributed corporate profits

- (b) Adding corporate profits and deducting net interest and rent
- (c) Deducting direct taxes and adding transfer payments
- (d) Deducting retained earnings and adding social security contributions

98. Which concept of National Income includes only the market value of final goods and services produced within a country's borders during a specific time period?

- (a) Gross National Product (GNP)
- (b) Net Domestic Product (NDP)
- (c) Gross Domestic Product (GDP) at market price
- (d) Net National Product (NNP)

99. Which concept of National Income deducts depreciation (capital consumption) from Gross Domestic Product (GDP)?

- (a) Net Domestic Product (NDP)
- (b) Net National Product (NNP)
- (c) Gross National Product (GNP)
- (d) Gross Domestic Product (GDP) at factor cost

100. Which concept of National Income takes into account the net income earned from foreign investments and deducts net income earned by foreigners within the country? Gross of depreciation.

- (a) Gross Domestic Product (GDP) at factor cost
- (b) Net Domestic Product (NDP)
- (c) Gross National Product (GNP)
- (d) Net National Product (NNP)

**Solution :-**

1	2	3	4	5	6	7	8	9	10
B	B	B	B	B	D	D	A	A	B
11	12	13	14	15	16	17	18	19	20
A	D	D	C	A	A	B	C	A	B
21	22	23	24	25	26	27	28	29	30
A	C	C	C	B	C	C	B	D	B
31	32	33	34	35	36	37	38	39	40
C	D	B	C	A	B	A	D	D	A
41	42	43	44	45	46	47	48	49	50
D	B	D	C	C	D	B	B	A	A
51	52	53	54	55	56	57	58	59	60
B	B	B	A	B	A	A	D	C	C
61	62	63	64	65	66	67	68	69	70
B	B	B	C	A	B	D	B	B	C
71	72	73	74	75	76	77	78	79	80

A	B	A	B	B	D	C	B	D	B
81	82	83	84	85	86	87	88	89	90
D	C	D	B	B	B	B	A	C	D
91	92	93	94	95	96	97	98	99	100
D	C	B	A	B	B	A	C	A	C

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21.	A	22.	C	23.	C	24.	C	25	B
26.	C	27	B	28	B	29	B	30	A
31	B	32	B	33	B	34	A	35	A
36	C	37	A	38	B	39	C	40	A
41	C	42	B	43	B	44	B	45	D
46	B	47	C	48	B	49	B	50	D
51	A	52	D	53	C	54	A	55	C
56	C								

## CHAPTER 7 - PUBLIC FINANCE

1. Read the following statements

I. The market-based approaches to control externalities operate through price mechanism

II. When externalities are present, the welfare loss would be eliminated

III. The key to internalizing an externality is to ensure that those who create the externalities include them while making decisions

Of the above statements

(a) II and III are correct

(b) I only is correct

(c) II only is correct

(d) I and III are correct

2. Which of the following statements is false?

(a) Tradable permits provide incentive to innovate and reduce negative externalities

(b) A subsidy on a good which has substantial positive externalities would reduce its cost and consequently its price would be lower

(c) Substantial negative externalities are involved in the consumption of merit goods.

(d) Merit goods are likely to be under-produced and under consumed through the market mechanism

3. Which one of the following would you suggest for reducing negative externality?

(a) Production subsidies

(b) Excise duty

(c) Pigouvian taxes

(d) All of the above

4. A Pigouvian subsidy

(a) cannot be present when externalities are present

(b) is a good solution for negative externality as prices will increase

(c) is not measurable in terms of money and therefore not practical

(d) may help production to be socially optimal when positive externalities are present

5. If governments make it compulsory to avail insurance protection, it is because

- (a) Insurance companies need to be running profitably
- (b) Insurance will generate moral hazard and adverse selection
- (c) Insurance is a merit good and government wants people to consume it
- (d) None of the above

6. The Competition Act, 2002 aims to -

- (a) protect monopoly positions of firms that have developed unique innovations
- (b) to promote and sustain competition in markets
- (c) to determine pricing under natural monopoly.
- (d) None of the above

7. Rules regarding product labelling

- (a) Seeks to correct market failure due to externalities
- (b) Is a method of solving the problem of public good
- (c) May help solve market failure due to information failure
- (d) Reduce the problem of monopolies in the product market

8. Identify the incorrect statement

- (a) A minimum support price for agricultural goods is a market intervention method to guarantee steady and assured incomes to farmers.
- (b) An externality is internalised if the ones that generated the externality incorporate them into their private cost-benefit analysis
- (c) The production and consumption of demerit goods are likely to be less than optimal under free markets
- (d) Compared to pollution taxes, the cap and trade method is administratively cheap and simple to implement and ensures that pollution is minimised in the most cost-effective way.

9. The incentive to let other people pay for a good or service, the benefits of which are enjoyed by an individual

- (a) Is a case of negative externality
- (b) Is a case of market efficiency
- (c) Is a case of free riding
- (d) Is inappropriate and warrant action

10. A government subsidy

- (a) is a market-based policy
- (b) involves the government paying part of the cost to the firms in order to promote the production of goods having positive externalities
- (c) is generally provided for merit goods
- (d) all the above

11. Public debt management aims at

- (a) An efficient budgetary policy to avail of domestic debt facilities
- (b) Raising loans from international agencies at lower rates of interest
- (c) Raising the required amount of funding at the desired risk and cost levels
- (d) Management of public expenditure to reduce public debt

12. The railway budget is

- (a) Part of the general budget, but is presented by the railway minister
- (b) Part of the general budget from the budget for financial year 2017 -18.
- (c) Part of the general budget from the budget for financial year 2021 -22
- (d) Part of the general budget but presented on the next day of the general budget

13. Outcome budgeting

- (a) shares information about the money allocated for various purposes in a budget
- (b) establishes a direct link between budgetary allocations and performance targets measured through output and outcome indicators
- (c) establishes a direct link between budgetary performance targets and public account disbursements
- (d) shares information about public policies and programmes under the budget

14. Corporate tax

- (a) is collected by the union government and can be a capital receipt or revenue receipt
- (b) may be collected by the respective states and fall under revenue receipts
- (c) may be collected either by the centre or states and fall under revenue receipts
- (d) is collected by the union government and is a revenue receipt

15. Government borrowings from foreign governments and institutions

- (a) Capital receipt
- (b) Revenue receipt
- (c) Accounts for fiscal deficit
- (d) Any of the above depending on the purpose of borrowing

The following table relates to the revenue and expenditure figures of a hypothetical economy

In ` lakh Crores

(a)	Recovery of loans	5.1
(b)	Salaries of govt. servants	41.1
(c)	Capital Expenditure	45.0
(d)	Interest payments	1.3
(e)	Payments towards subsidies	3.2

(f)	Other receipts (mainly from disinvestment)	11.6
(g)	Tax revenue (net of states' share)	26.3
(h)	Non-tax revenue	12.3
(i)	Borrowings and other liabilities	6.8
(j)	States' share in tax revenue	11.9

16. The capital receipts are

- (a) 23.5
- (b) 19.7
- (c) 11.3
- (d) None of the above

17. Revenue deficit is

- (a) 23.6
- (b) 13.0
- (c) 7.0
- (d) 2.6

18. The non-debt capital receipts of this country is

- (a) 45.1
- (b) 16.7
- (c) 15.8
- (d) None of the above

19. A budget is said to be unbalanced when

- (a) when government's revenue exceeds government's expenditure
- (b) when government's expenditure exceeds government's revenue
- (c) either budget surplus or budget deficit occurs
- (d) All the above

20. Fiscal deficit refers to

- (a) the excess of government's revenue expenditure over revenue receipts
- (b) The excess of total expenditure over total receipts excluding borrowings
- (c) Primary deficit - interest payments
- (d) None of these

21. Which of the following are likely to occur when an economy is in an expansionary phase of a business cycle?

- I. Rising unemployment rate

- II. Falling unemployment rate
- III. Rising inflation rate
- IV. Deflation
- V. Falling or stagnant wage for workers
- VI. Increasing tax revenue
- VII. Falling tax revenue

- (a) A, B and F are most likely to occur
- (b) B, C and F are most likely to occur
- (c) D, E and F are most likely to occur
- (d) A, E and G are most likely to occur

22. During recession the fiscal policy of the government should be directed towards

- (a) Increasing the taxes and reducing the aggregate demand
- (b) Decreasing taxes to ensure higher disposable income
- (c) Increasing government expenditure and increasing taxes
- (d) None of the above

23. According to Keynesian economics, when we have inflation an effective fiscal policy should not include

- (a) increase corporate taxes.
- (b) decrease aggregate demand.
- (c) Increase government purchases.
- (d) None of the above is correct

24. Keynesian economists believe that

- (a) fiscal policy can have very powerful effects in altering aggregate demand, employment and output in an economy
- (b) when the economy is operating at less than full employment levels and when there is a need to offer stimulus to demand fiscal policy is of great use
- (c) Wages are flexible and therefore business fluctuations would be automatically adjusted
- (d) (a) and (b) above

