

1. 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

2. 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

3. Fiscal Federalism refers to _____.

- (a) Organizing and implementing development plans
- (b) Sharing of political power between centers and states
- (c) The management of fiscal policy by a nation
- (d) Division of economic functions and resources among different layers of the government

4. 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

5. Markets do not exist

- (a) for goods which have positive externalities
- (b) for pure public goods
- (c) for goods which have negative externalities
- (d) none of the above

6. The free rider problem arises because of
- (a) ability of participants to produce goods at zero marginal cost
 - (b) marginal benefit cannot be calculated due to externalities present
 - (c) the good or service is non excludable
 - (d) general poverty and unemployment of people

7. Which goods are free from Market failure.

- a) Private goods
- b) Public good
- c) Merit goods
- d) Demerit goods

8. What is market failure?

- (a) When the government intervenes in the market to control prices
- (b) When the market achieves perfect competition
- (c) When the market fails to allocate resources efficiently
- (d) When there is excessive government regulation in the market

9. 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

10. 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

11. An example of a positive externality is:
- (a) Secondhand smoke exposure
 - (b) Higher education and its impact on society
 - (c) Noise pollution from construction activities
 - (d) Congestion in traffic

12. Which of the following is an example of a positive externality in production?
- (a) A factory emitting harmful pollutants
 - (b) A company providing employee training that improves workforce skills
 - (c) A firm engaging in aggressive marketing tactics
 - (d) A company dumping waste into nearby rivers

13. Which policy tool can be used to address positive externalities and encourage their production or consumption?
- (a) Taxes
 - (b) Subsidies
 - (c) Price controls
 - (d) Tariffs

14. Market-based solutions to address externalities include:
- (a) Government subsidies and grants
 - (b) Imposing strict price controls on certain goods
 - (c) Cap-and-trade systems and pollution permits
 - (d) Raising taxes on all goods and services

15. What is market power?
- (a) The ability of the government to control market prices
 - (b) The ability of a single firm or a group of firms to influence market prices and output
 - (c) The ability of consumers to set prices in the market
 - (d) The ability of a market to achieve perfect competition

16. When good Quality Products becomes out from the market & sub standard Products are selling it is called
- a) Orange problem c) Lemons Problem
b) Apple Problem d) We dont Know

17. 25. 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

The following hypothetical figures relate to country A Crores

| | |
|--------------------------------|--------|
| Revenue receipts | 20,000 |
| Recovery of loans | 1,500 |
| Borrowing | 15,000 |
| Other Receipts | 5,000 |
| Expenditure on revenue account | 24,500 |
| Expenditure on capital account | 26,000 |
| Interest payments | 2,000 |

18. The revenue deficit for country A is

- (a) 5,000
(b) 24,000
(c) 4,500
(d) None of the above

19. Fiscal deficit of country A is

- (a) 14,000
(b) 24,000
(c) 23,500
(d) None of the above

20. Primary deficit of Country A is

- (a) 26,000
(b) 26,500
(c) 22,000
(d) 24,500

21. 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

22. 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

23. Government borrowing is treated as capital receipt because

- (a) It is mainly used for creating assets by government
- (b) It creates a liability for the government
- (c) Both a) and b) above are correct
- (d) None of the above is correct

24. Which of the following is a capital receipt?

- (a) Licence fee received
- (b) Sale proceeds from disinvestment
- (c) Assistance from Japan for covid vaccine
- (d) Dividend from a public sector enterprise

25. 'Retail Direct 'scheme is

- (a) Initiated by the Reserve Bank of India
- (b) facilitate investment in government securities by individual investors.
- (c) Direct sale of goods and services by government departments
- (d) Both (a) and (b) are correct

26. 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 riot come under revenue expenditure or capital expenditure.

27. Contractionary fiscal policy

- (a) is resorted to when government expenditure is greater than tax revenues of any particular year
- (b) increase the aggregate demand to sustain the economy
- (c) to increase the disposable income of people through tax cuts and to enable greater demand
- (d) is designed to restrain the levels of economic activity of the economy during an inflationary phase

28. 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

29. When govt. spending Replace the private spendings called—

- a) Following out
- c) Dropping out

- b) crowding out
- d) we dont know

30. When govt Tax Increased & G.F Decreased
it is kind of _____ Budget

- a) Deficit Budget
- b) surplus Budget
- c) Balanced Budget
- d) Manoj

Happy Sunday

