

# Business Economics - Challenge 5

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

1 point

- (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

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

1 point

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

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

1 point

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

4. Demand for money is

1 point

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

5. If commercial banks reduce their holdings of excess reserves

1 point

- (a) the monetary base increases.
- (b) the monetary base falls.
- (c) the money supply increases.
- (d) the money supply falls.

6. \_\_\_\_\_ tells us how much new money will be created by the banking system for a given increase in the high-powered money. 1 point

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

7. The ratio that relates the change in the money supply to a given change in the monetary base is called the 1 point

- (a) required reserve ratio.
- (b) money multiplier.
- (c) deposit ratio.
- (d) discount rate.

8. Choose the correct statement from the following 1 point

- (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.

9. Reserve Money is composed of

1 point

- (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.

10. Which statement (s) is (are) true about Monetary Policy Committee?

1 point

I. The Reserve Bank of India (RBI) Act, 1934 was amended on June 27, 2016, for giving a statutory backing to the Monetary Policy Framework Agreement and for setting up a Monetary Policy Committee

II. The Monetary Policy Committee shall determine the policy rate through debate and majority vote by a panel of experts required to achieve the inflation target.

III. The Monetary Policy Committee shall determine the policy rate through consensus from the governor of RBI

IV. The Monetary Policy Committee shall determine the policy rate through debate and majority vote by a panel of bankers chosen for eth purpose

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

11. Reverse repo operation takes place when

1 point

- (a) RBI borrows money from banks by giving them securities
- (b) banks borrow money from RBI by giving them securities
- (c) banks borrow money in the overnight segment of the money market
- (d) RBI borrows money from the central government

12. RBI provides financial accommodation to the commercial banks through repos/reverse repos under

1 point

- (a) Market Stabilisation Scheme (MSS)
- (b) The Marginal Standing Facility (MSF)
- (c) Liquidity Adjustment Facility (LAF).
- (d) Statutory Liquidity Ratio (SLR)

13. The main objective of monetary policy in India is \_\_\_\_\_:

1 point

- (a) reduce food shortages to achieve stability
- (b) economic growth with price stability
- (c) overall monetary stability in the banking system
- (d) reduction of poverty and unemployment

14. FAME-India Scheme aims to

1 point

- (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

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

1 point

- (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

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

1 point

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

17. Imports of foreign goods and entry of foreign investments were restricted in India because -

1 point

- (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

18. In the context of the new economic policy of 1991, the term 'disinvestment' stands for - 1 point

- (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 private sector

19. The new economic policy of 1991 manifest in -

1 point

- (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

20. The post independence economic policy was rooted in -

1 point

- (a) A capitalist mode of production with heavy industrialization
- (b) social and economic redistribution and industrialization directed by the state
- (c) social and economic redistribution through private sector initiatives
- (d) Industrialization led by private entrepreneurs and redistribution by state

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