25. Which of the following may ensure a decrease in aggregate demand during inflation?

- (a) decrease in all types of government spending and/ or an increase in taxes
- (b) increase in government spending and/ or a decrease in taxes
- (c) decrease in government spending and/ or a decrease in taxes
- (d) All the above

26. A recession is characterized by

- (a) Declining prices and rising employment

- (b) Declining unemployment and rising prices
- (c) Declining real income and rising unemployment.
- (d) Rising real income and rising prices

27. Which one of the following is an example of fiscal policy?

- (a) A tax cut aimed at increasing the disposable income and spending
- (b) A reduction in government expenditure to contain inflation
- (c) An increase in taxes and decrease in government expenditure to control inflation
- (d) All the above

28. Which of the following would illustrate a recognition lag?

- (a) The time required to identify the appropriate policy
- (b) The time required to identify to pass a legislation
- (c) The time required to identify the need for a policy change
- (d) The time required to establish the outcomes of fiscal policy

29. An expansionary fiscal policy, taking everything else constant, would in the short-run have the effect of

- (a) a relative large increase in GDP and a smaller increase in price
- (b) a relative large increase in price, a relatively smaller increase in GDP
- (c) both GDP and price will be increasing in the same proportion
- (d) both GDP and price will be increasing in a smaller proportion

30. Which statement (s) is (are) correct about crowding out?

I. A decline in private spending may be partially or completely offset by the expansion of demand resulting from an increase in government expenditure.

II. Crowding out effect is the negative effect fiscal policy may generate when money from the private sector is 'crowded out' to the public sector.

III. When spending by government in an economy increases government spending would be crowded out.

IV. Private investments, especially the ones which are interest -sensitive, will be reduced if interest rates rise due to increased spending by government

- (a) I and III only
- (b) I, II, and III
- (c) I, II, and IV
- (d) III only

31. Redistribution policies are likely to have efficiency costs because

- (a) They will reduce the efficiency of governments
- (b) They may create disincentives to work and save
- (c) Governments have to forego taxes
- (d) They are likely to make the poor people dependent on the rich

32. When a government offers unemployment benefits and also resorts to progressive taxation which function does it seem to fulfill?

- (a) It is trying to establish stability in an economy
- (b) It is trying to redistribute income and wealth
- (c) It is trying to allocate resources to their most efficient use
- (d) It is creating a source of market failure

33. Which of the following is concerned with division of economic responsibilities between the central and state Government of India?

- (a) NITI Aayog
- (b) central bank
- (c) Finance Commission
- (d) Parliament

34. Which of the following is an example of market failure?

- (a) Prices of goods tend to rise because of shortages
- (b) Merit goods are not sufficiently produced and supplied
- (c) Prices fall leading to fall in profits and closure of firms
- (d) None of the above

35. If an individual tends to drive his car in a dangerously high speed because he has a comprehensive insurance cover, it is a case of

- (a) free riding
- (b) moral hazard
- (c) poor upbringing
- (d) Inefficiency

36. Rules regarding product labelling

- (a) Seeks to correct market failure due to externalities
- (b) Is a method of solving the problem of public good
- (c) May help solve market failure due to information failure
- (d) Reduce the problem of monopolies in the product market

37. Government failure occurs when

- (a) Government fails to implement its election promises on policies
- (b) A government is unable to get reelected
- (c) Government intervention is ineffective and produces fresh and more serious problems
- (d) None of the above

38. The railway budget is

- (a) Part of the general budget, but is presented by the railway minister
- (b) Part of the general budget from the budget for financial year 2017 -18.
- (c) Part of the general budget from the budget for financial year 2021 -22
- (d) Part of the general budget but presented on the next day of the general budget

39. A budget is said to be unbalanced when

- (a) when government's revenue exceeds government's expenditure
- (b) when government's expenditure exceeds government's revenue
- (c) either budget surplus or budget deficit occurs
- (d) All the above

40. Grants given by the central government to state governments is
- (a) A revenue expenditure as it is meant to meet the current expenditure of the states
  - (b) A revenue expenditure as it does neither creates any asset, nor reduces any liability of the government
  - (c) A capital expenditure because it increase the capital base of the states
  - (d) It is a grant and so does not come under revenue expenditure or capital expenditure.

41. Keynesian economists believe that
- (a) fiscal policy can have very powerful effects in altering aggregate demand, employment and output in an economy
  - (b) when the economy is operating at less than full employment levels and when there is a need to offer stimulus to demand fiscal policy is of great use
  - (c) Wages are flexible and therefore business fluctuations would be automatically adjusted
  - (d) (a) and (b) above

42. Which of the following is not true regarding The Minimum Support Price (MSP) mechanism in India?
- (a) MSP works on the principle of Price Ceiling
  - (b) MSP works on the principle of Price Flooring
  - (c) At the price fixed, there exists excess supply
  - (d) Govt. procures the excess supply of farmers.

43. Are fiscal & monetary policies opposite of each other?
- (a) Yes, they are opposite to each other
  - (b) Fiscal policy is superior to monetary policy.
  - (c) No, these policies are complementary to each other.
  - (d) None of these

44. What was the main objective of the Fiscal Responsibility and Budget Management Act, of 2003?
- (a) Achieve Fiscal Surplus
  - (b) Stop Money Laundering
  - (c) Eliminate Fiscal Deficit
  - (d) Eliminate Revenue deficit

45. Which of the following is NOT a conclusion about market allocations of commodities causing pollution externalities?
- (a) The prices of products responsible for pollution are too high.
  - (b) The output of the commodity is too large.
  - (c) Recycling and reuse of the polluting substances are discouraged since release into the environment is so inefficiently cheap.
  - (d) Too much pollution is produced.

46. Which of the following is a common solution to the problem of common resources being overused?
- (a) Government regulation
  - (b) Privatization
  - (c) Subsidies
  - (d) Free-market competition

47. Statutory Grants in aid form the Union to certain states is based on the constitutional provisions as:

- (a) Article 275
- (b) Article 282
- (c) Article 293
- (d) Article 270

48. The government makes the provision of which goods those cannot be provided through the market:

- (a) private and public goods
- (b) public and merit goods
- (c) public and necessary goods
- (d) Giffen and merit goods

49. Mr Amit, a stock market trader through inside information, comes to know that share price of X Ltd is likely to go up in future, so he purchases the shares to make a gain by selling them later at higher price. It is a case of:

- (a) Moral Hazard
- (b) Asymmetric Information
- (c) Free Riding
- (d) None of the above

50. Among the following canons of taxation which one has been given by Adam Smith?

- (a) Canon of Uniformity
- (b) Canon of productivity
- (c) canon of diversity
- (d) canon of equity

51. If a Ministry falls short of approved budget in a scheme, what is the process to get additional budget through Parliament?

- (a) Supplementary
- (b) Re-appropriation
- (c) Transfer of balances
- (d) Vote on account

52. Macroeconomic stabilization may be achieved through

- (a) Free market economy
- (b) Fiscal policy
- (c) Monetary policy
- (d) (b) and (c) above

53. The justification for government intervention is best described by

- (a) The need to prevent recession and inflation in the economy
- (b) The need to modify the outcomes of private market actions
- (c) The need to bring in justice in distribution of income and wealth
- (d) All the above

54. Government of Emeline Land decides to provide most modern road infrastructure throughout the nation. This can be classified as

- (a) Distribution function
- (b) Allocation function
- (c) Stabilization function
- (d) None of the above

55. GST compensation is given to

- (a) to the industries which have made losses due to the introduction of GST
- (b) to compensate for the lower rates of GST on essential items
- (c) to the states to compensate for the loss of revenue due to the introduction of GST
- (d) to compensate for the loss of input tax credit in manufacturing

56. The percentage of share of states in central taxes for the period 2021-26 recommended by the Fifteenth Finance Commission is

- (a) 38 percent
- (b) 41 percent
- (c) 42 percent
- (d) The commission has not submitted its report

57. Providing social sector services such as health and education is

- (a) the responsibility of the central government
- (b) the responsibility of the respective state governments
- (c) the responsibility of local administrative bodies
- (d) none of the above

58. Which of the following is an outcome of market power?

- (a) makes price equal to marginal cost and produce a positive external benefit on others
- (b) can cause markets to be efficient due to reduction in costs
- (c) makes the firms price makers and restrict output so as to make allocation inefficient
- (d) (b) and (c) above

59. Adequate amount of a pure public good will not be provided by the private market because of

- (a) the possibility of free riding
- (b) the existence of very low prices and low profits
- (c) governments would any way produce them, so there will be overproduction
- (d) there are restrictions as well as taxes on production of public goods

60. Which of the following statements is false?

- (a) Tradable permits provide incentive to innovate and reduce negative externalities
- (b) A subsidy on a good which has substantial positive externalities would reduce its cost and consequently its price would be lower
- (c) Substantial negative externalities are involved in the consumption of merit goods.
- (d) Merit goods are likely to be under-produced and under consumed through the market mechanism

**Solution :-**

1.	D	2.	C	3.	C	4.	D	5.	C
6.	B	7.	C	8.	C	9.	C	10.	D
11.	C	12.	B	13.	B	14.	D	15.	A
16.	A	17.	C	18.	B	19.	D	20.	D
21.	B	22.	B	23.	C	24.	D	25.	A
26.	C	27.	D	28.	C	29.	A	30.	C
31.	B	32.	B	33.	C	34.	B	35.	B

36	C	37	C	38	B	39	D	40	B
41	D	42	A	43	C	44	C	45	A
46	A	47	A	48	B	49	B	50	D
51	A	52	D	53	D	54	B	55	C
56	B	57	B	58	C	59	A	60	C

## CHAPTER 8 - MONEY MARKET

1. Choose the incorrect statement

- (a) Anything that would act as a medium of exchange is money
- (b) Money has generalized purchasing power and is generally acceptable in settlement of all transactions
- (c) Money is a totally liquid asset and provides us with means to access goods and services
- (d) Currency which represents money does not necessarily have intrinsic value.

2. Money performs all of the three functions mentioned below, namely

- (a) medium of exchange, price control, store of value
- (b) unit of account, store of value , provide yields
- (c) medium of exchange, unit of account, store of value
- (d) medium of exchange, unit of account, income distribution

3. Demand for money is

- (a) Derived demand
- (b) Direct demand
- (c) Real income demand
- (d) Inverse demand

4. Higher the , higher would be of holding cash and lower will be the

- (a) demand for money, opportunity cost, interest rate
- (b) price level , opportunity cost, interest rate
- (c) real income , opportunity cost, demand for money
- (d) interest rate, opportunity cost, demand for money

5. The quantity theory of money holds that

- (a) changes in the general level of commodity prices are caused by changes in the quantity of money
- (b) there is strong relationship between money and price level and the quantity of money is the main determinant of the price
- (c) changes in the value of money or purchasing power of money are determined first and foremost by changes in the quantity of money in circulation
- (d) All the above

6. The Cambridge approach to quantity theory is also known as

- (a) Cash balance approach
- (b) Fisher's theory of money
- (c) Classical approach
- (d) Keynesian Approach

7. Fisher's approach and the Cambridge approach to demand for money consider

- (a) money's role in acting as a store of value and therefore, demand for money is for storing value temporarily.
- (b) money as a means of exchange and therefore demand for money is termed as for liquidity preference
- (c) money as a means of transactions and therefore, demand for money is only transaction demand for money.
- (d) None of the above

8. Real money is

- (a) nominal money adjusted to the price level
- (b) real national income
- (c) money demanded at given rate of interest
- (d) nominal GNP divided by price level

9. The precautionary money balances people want to hold

- (a) as income elastic and not very sensitive to rate of interest
- (b) as income inelastic and very sensitive to rate of interest
- (c) are determined primarily by the level of transactions they expect to make in the future.
- (d) are determined primarily by the current level of transactions

10. Speculative demand for money

- (a) is not determined by interest rates
- (b) is positively related to interest rates
- (c) is negatively related to interest rates
- (d) is determined by general price level

11. According to Keynes, if the current interest rate is high

- (a) people will demand more money because the capital gain on bonds would be less than return on money
- (b) people will expect the interest rate to rise and bond price to fall in the future.
- (c) people will expect the interest rate to fall and bond price to rise in the future.
- (d) Either a) or b) will happen

12. The inventory-theoretic approach to the transactions demand for money

- (a) explains the negative relationship between money demand and the interest rate.
- (b) explains the positive relationship between money demand and the interest rate.
- (c) explains the positive relationship between money demand and general price level
- (d) explains the nature of expectations of people with respect to interest rates and bond prices

13. According to Baumol and Tobin's approach to demand for money, the optimal average money holding is:

- (a) a positive function of income  $Y$  and the price level  $P$
- (b) a positive function of transactions costs  $c$ ,
- (c) a negative function of the nominal interest rate  $I$
- (d) All the above

14. \_\_\_\_\_ considered demand for money is as an application of a more general theory of demand for capital assets

- (a) Baumol
- (b) James Tobin
- (c) J M Keynes
- (d) Milton Friedman

15. The nominal demand for money rises if

- (a) the opportunity costs of money holdings - i.e. bonds and stock returns,  $r_B$  and  $r_E$ , respectively- decline and vice versa
- (b) the opportunity costs of money holdings - i.e. bonds and stock returns,  $r_B$  and  $r_E$ , respectively- rises and vice versa
- (c) the opportunity costs of money holdings - i.e. bonds and stock returns,  $r_B$  and  $r_E$ , respectively remain constant
- (d) b) and c) above

16. Reserve money is also known as

- (a) central bank money
- (b) base money
- (c) high powered money
- (d) all the above

17. Choose the correct statement from the following

- (a) Money is deemed as something held by the public and therefore only currency held by the public is included in money supply.
- (b) Money is deemed as something held by the public and therefore inter-bank deposits are included in money supply.
- (c) Since inter-bank deposits are not held by the public, therefore inter-bank deposits are excluded from the measure of money supply.
- (d) Both (a) and (c) above.

18. Reserve Money is composed of

- (a) currency in circulation + demand deposits of banks (Current and Saving accounts) + Other deposits with the RBI.
- (b) currency in circulation + Bankers' deposits with the RBI + Other deposits with the RBI.
- (c) currency in circulation + demand deposits of banks + Other deposits with the RBI.
- (d) currency in circulation + demand and time deposits of banks + Other deposits with the RBI.

19. M1 is the sum of

- (a) currency and coins with the people + demand deposits of banks (Current and Saving accounts) + other deposits of the RBI.
- (b) currency and coins with the people + demand and time deposits of banks (Current and Saving accounts) +

other deposits of the RBI.

(c) currency in circulation + Bankers' deposits with the RBI + Other deposits with the RBI

(d) none of the above

20. Under the 'minimum reserve system' the central bank is

(a) empowered to issue currency to any extent by keeping an equivalent reserve of gold and foreign securities.

(b) empowered to issue currency to any extent by keeping only a certain minimum reserve of gold and foreign securities.

(c) empowered to issue currency in proportion to the reserve money by keeping only a minimum reserve of gold and foreign securities.

(d) empowered to issue currency to any extent by keeping a reserve of gold and foreign securities to the extent of ` 350 crores

21. The primary source of money supply in all countries is

(a) the Reserve Bank of India

(b) the Central bank of the country

(c) the Bank of England

(d) the Federal Reserve

22. The supply of money in an economy depends on

(a) the decision of the central bank based on the authority conferred on it.

(b) the decision of the central bank and the supply responses of the commercial banking system.

(c) the decision of the central bank in respect of high powered money.

(d) both a) and c) above.

23. Banks in the country are required to maintain deposits with the central bank

(a) to provide the necessary reserves for the functioning of the central bank

(b) to meet the demand for money by the banking system

(c) to meet the central bank prescribed reserve requirements and to meet settlement obligations.

(d) to meet the money needs for the day to day working of the commercial banks

24. If the behaviour of the public and the commercial banks is constant, then

(a) the total supply of nominal money in the economy will vary directly with the supply of the nominal high-powered money issued by the central bank

(b) the total supply of nominal money in the economy will vary directly with the rate of interest and inversely with reserve money

(c) the total supply of nominal money in the economy will vary inversely with the supply of high powered money

(d) all the above are possible

25. Under the fractional reserve system

- (a) the money supply is an increasing function of reserve money (or high powered money) and the money multiplier.
- (b) the money supply is an decreasing function of reserve money (or high powered money) and the money multiplier.
- (c) the money supply is an increasing function of reserve money (or high powered money) and a decreasing function of money multiplier.
- (d) none of the above as the determinants of money supply are different

26. The money multiplier and the money supply are

- (a) positively related to the excess reserves ratio  $e$ .
- (b) negatively related to the excess reserves ratio  $e$ .
- (c) not related to the excess reserves ratio  $e$ .
- (d) proportional to the excess reserves ratio  $e$ .

27. The currency ratio represents

- (a) the behaviour of central bank in the issue of currency.
- (b) the behaviour of central bank in respect cash reserve ratio.
- (c) the behaviour of the public.
- (d) the behaviour of commercial banks in the country.

28. The size of the money multiplier is determined by

- (a) the currency ratio ( $c$ ) of the public,
- (b) the required reserve ratio ( $r$ ) at the central bank, and
- (c) the excess reserve ratio ( $e$ ) of commercial banks.
- (d) all the above

29. \_\_\_\_\_ tells us how much new money will be created by the banking system for a given increase in the high-powered money.

- (a) The currency ratio
- (b) The excess reserve ratio  $e$
- (c) The credit multiplier
- (d) The currency ratio ( $c$ )

30. The money multiplier will be large

- (a) for higher currency ratio ( $c$ ), lower required reserve ratio ( $r$ ) and lower excess reserve ratio ( $e$ )
- (b) for constant currency ratio ( $c$ ), higher required reserve ratio ( $r$ ) and lower excess reserve ratio ( $e$ )
- (c) for lower currency ratio ( $c$ ), lower required reserve ratio ( $r$ ) and lower excess reserve ratio ( $e$ )
- (d) None of the above

31. Choose the incorrect statement

- (a) Anything that would act as a medium of exchange is money

(b) Money has generalized purchasing power and is generally acceptable in settlement of all transactions

(c) Money is a totally liquid asset and provides us with means to access goods and services

(d) Currency which represents money does not necessarily have intrinsic value.

32. The quantity theory of money holds that

(a) changes in the general level of commodity prices are caused by changes in the quantity of money

(b) there is strong relationship between money and price level and the quantity of money is the main determinant of the price

(c) changes in the value of money or purchasing power of money are determined first and foremost by changes in the quantity of money in circulation

(d) All the above

33. Speculative demand for money

(a) is not determined by interest rates

(b) is positively related to interest rates

(c) is negatively related to interest rates

(d) is determined by general price level

34. The nominal demand for money rises if

(a) the opportunity costs of money holdings - i.e. bonds and stock returns,  $r_B$  and  $r_E$ , respectively- decline and vice versa

(b) the opportunity costs of money holdings - i.e. bonds and stock returns,  $r_B$  and  $r_E$ , respectively- rises and vice versa

(c) the opportunity costs of money holdings - i.e. bonds and stock returns,  $r_B$  and  $r_E$ , respectively remain constant

(d) b) and c) above

35. Under the 'minimum reserve system' the central bank is

(a) empowered to issue currency to any extent by keeping an equivalent reserve of gold and foreign securities.

(b) empowered to issue currency to any extent by keeping only a certain minimum reserve of gold and foreign securities.

(c) empowered to issue currency in proportion to the reserve money by keeping only a minimum reserve of gold and foreign securities.

(d) empowered to issue currency to any extent by keeping a reserve of gold and foreign securities to the extent of ` 350 crores

36. Under the fractional reserve system

(a) the money supply is an increasing function of reserve money (or high powered money) and the money multiplier.

(b) the money supply is an decreasing function of reserve money (or high powered money) and the money multiplier.

(c) the money supply is an increasing function of reserve money (or high powered money) and a decreasing function of money multiplier.

(d) none of the above as the determinants of money supply are different

37. The money multiplier will be large

(a) for higher currency ratio (c), lower required reserve ratio (r) and lower excess reserve ratio (e)

(b) for constant currency ratio (c), higher required reserve ratio (r) and lower excess reserve ratio (e)

- (c) for lower currency ratio (c), lower required reserve ratio (r) and lower excess reserve ratio €  
(d) None of the above

38. Which of the following is the function of monetary policy?

- (a) regulate the exchange rate and keep it stable  
(b) regulate the movement of credit to the corporate sector  
(c) regulate the level of production and prices  
(d) regulate the availability, cost and use of money and credit

39. Which of the following statements is correct?

- (a) The governor of the RBI in consultation with the Ministry of Finance decides the policy rate and implements the same  
(b) While CRR has to be maintained by banks as cash with the RBI, the SLR requires holding of approved assets by the bank itself  
(c) When repo rates increase, it means that banks can now borrow money through open market operations (OMO)  
(d) None of the above

40. The Monetary Policy Framework Agreement is on

- (a) the maximum repo rate that RBI can charge from government  
(b) the maximum tolerable inflation rate that RBI should target to achieve price stability.  
(c) the maximum repo rate that RBI can charge from the commercial banks  
(d) the maximum reverse repo rate that RBI can charge from the commercial banks

41. Among the following identified by Friedman, which one is not one of the four determinants of demand for money?

- (a) Average return on five asset classes  
(b) Price level in the economy  
(c) Inflation Rate  
(d) Forex Trade

42. \_refers to that portion of total deposits that a commercial bank is required to keep with RBI in the forms of reserves.

- (a) Compulsory Reserve Ratio  
(b) Statutory Liquid Ratio  
(c) Legal Reserve Ratio  
(d) Cash Reserve Ratio

43. Quantitative easing is the common name for?

- (a) Asset selling by a Central Bank  
(b) Asset purchasing by a Central Bank  
(c) Lowering at the interest rate for commercial bank lending  
(d) None of these

44. Which of the following is included in M2, a broader measure of money supply compared to M1?

- (a) Currency in circulation  
(b) Savings deposits  
(c) Demand deposits

(d) Travellers' checks

45. What is the "liquidity trap" in Keynesian theory?

- (a) A situation where interest rates are very high.
- (b) A situation where interest rates are very low, and savings are hoarded.
- (c) A situation of hyperinflation
- (d) A situation of excessive government spending

46. \_considered demand for money is an application of a more general theory of demand for capital assets.

- (a) Baumol
- (b) Milton Friedman
- (c) J M Keynes
- (d) None of these

47. Which of the following is not a criterion for determining distribution of Central taxes among the states for 2021-2026 period:

- (a) Infrastructure performance
- (b) Forest and ecology
- (c) Tax and fiscal efforts
- (d) Demographic performance

48. Which among the following is called the rate of interest charged by RBI for lending money to various commercial banks by rediscounting of the bills in India?

- (a) Bank rate
- (b) Discount window.
- (c) Marginal Standing facility
- (d) Overnight rate

49. Reserve money is supplied by:

- (a) RBI
- (b) Government
- (c) Commercial banks
- (d) World bank

50. Which of the following is/are the components of Public Debt?

1. Market Loans
  2. External Loans
  3. Outstanding against saving schemes/ provident funds
- (a) only 1
  - (b) only 2
  - (c) Both 1 and 2
  - (d) only 3

51. Open Market Operations imply:

- (a) Buying and selling securities by RBI
- (b) Buying and selling securities by commercial banks (c )Buying and selling securities by Investors
- (d ) Buying and selling securities by government

52. Money performs all of the three functions mentioned below, namely

- (a) medium of exchange, price control, store of value
- (b) unit of account, store of value, provide yields
- (c) medium of exchange, unit of account, store of value
- (d) medium of exchange, unit of account, income distribution

53. Higher the \_\_\_\_\_, higher would be \_\_\_\_\_ of holding cash and lower will be the \_\_\_\_\_

- (a) demand for money, opportunity cost, interest rate
- (b) price level, opportunity cost, interest rate
- (c) real income, opportunity cost, demand for money
- (d) interest rate, opportunity cost, demand for money

54. The Cambridge approach to quantity theory is also known as

- (a) Cash balance approach
- (b) Fisher's theory of money
- (c) Classical approach
- (d) Keynesian Approach

55. Real money is

- (a) nominal money adjusted to the price level
- (b) real national income
- (c) money demanded at given rate of interest
- (d) nominal GNP divided by price level

56. The inventory-theoretic approach to the transactions demand for money

- (a) explains the negative relationship between money demand and the interest rate.
- (b) explains the positive relationship between money demand and the interest rate.
- (c) explains the positive relationship between money demand and general price level
- (d) explains the nature of expectations of people with respect to interest rates and bond prices

57. \_\_\_\_\_ considered demand for money is as an application of a more general theory of demand for capital assets

- (a) Baumol
- (b) James Tobin
- (c) J M Keynes
- (d) Milton Friedman

58. Reserve money is also known as

- (a) central bank money
- (b) base money
- (c) high powered money
- (d) all the above

59. Reserve Money is composed of

- (a) currency in circulation + demand deposits of banks (Current and Saving accounts) + Other deposits with the RBI.
- (b) currency in circulation + Bankers' deposits with the RBI + Other deposits with the RBI.
- (c) currency in circulation + demand deposits of banks + Other deposits with the RBI.

(d) currency in circulation + demand and time deposits of banks + Other deposits with the RBI.

60. The supply of money in an economy depends on

- (a) the decision of the central bank based on the authority conferred on it.
- (b) the decision of the central bank and the supply responses of the commercial banking system.
- (c) the decision of the central bank in respect of high powered money.
- (d) both a) and c) above.

**Solution :-**

1.	A	2.	C	3.	A	4.	D	5.	D
6.	A	7.	C	8.	A	9.	A	10.	C
11.	C	12.	A	13.	D	14.	D	15.	A
16.	D	17.	C	18.	B	19.	A	20.	B
21.	B	22.	B	23.	C	24.	A	25.	A
26.	B	27.	C	28.	D	29.	C	30.	C
31.	A	32.	D	33.	C	34.	A	35.	B
36.	A	37.	C	38.	D	39.	B	40.	B
41.	D	42.	D	43.	B	44.	B	45.	B
46.	B	47.	C	48.	A	49.	A	50.	C
51.	A	52.	C	53.	D	54.	A	55.	A
56.	A	57.	D	58.	D	59.	B	60.	B

## CHAPTER 9 - INTERNATIONAL TRADE

1. A specific tariff is

- (a) a tax on a set of specified imported good
- (b) an import tax that is common to all goods imported during a given period
- (c) a specified fraction of the economic value of an imported good
- (d) a tax on imports defined as an amount of currency per unit of the good

2. A tariff on imports is beneficial to domestic producers of the imported good because

- (a) they get a part of the tariff revenue
- (b) it raises the price for which they can sell their product in the domestic market
- (c) it determines the quantity that can be imported to the country
- (d) it reduces their producer surplus, making them more efficient

3. A tax applied as a percentage of the value of an imported good is known as

- (a) preferential tariff
- (b) ad valorem tariff
- (c) specific tariff
- (d) mixed or compound tariff

4. Escalated tariff refers to

- (a) nominal tariff rates on raw materials which are greater than tariffs on manufactured products
- (b) nominal tariff rates on manufactured products which are greater than tariffs on raw materials
- (c) a tariff which is escalated to prohibit imports of a particular good to protect domestic industries
- (d) none of the above

5. Voluntary export restraints involve:

- (a) an importing country voluntarily restraining the quantity of goods that can be exported into the country during a specified period of time
- (b) domestic firms agreeing to limit the quantity foreign products sold in their domestic markets
- (c) an exporting country voluntarily restraining the quantity of goods that can be exported out of a country during a specified period of time
- (d) quantitative restrictions imposed by the importing country's government.

6. Anti-dumping duties are

- (a) additional import duties so as to offset the effects of exporting firm's unfair charging of prices in the foreign market which are lower than production costs.
- (b) additional import duties so as to offset the effects of exporting firm's increased competitiveness due to subsidies by government
- (c) additional import duties so as to offset the effects of exporting firm's unfair charging of lower prices in the foreign market
- (d) Both (a) and (c) above

7. A countervailing duty is

- (a) a tariff that aim to offset artificially low prices charged by exporters who enjoy export subsidies and tax concessions in their home country
- (b) charged by importing countries to ensure fair and market-oriented pricing of imported products
- (c) charged by importing countries to protect domestic industries and firms from unfair price advantage arising from subsidies
- (d) All the above

8. Which of the following is an outcome of tariff?

- (a) create obstacles to trade and increase the volume of imports and exports
- (b) domestic consumers enjoy consumer surplus because consumers must now pay only a lower price for the good
- (c) discourage domestic consumers from consuming imported foreign goods and encourage consumption of domestically produced import substitutes
- (d) increase government revenues of the importing country by more than value of the total tariff it charges

9. SPS measures and TBTs are

- (a) permissible under WTO to protect the interests of countries

- (b) may result in loss of competitive advantage of developing countries
- (c) increases the costs of compliance to the exporting countries
- (d) All the above

10. Which of the following is not a non-tariff barrier.

- (a) Complex documentation requirements
- (b) Import quotas on specific goods
- (c) Countervailing duties charged by importing country
- (d) Pre shipment product inspection and certification requirements

11. The Agreement on Trade-Related Aspects of Intellectual Property Rights

- (a) stipulates to administer a system of enforcement of intellectual property rights.
- (b) provides for most-favoured-nation treatment and national treatment for intellectual properties
- (c) mandates to maintain high levels of intellectual property protection by all members
- (d) all the above

12. The most controversial topic in the yet to conclude Doha Agenda is

- (a) trade in manufactured goods
- (b) trade in intellectual property rights-based goods
- (c) trade in agricultural goods
- (d) market access to goods from developed countries

13. The WTO commitments

- (a) affect developed countries adversely because they have comparatively less agricultural goods
- (b) affect developing countries more because they need to make radical adjustments
- (c) affect both developed and developing countries equally
- (d) affect none as they increase world trade and ensure prosperity to all

14. Based on the supply and demand model of determination of exchange rate, which of the following ought to cause the domestic currency of Country X to appreciate against dollar?

- (a) The US decides not to import from Country X
- (b) An increase in remittances from the employees who are employed abroad to their families in the home country
- (c) Increased imports by consumers of Country X
- (d) Repayment of foreign debts by Country X

15. All else equal, which of the following is true if consumers of India develop taste for imported commodities and decide to buy more from the US?

- (a) The demand curve for dollars shifts to the right and Indian Rupee appreciates
- (b) The supply of US dollars shrinks and, therefore, import prices decrease

- (c) The demand curve for dollars shifts to the right and Indian Rupee depreciates
- (d) The demand curve for dollars shifts to the left and leads to an increase in exchange rate

16. 'The nominal exchange rate is expressed in units of one currency per unit of the other currency. A real exchange rate adjusts this for changes in price levels'. The statements are

- (a) wholly correct
- (b) partially correct
- (c) wholly incorrect
- (d) None of the above

17. Match the following by choosing the term which has the same meaning

- I. floating exchange rate    a. fixed exchange rate
- II. pegged exchange rate    b. depreciation
- III. Devaluation                c. revaluation
- IV. Appreciation                d. flexible exchange rate

- (a) (i c); (ii d); (iii b); (iv a)
- (b) (i b); (ii a); (iii d); (iv c)
- (c) (i a); (ii d); (iii b); (iv c)
- (d) (i d); (ii a); (iii b); (iv c)

18. Choose the correct statement

- (a) An indirect quote is the number of units of a local currency exchangeable for one unit of a foreign currency
- (b) the fixed exchange rate regime is said to be efficient and highly transparent.
- (c) A direct quote is the number of units of a local currency exchangeable for one unit of a foreign currency
- (d) Exchange rates are generally fixed by the central bank of the country

19. Which of the following statements is true?

- (a) Home-currency appreciation or foreign-currency depreciation takes place when there is a decrease in the home currency price of foreign currency
- (b) Home-currency depreciation takes place when there is an increase in the home currency price of the foreign currency
- (c) Home-currency depreciation is the same as foreign-currency appreciation and implies that the home currency has become relatively less valuable.
- (d) All the above

20. An increase in the supply of foreign exchange

- (a) shifts the supply curve to the right and as a consequence, the exchange rate declines
- (b) shifts the supply curve to the right and as a consequence, the exchange rate increases
- (c) more units of domestic currency are required to buy a unit of foreign exchange

(d) the domestic currency depreciates and the foreign currency appreciates

21. Under tariff rate quota

- (a) countries promise to impose tariffs on imports from members other than those who are part of a preferential trade agreement
- (b) a country permits an import of limited quantities at low rates of duty but subjects an excess amount to a much higher rate
- (c) lower tariff is charged from goods imported from a country which is given preferential treatment
- (d) none of the above

22. Non -tariff barriers (NTBs) include all of the following except:

- (a) import quotas
- (b) Tariffs
- (c) export subsidies
- (d) technical standards of products

23. Which of the following culminated in the establishment of the World Trade Organization?

- (a) The Doha Round
- (b) The Tokyo Round
- (c) The Uruguay Round
- (d) The Kennedy Round

24. Choose the correct statement

- (a) The GATT was meant to prevent exploitation of poor countries by richer countries
- (b) The GATT dealt with trade in goods only, while, the WTO covers services as well as intellectual property.
- (c) All members of the World Trade Organization are required to avoid tariffs of all types
- (d) All the above

25. The 'National treatment' principle stands for

- (a) the procedures within the WTO for resolving disagreements about trade policy among countries
- (b) the principle that imported products are to be treated no worse in the domestic market than the local ones
- (c) exported products are to be treated no worse in the domestic market than the local ones
- (d) imported products should have the same tariff, no matter where they are imported from

26. 'Bound tariff' refers to

- (a) clubbing of tariffs of different commodities into one common measure
- (b) the lower limit of the tariff below which a nation cannot be taxing its imports
- (c) the upper limit on the tariff that a country can levy on a particular good, according to its commitments under the GATT and WTO.

(d) the limit within which the country's export duty should fall so that there are cheaper exports

27. The essence of 'MFN principle' is

- (a) equality of treatment of all member countries of WTO in respect of matters related to trade
- (b) favour one, country, you need to favour all in the same manner
- (c) every WTO member will treat all its trading partners equally without any prejudice and discrimination
- (d) all the above

28. The World Trade Organization (WTO)

- (a) has now been replaced by the GATT
- (b) has an inbuilt mechanism to settle disputes among members
- (c) was established to ensure free and fair trade internationally.
- (d) (b) and c) above

29. The Agreement on Agriculture includes explicit and binding commitments made by WTO Member governments

- (a) on increasing agricultural productivity and rural development
- (b) market access and agricultural credit support
- (c) market access, domestic support and export subsidies
- (d) market access, import subsidies and export subsidies

30. The Agreement on Textiles and Clothing

- (a) provides that textile trade should be deregulated gradually and the tariffs should be increased
- (b) replaced the Multi-Fiber Arrangement (MFA) which was prevalent since 1974
- (c) granted rights of textile exporting countries to increase tariffs to protect their domestic textile industries
- (d) stipulated that tariffs in all countries should be the same

31. Which of the following does not represent a difference between internal trade and international trade?

- (a) transactions in multiple currencies
- (b) homogeneity of customers and currencies
- (c) differences in legal systems
- (d) none of the above

32. Given the number of labour hours to produce cloth and grain in two countries, which country should produce grain?

Labour cost (hours) for production of one unit

	Country A	Country B
Cloth	40	80
Grain	80	40

- (a) Country A
- (b) Country B

- (c) Neither A nor B
- (d) Both A and B

33. Ricardo explained the law of comparative advantage on the basis of

- (a) opportunity costs
- (b) the law of diminishing returns
- (c) economies of scale
- (d) the labour theory of value

34. Voluntary export restraints involve:

- (a) an importing country voluntarily restraining the quantity of goods that can be exported into the country during a specified period of time
- (b) domestic firms agreeing to limit the quantity foreign products sold in their domestic markets
- (c) an exporting country voluntarily restraining the quantity of goods that can be exported out of a country during a specified period of time
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40. Which of the following is a component of foreign capital?

- (a) Direct inter government loans
- (b) Loans from international institutions (e.g. World Bank, IMF, ADB)
- (c) Soft loans for e.g. from affiliates of World Bank such as IDA
- (d) All the above

41. Which of the following is a reason for foreign direct investment?

- (a) secure access to minerals or raw materials
- (b) desire to capture of large and rapidly growing emerging markets
- (c) desire to influence home country industries
- (d) (a) and (b) above

42. Which of the following is not one of the features of New Trade Theory by Paul Krugman?

- (a) Countries which trade in similar goods are natural trade partners.
- (b) It is based on labour theory of value
- (c) Network effect as means of engaging in international trade.
- (d) It focuses more on economies of scale.

43. What is the purpose of a voluntary export restraint (VER)?

- (a) To limit the quantity of exports.
- (b) To encourage foreign producers to export more
- (c) To reduce the cost of imports.
- (d) To comply with international trade agreements.

44. Which type of investment is more influenced by government regulations and policies?

- (a) FDI
- (b) FPI
- (c) Both FDI and FPI equally
- (d) Neither FDI nor FPI

45. The most controversial topic in the yet to conclude Doha Agenda is:

- (a) Trade in agricultural goods
- (b) Trade in manufactured goods
- (c) market access to goods from developed countries
- (d) None of these

46. Which of the following is a zero-sum game?

- (a) Prisoners dilemma
- (b) Competition for market share
- (c) Pricing strategy
- (d) None of the above is correct

47. Central Government can impose the safeguard duty if it is satisfied that:

- (a) Any article is imported into India in increased quantities
- (b) Such increased importation is causing or threatening to cause serious injury to domestic industry
- (c) Either A or B
- (d) Both A & B

48. What is a Global Depository Receipt?

- (a) It is a receipt issued by multinational banks on deposit of money.
- (b) It is a receipt issued by stock exchange to bank clearing mechanism.
- (c) It is a receipt issued by an overseas bank in lieu of shares of a domestic company.
- (d) It is a receipt issued by stock exchange on investment by foreign portfolio investor.

49. The Three component of FDI is:

- (a) equity capital
- (b) reinvested earnings
- (c) Intra company loans
- (d) All the above

50. Globalization indicate rapid \_\_\_\_\_ between Countries:

- (a) Competition
- (b) Investment
- (c) Integration
- (d) None of these

51. Foreign Portfolio Investment (FPI) involves:

- (a) Investment in tangible assets in a foreign country
- (b) Investment in financial assets such as stocks and bonds of foreign companies
- (c) Establishing subsidiaries or acquiring stakes in foreign companies
- (d) Long-term commitment to a foreign market

52. The theory of absolute advantage states that

- (a) national wealth and power are best served by increasing exports and decreasing imports
- (b) nations can increase their economic well-being by specializing in the production of goods they produce more efficiently than anyone else.
- (c) that the value or price of a commodity depends exclusively on the amount of labour going into its production and therefore factor prices will be the same
- (d) differences in absolute advantage explains differences in factor endowments in different countries

53. Which of the following holds that a country can increase its wealth by encouraging exports and discouraging imports

- (a) Capitalism
- (b) Socialism
- (c) Mercantilism
- (d) Laissez faire

54. According to the theory of comparative advantage

- (a) trade is a zero-sum game so that the net change in wealth or benefits among the participants is zero.
- (b) trade is not a zero-sum game so that the net change in wealth or benefits among the participants is positive
- (c) nothing definite can be said about the gains from trade
- (d) gains from trade depends upon factor endowment and utilization

55. Assume India and Bangladesh have the unit labour requirements for producing tables and mats shown in the table below. It follows that:

Labour cost (hours) for production of one unit

	India	Bangladesh
<b>Tables</b>	3	8
<b>Mats</b>	2	1

- (a) Bangladesh has a comparative advantage in mats
- (b) India has a comparative advantage in tables
- (c) Bangladesh has an absolute advantage in mats
- (d) All the above are true

56. A tariff on imports is beneficial to domestic producers of the imported good because

- (a) they get a part of the tariff revenue
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**Solution :-**

1.	D	2.	B	3.	B	4.	B	5.	C
6.	D	7.	D	8.	C	9.	D	10.	C

11.	D	12.	C	13.	B	14.	B	15.	C
16.	A	17.	D	18.	C	19.	D	20.	A
21.	B	22.	B	23.	C	24.	B	25.	B
26.	C	27.	D	28.	D	29.	C	30.	B
31.	B	32.	B	33.	D	34.	C	35.	C
36.	B	37.	B	38.	C	39.	A	40.	D
41.	D	42.	B	43.	A	44.	A	45.	A
46.	B	47.	D	48.	C	49.	D	50.	C
51.	B	52.	B	53.	C	54.	B	55.	D
56.	B	57.	B	58.	D	59.	C	60.	B

## CHAPTER 10 - INDIAN ECONOMY

1. The Indian industry stagnated under the colonial rule because

- (a) Indians were keen on building huge structures and monuments only
- (b) Deterioration was caused by high prices of inputs due to draught
- (c) The Indian manufactures could not compete with the imports of cheap machine made goods
- (d) None of the above

2. The first wave of liberalization starts in India

- (a) In 1951
- (b) In 1980's
- (c) In 1990
- (d) In 1966

3. The sequence of growth and structural change in Indian economy is characterized by

- (a) The historical pattern of prominence of sectors as agriculture, industry, services
- (b) The historical pattern of prominence of sectors as industry, services, agriculture
- (c) Unique experience of the sequence as agriculture, services, industry
- (d) All the above are correct

4. Merchandise Exports from India Scheme was replaced by -

- (a) Remission of Duties and Taxes on Export Products (RoDTEP) in 2021
- (b) National Logistics Policy (NLP) in 2020
- (c) Remission of Duties and Taxes on Export Products (RoDTEP) in 2019
- (d) None of the above

5. The Foreign Investment Promotion Board (FIPB)

- (a) a government entity through which inward investment proposals were routed to obtain required government approvals
- (b) no more exists as the same is replaced by a new regime namely Foreign Investment Facilitation Portal
- (c) no more exists as all inward investments are through automatic route and need no approval
- (d) is the body which connects different ministries in respect of foreign portfolio investments

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6. FAME-India Scheme aims to

- (a) Enhance faster industrialization through private participation
- (b) to promote manufacturing of electric and hybrid vehicle technology
- (c) to spread India's fame among its trading partners
- (d) None of the above

7. In terms of Ease of Doing Business in 2020 India ranks

- (a) 63
- (b) 77
- (c) 45
- (d) None of the above

8. E-NAM is -

- (a) An electronic name card given to citizens of India
- (b) National Agriculture Market with the objective of creating a unified national market for agricultural commodities.
- (c) a pan-India electronic trading portal which networks the existing APMC mandis
- (d) b) and c) above

9. Which of the following is not a policy reform included in the new economic policy of 1991 -

- (a) removing licensing requirements for all industries
- (b) Foreign investment was liberalized
- (c) Liberalisation of international trade

(d) The disinvestment of government holdings of equity share capital of public sector enterprises
10. Imports of foreign goods and entry of foreign investments were restricted in India because - (a) The government wanted people to follow the policy of 'Be Indian; Buy Indian' (b) Because foreign goods were costly and meant loss of precious foreign exchange (c) Government policy was directed towards protection of domestic industries from foreign competition (d) Government wanted to preserve Indian culture and to avoid influence of foreign culture
11. The 'Hindu growth rate' is a term used to refer to - (a) the high rate of growth achieved after the new economic policy of 1991 (b) the low rate of economic growth of India from the 1950s to the 1980s, which averaged around 3.5 per cent per year (c) the low growth of the economy during British period marked by an average of 3.5 percent (d) the growth rate of the country because India is referred to as 'Hindustan'
12. In the context of the new economic policy of 1991, the term 'disinvestment' stands for - (a) A policy whereby government investments are reduced to correct fiscal deficit (b) The policy of sale of portion of the government shareholding of a public sector enterprise (c) The policy of public partnership in private enterprise (d) A policy of opening up government monopoly to the privates sector
13. The objective of introducing Monopolies and Restrictive Trade Practices Act 1969 was - (a) to ensure that the operation of the economic system does not result in the concentration of economic power in hands of a few (b) to provide for the control of monopolies (c) to prohibit monopolistic and restrictive trade practice (d) all the above
14. Which one of the following is a feature of green revolution - (a) use of soil friendly green manure to preserve fertility of soil (b) grow more crops by redistributing land to landless people (c) High yielding varieties of seeds and scientific cultivation (d) Diversification to horticulture
15. The strategy of agricultural development in India before green revolution was - (a) High yielding varieties of seeds and chemical fertilizers to boost productivity (b) Institutional reforms such as land reforms (c) Technological up gradation of agriculture (d) All the above
16. The Industrial Policy Resolution (1948) aimed at - (a) Market oriented economic reforms and opening up of economy (b) A shift from state led industrialization to private sector led industrialisation (c) an expanded role for the public sector and licensing to the private sector (d) an expanded role of private sector a limited role of public sector
17. The new economic policy of 1991 manifest in - (a) State led industrialization and import substitution (b) Rethinking the role of markets versus the state (c) Emphasized the role of good governance (d) Bringing about reduction in poverty and redistributive justice
18. The post independence economic policy was rooted in -

<p>(a) A capitalist mode of production with heavy industrialization</p> <p>(b) social and economic redistribution and industrialization directed by the state</p> <p>(c) social and economic redistribution through private sector initiatives</p> <p>(d) Industrialization led by private entrepreneurs and redistribution by state</p>
<p>19. The survival and success of any business depends on sound_____</p> <p>(a) Mind            (b) Environment</p> <p>(c) Decisions        (d) None of these</p>
<p>20. The Indian industry faced the process of retrogression and deceleration because of:</p> <p>(b) unsatisfactory performance of agriculture</p> <p>(c) slackening of real investment in public sector</p> <p>(d) narrow market for industrial goods, especially in rural areas</p> <p>(e) all the above.</p>
<p>21. What is economic planning?</p> <p>(a) It refers to Central planning authority.</p> <p>(b) It refers the planning of agricultural production.</p> <p>(c) It means development in the seller's market.</p> <p>(d) A process through which targets are being achieved as per need &amp; means of the economy</p>
<p>22. Agrarian reforms in Agriculture brought:</p> <p>(a) Institutional reforms</p> <p>(b) Technical reforms</p> <p>(c) Land reforms</p> <p>(d) All the three mentioned</p>
<p>23. What is the expansion of the term NITI in NITI Aayog?</p> <p>(a) National Institution for Transforming India</p> <p>(b) National Institution for Total Improvement</p> <p>(c) National Institution for Technological Improvement</p> <p>(d) None of these</p>
<p>24. New Industrial Policy was announced on _____.</p> <p>(a) 24<sup>th</sup> July 1991        (b) 15<sup>th</sup> August 1990</p> <p>(c) 10<sup>th</sup> January 1995    (d) None of these</p>
<p>25. As per the economic survey 2023-24 the contribution of service sector is _____.</p> <p>(a) 55%                    (b) 60%</p> <p>(c) 45%                    (d) None of these</p>
<p>26. Dumping Refers to:</p> <p>(a) Reducing tariffs</p> <p>(b) Sale of goods abroad at a lower price below their cost and price in their home market</p> <p>(c) Buying goods at low prices abroad and selling at higher price locally</p> <p>(d) Expenditure goods selling for low prices</p>
<p>27. Which of the following theories suggests that firms seek to penetrate new markets over time?</p> <p>(a) Theory of comparative advantage</p> <p>(b) Product Market theory</p> <p>(c) Imperfect Market theory</p> <p>(d) None of these</p>

<p>28. The World Trade Organization (WTO) was established to implement the final act of round agreement of GATT.</p> <p>(a) Geneva (b) Uruguay (c) okyo (d) None of these</p>
<p>29. Government of India recently launched 'Make in India' programme. What will be its impact on Aggregate Demand of India?</p> <p>(a) Likely to increase (b) Likely to fall (c) No impact (d) None of these</p>
<p>30. PSUs are mainly driven by:</p> <p>(a) Profit (b) Industrialization (c) Social welfare (d) None of these</p>
<p>31. The concept of "animal spirits" in Keynesian theory refers to:</p> <p>(a) The unpredictable behaviour of financial markets (b) psychological factors influencing economic decisions. (c) Government regulations affecting business confidence. (d) The impact of interest rates on investment</p>
<p>32. We can say Indian agriculture has become modern since:</p> <p>(a) there has been an increase in the use of high yielding varieties of seeds, fertilizers pesticides etc. (b) there has been noticeable positive change in the attitude of farmers towards new techniques of production (c) farmers are increasingly resorting to intensive cultivation, multiple cropping, scientific water management (d) all of the above.</p>
<p>33. What is meant by the "institutional framework" of an economy?</p> <p>(a) The maximum capacity of the economy in the production process (b) The level of investment in human capital (c) The system of formal laws, regulations and procedures that shape economic activity in the economy (d) Subsidies and tax concessions used to improve employment opportunities in assisted areas of the economy</p>
<p>34. E - NAM is -</p> <p>(a) a pan -India electronic trading portal which networks the existing APMCmandis (b) with the objective of creating a unified national market for agriculturalcommodities (c) Both a &amp; b (d) None of these</p>
<p>35. India's Rank in Ease of Doing Business is:</p> <p>(a) 45 (b) 54 (c) 63 (d) None of these</p>
<p>36. Niti Aayog will work towards the objective:</p> <p>(a) To evolve a shared vision of national development priorities, sectors and strategies with active involvement of states (b) To foster cooperative federalism (c) To develop mechanisms to formulate credible plans at the village level (d) All the above</p>
<p>37. SEBI was given statutory recognition in :</p>

(a) 1985	(b) 1990
(c) 1992	(d) None of these
38. The share of agriculture in India's national income has _____ over the years.	
(a) Remained constant.	
(b) Decreased.	
(c) Increased.	
(d) First decreased and then increased.	
39. FEMA stands for:	
(a) Foreign Exchange Management Act.	
(b) Founds Exchange Management Act.	
(c) Finance Enhancement Monetary Act.	
(d) Future Exchange Management Act.	
40. The pre-condition for privatization to be successful requires:	
(a) Liberalization and de-regulation of the economy.	
(b) Capital markets should be sufficiently developed.	
(c) None of the above.	
(d) (a) & (b) both	
41. India is the largest economy of the ancient and the medieval world. It controlled _____ of the world's wealth.	
(a) One third to one fourth	
(b) One fifth to one sixth	
(c) Entire	
(d) One fourth to one fifth	
42. The Indian Economy was the hub of _____	
(a) Pilgrimage	(b) Administration
(c) Statecraft	(d) All of the above
43. When was the book Arthashastra prevalent?	
(a) 296 AD to 321 AD	(b) 1967 to 1991
(c) 321 BCE to 296 BCE	(d) Post independence
44. 'Arthashastra' is the pioneering work attributed to _	
(a) Chandra gupt Moury	(b) Chanakya
(c) Birbal	(d) Adam Smith
(e) Gandhi Ji	(f) Nehru
45. The founder/s of Mauryan empire is/are _____	
(a) Samudragupt Maurya	(b) Bhimsingh Maurya
(c) Chandragupt Maurya	(d) Ashoka
46. The major focus of the work in the Arthashastra Book was on _____	
(a) Wealth	(b) Land
(c) Both	(d) None
47. What is the meaning of the word "Artha"?	
(a) Wealth	(b) Land
(c) Both	(d) Economy
48. What are the seven vital elements true kingship?	
(a) King, Fortress, Ministers, Farmland, Military, Allies and Treasury	
(b) King, Fortress, Ministers, sports, Military, Allies and Treasury	

(c) King, Fortress, Ministers, Farmland, Military, war and Treasury (d) Military, King, Taxation, Fortress, Allies, Ministers, Allies
49. Kautilya emphasizes importance of _____ (a) Robust Agriculture (b) Taxation Policy (c) Improving Treasury (d) Equality and Justice
50. What were the two phases of British rule? (a) 1657 to 1758 and 1858 to 1947 (b) 1757 to 1858 and 1858 to 1947 (c) 1767 to 1858 and 1859 to 1947 (d) 1757 to 1885 and 1885 to 1947
51. India became an exporter of raw material instead of finish goods. This statement is (a) True (b) false (c) Partially true (d) Can't Comment
52. Which of the following is not included in East India Company's rule? (a) Reversal of Indian Market from Exporter of Finished goods to exporters of Raw materials (b) Tariff Discrimination (c) Indian inclination towards western goods (d) Power in hands in Indian Only
53. How many spindles did Indian Cotton Mills have at the time of Colonial rule? (a) 7 Million (b) 8 Million (c) 9 Million (d) 6 Million
54. In which area did jute mills started growing, specifically during the time of colonial rule? (a) East India, especially Calcutta (b) West India, especially Gujarat (c) Central India, especially Madhya Pradesh (d) North India, especially Punjab
55. What was the position of cotton mills in 1930 globally? (a) 2nd (b) 3rd (c) 4th (d) 5th
56. What was the rank of the India's iron industry in the whole world in 1930? (a) 8th (b) 7th (c) 6th (d) 5 <sup>th</sup>
57. What was India's ranking in manufacturing before the great depression? (a) 12th (b) 2nd (c) 3rd (d) 10 <sup>th</sup>
58. India majorly had rural inhabited, mostly illiterate & exceedingly poor population. The statement is (a) True (b) False (c) Can't Say (d) Wasn't born so can't say
59. In 1951, India's literacy rate was ___ percent and life expectancy was ___ years (a) 32, 18 (b) 18, 32 (c) 50, 50 (d) 100, 100 (e) 35, 18 (f) 16, 32
60. Which model did India Adopt after independence? (a) Nehruvian Model (b) Gandhian Model

(c) British Model	(d) American Model
61. The Nehruvian Model supported ____ and ____	
(a) Social , economic redistribution and industrialization	
(d) Live and Let live	
(c) Small scale and cottage industry	
(d) Robust agricultural initiatives and Taxation Policy	
62. Who had the powers at the time of Nehruvian Model?	
(a) Private Sector	(b) Public sector
(c) Jawaharlal Nehru	(d) Mahatma Gandhi
63. Which of the following economic philosophy emerged in 1950?	
(a) Nehru's visualization - emphasis on heavy industry	
(b) Gandhian philosophy - small scale and cottage industry and village republics.	
(c) Both	
(d) None	
64. In which years, did severe and consecutive droughts struck in India?	
(a) 1956, 1957	(b) 1966, 1967
(c) 1958, 1959	(d) 1962, 1963
65. At the time of severe and consecutive droughts, India depended on ____ for food needs.	
(a) China	(b) Russia
(c) USA	(d) Britishers
66. Green revolution known as	
(a) Wheat Revolution	(b) Brown revolution
(c) Pink Revolution	(d) Grain Revolution
67. The government nationalized ____ banks in 1969	
(a) 15	(b) 14
(c) 13	(d) 17
68. The government nationalized ____ banks in 1980	
(a) 4	(b) 5
(c) 6	(d) 7
69. What is the full form of MRTP Act?	
(a) Monopoly and Restrictive Trade Practice act	
(b) Many goods restrictive trade practice act	
(c) Monopoly and Right to Trade Practice act	
(d) Multiple Restrictions Trade Practice act	
70. How many broad categories of industries were delicensed before 1991?	
(a) 20	(b) 22
(c) 24	(d) 25
71. Meaning of "broad-banding" is/are _____	
(a) firms may switch production between different production lines	
(b) firms may switch production to military	
(c) firms may switch production to telecommunication	
(d) All of the above	
72. The ceiling limit for application of MRTP regulations have been increased form ____ to ____	
(a) 5 cr to 10 cr	(b) 10 cr to 20 cr
(c) 20 cr to 50 cr	(d) 20 cr to 100 cr

73. During the period of 1981 to 1989, the early liberalization was useless. This statement is (a) True (b) False (c) Both (d) None
74. The Indian Economic Reforms in 1991 were made during the government of ____ (a) Atal Bihari Vajpayee (b) Manmohan Singh (c) P V Narsimha rao (d) Jawaharlal Nehru
75. How much and for how many weeks of forex reserve did India have? (a) 1.2 Bn \$ and 2 Weeks (b) 2.1 Bn \$ and 5 Weeks (c) 1.4 Bn \$ and 2 Weeks (d) 2.5 Bn \$ and 5 Weeks
76. At the time of economy reforms, India depended on ____ for external borrowings. (a) USA (b) IMF (c) World Bank (d) International Banks
77. Which of the following measures did India bring in 1991 India policy reform? (a) Liberalization (b) Privatization (c) Globalization (d) All
78. Which of the following were measures focused in 1991? (a) Reorientation of the economy from a centrally directed and highly controlled one to a 'market friendly' or market oriented economy. (b) Macroeconomic stabilization by substantial reduction in fiscal deficit. (c) Both (d) None
79. Which of the following is the meaning of liberalization? (a) Liberalization refers to tightening of previous Government restrictions usually in areas of social and economic policies (b) Liberalization refers to relaxation of previous Government restrictions usually in areas of social and economic policies (c) Liberalization refers to the transfer of ownership, property or business from the government to the private sector (d) Liberalization refers to free export and import between nations without any trade Barrier
80. ____ is/are the main area of liberalization (a) Industry (b) Trade (c) Tax (d) All
81. What was India's growth rate during the period of 1950 to 1980? (a) 1.5 % (b) 2.5 % (c) 3.5 % Hindu Growth Rate (d) 4.5 %
82. Which of the following is/are included in fiscal reforms? (a) Government Tax, Budget, Spending and Borrowings (b) RBI Monetary Policy (c) Both (d) None
83. Full Form of SEBI (a) Securities and Exchange Board of India (b) Securities and ETF Board of India (c) Shares and Exchange Board of India (d) Stability Exchange Board of India

84. In which year did SEBI Come? (a) 1992 (b) 1991 (c) 1990 (d) 1988
85. When did the new industrial policy come? (a) 24 June 1991 (b) 24 July 1991 (c) 24 January 1991 (d) 24 June 1990
86. How many sectors were under the control of government after the new industrial policy? (a) 14 (b) 18 (c) 19 (d) 20
87. Which of the following sectors remained in the new industrial policy? (a) 6, namely, arms and ammunition, coal, atomic substances, narcotic drugs and hazardous chemicals, distillation and brewing of alcoholic drinks and cigarettes and cigar. (b) 5, namely, arms and ammunition, atomic substances, narcotic drugs and hazardous chemicals, distillation and brewing of alcoholic drinks and cigarettes and cigar. (c) 5, namely, arms and ammunition, atomic substances, narcotic drugs and hazardous chemicals, distillation and brewing of alcoholic drinks and health and safety. (d) 6, namely, arms and ammunition, atomic substances, narcotic drugs and hazardous chemicals, Railway, distillation and brewing of alcoholic drinks and cigarettes and cigar.
88. In which of the following area/s, FDI is prohibited? (a) Atomic energy (b) Farming and agriculture (c) Nidhi company and chit fund (d) All
89. Which approach did India adopt after the introduction of industrial policy? (a) Green List Approach (b) Red List Approach (c) Yellow List Approach (d) Negative list approach
90. At a time of new industrial policy, rupee was devalued by ___ percentage against the dollar. (a) 18 % (b) 19 % (c) 20 % (d) 21 %
91. How many months of foreign reserve does India have after trade policy reforms? (a) 2 Month (b) 3 Month (c) 4 Month (d) 8 Month
92. Full Form of (NITI) Aayog (a) Nodal Institution for Transforming India (b) National Institution for Transforming India (c) National Institution for Transferring India (d) New Institution for Trade India
93. Which of the following was replaced by NITI Aayog? (a) Planning Congress (b) Planning Control (c) Planning Commission (d) New Economic Policy
94. When did NITI Aayog come in effect? (a) 1 January 2014 (b) 1 January 2015 (c) 1 January 2016 (d) 1 January 2017
95. NITI Ayog is expected to serve as ___ of the government (a) Think Tank (b) Think Machine (c) Suggestion Tank (d) Decisin Tank
96. Which of the following is/are objective/s of the NITI Ayog?

- (a) To evolve a shared vision  
 (b) Formulate credible plans at the village level  
 (c) A platform for the resolution of inter-sectoral and inter departmental issues  
 (d) All of the above

97. Who is the chairman of NITI Ayog?

- (a) PM of Country (b) CM of state  
 (c) President (d) IAS officers

98. Which of the following is/are the meaning of co-operative federalism?

- (a) Coordination between PM and CM  
 (b) Coordination between PM and President  
 (c) Coordination between Center, State and Local Body  
 (d) All

99. With whom does NITI Ayog consult?

- (a) Consulting with PM  
 (b) Consulting with Shareholders  
 (c) Consulting with stakeholders  
 (d) Consulting with members

100. \_\_\_ is the meaning of "state-of-art-resources" centre

- (a) Same as old (b) Same as Competitor  
 (c) Best in class (d) All of the above

**Solution :-**

1	2	3	4	5	6	7	8	9	10
C	B	C	A	B	B	A	D	A	C
11	12	13	14	15	16	17	18	19	20
B	B	D	C	B	C	B	B	C	D
21	22	23	24	25	26	27	28	29	30
D	D	B	A	A	B	D	B	A	C
31	32	33	34	35	36	37	38	39	40
B	D	C	C	C	D	C	B	A	D
41	42	43	44	45	46	47	48	49	50
A	D	C	B	C	C	A	A	A	B
51	52	53	54	55	56	57	58	59	60
A	D	C	A	D	A	A	A	B	A
61	62	63	64	65	66	67	68	69	70
A	B	C	B	C	A	B	C	A	D
71	72	73	74	75	76	77	78	79	80
A	D	B	C	A	B	D	C	B	D

81	82	83	84	85	86	87	88	89	90
C	A	A	D	B	B	C	D	D	A
91	92	93	94	95	96	97	98	99	100
D	B	C	B	A	D	A	C	C	C

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