CHAPTER - 6

NATIONAL INCOME

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

(a) Consumption
(b) Investment
(c) Government Spending
(d) Imports

2. 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

3. 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.

4. 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.

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

(a) Government Spending

(b) Consumption

(c) Investment

(d) Imports

6. 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

7. Which of the following represents the formula for calculating GDP (Gross Domestic Product)?

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

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

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

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

8. 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.

9. Which of the following is NOT included in the calculation of Gross Domestic Product (GDP)?

(a) Government spending

(b) Consumer spending

(c) Imports

(d) Exports

10. 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)

11. 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

12. 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

13. 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)

14. 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

15. 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

16. 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

17. 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

18. 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

19. 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

20. 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

21. 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

22. 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

23. 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

24. 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

25. 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

26. 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

27. 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

28. 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.

29. 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.

30. 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.

31. Net National Product (NNP) is calculated by:

(a) Deducting depreciation from Gross Domestic Product (GDP).

(b) Adding depreciation to Gross National Product (GNP).

(c) Deducting indirect taxes from Gross Domestic Product (GDP).

(d) Adding indirect taxes to Gross National Product (GNP).

32. National Disposable Income (NDI) is defined as:

(a) The total income earned by a country's residents, including net income from abroad.

(b) The total income earned by a country's residents, excluding net income from abroad and indirect taxes.

(c) The total income earned by a country's residents, including indirect taxes.

(d) The total income earned by a country's residents, excluding depreciation.

33. 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.

34. 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

35. Gross National Product (GNP) is calculated as the total:

(a) Value of goods and services produced within a country's borders

(b) Income earned by a country's residents, regardless of their location

(c) Income earned by foreign residents within the country

(d) Value of goods and services produced by a country's residents abroad

36. 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

37. National Disposable Income (NDI) is calculated by:

(a) Adding depreciation to NNP

(b) Adding net indirect taxes to NNP

(c) Deducting direct taxes from NNP

(d) Deducting net indirect taxes from NNP

38. 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

39. 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)

40. 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

41. 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?

(a) Gross Domestic Product (GDP) at factor cost

(b) Net Domestic Product (NDP)

(c) Gross National Product (GNP)

(d) Net National Product (NNP)

42. Which concept of National Income includes only the value added at each stage of production and avoids double-counting?

(a) Gross Domestic Product (GDP) at market price

(b) Net Domestic Product (NDP)

(c) Gross Domestic Product (GDP) at factor cost

(d) Gross Value Added (GVA)

43. Which concept of National Income measures the total market value of all final goods and services produced within a country's borders, excluding the value of indirect taxes and including subsidies?

(a) Net Domestic Product (NDP) at factor cost

(b) Gross Domestic Product (GDP) at factor cost

(c) Gross Domestic Product (GDP) at market price

(d) Net National Product (NNP)

44. The following table shows the production and prices of two goods, X and Y, in a hypothetical economy for the year 2023:

Goods	Quantity Produced	Price per Unit
X	100 units	₹ 10
Y	150 units	₹ 15

Calculate the nominal GDP of the economy for the year 2023.

(a)₹2,500

(b) ₹ 3,000

(c)₹3,500

(d) ₹ 4,000

45. In a country, the nominal GDP for the year 2022 is ₹ 800 billion, and the GDP deflator for 2022 is 120.0. What is the real GDP for 2022?

(a) ₹480billion

(b) ₹ 666.67 billion

(c) ₹666.00 billion

(d) ₹ 960 billion

46. The nominal GDP of a country in the base year was ₹ 500 billion, and the real GDP in the same year was ₹ 450 billion. Calculate the GDP deflator for the base year.

(a) 90.0

(b) 100.0

(c) 110.0

(d) 125.0

47. In the current year, the nominal GDP of the country is ₹ 600 billion, and the real GDP is ₹ 540 billion. Calculate the GDP deflator for the current year using the base year's GDP deflator (which is 100.0).

(a) 90.0

(b) 100.0

(c) 110.0

(d) 125.0

48. If the GDP deflator for a particular year is 120.0, what does it indicate about the price level compared to the base year?

(a) Prices have increased by 20% compared to the base year.

(b) Prices have decreased by 20% compared to the base year.

(c) Prices have remained the same as the base year.

(d) Prices have doubled compared to the base year.

49. If the GDP deflator for a particular year is 90.0, what does it indicate about the price level compared to the base year?

(a) Prices have increased by 10% compared to the base year.

(b) Prices have decreased by 10% compared to the base year.

(c) Prices have remained the same as the base year.

(d) Prices have decreased by 90% compared to the base year.

50. In a country, the Gross National Product (GNP) for the year 2021 is calculated as follows:
- Gross Domestic Product (GDP) = ₹ 900 billion
- Net factor income from abroad (NFIA) = - ₹ 50 billion
(negative value indicates net outflow of income to foreign countries)
Calculate the GNP for the year 2021.

(a) ₹ 850 billion
(b) ₹ 950 billion
(c) ₹ 950 billion (adjusted for net factor income from abroad)
(d) ₹ 850 billion (adjusted for net factor income from abroad)

51. In a country, the Gross National Product (GNP) for the year 2022 is ₹ 1,200 billion, and Net factor income from abroad (NFIA) is ₹ 40 billion (positive value indicates net inflow of income from foreign countries). Calculate the Gross Domestic Product (GDP) for the year 2022.

(a) ₹ 1,160 billion

(b) ₹ 1,240 billion

(c) ₹ 1,160 billion (adjusted for net factor income from abroad)

(d) ₹ 1,240 billion (adjusted for net factor income from abroad)

52. In a country, the Gross National Product (GNP) for the year 2023 is ₹ 2,500 billion, and Net factor income from abroad (NFIA) is ₹ 80 billion (positive value indicates net inflow of income from foreign countries). The GDP for the year 2023 is:

(a) ₹ 2,580 billion

(b) ₹ 2,420 billion

(c) ₹ 2,420 billion (adjusted for net factor income from abroad)

(d) ₹ 2,580 billion (adjusted for net factor income from abroad)

53. In a country, the Gross National Product (GNP) for the year 2022 is calculated as follows:
Gross Domestic Product (GDP) = ₹ 900 billion
Net factor income from abroad = ₹ 50 billion
What is the Gross National Product (GNP) for the year 2022?

(a) ₹ 850 billion

(b) ₹ 950 billion

(c) ₹ 950 billion

(d) ₹ 950 billion

54. In a country, the Gross National Product (GNP) at Market Prices for the year 2021 is ₹ 800 billion. During the same year, depreciation (Capital Consumption Allowance) amounts to ₹ 100 billion. Calculate the Net National Product at Market Prices (NNPMP) for the year 2021.

(a) ₹900billion

(b) ₹ 700 billion

(c) ₹800billion

(d) ₹ 600 billion

55. In a country, the Gross National Product (GNP) at Market Prices for the year 2022 is ₹ 1,500 billion. During the same year, depreciation (Capital Consumption Allowance) amounts to ₹ 200 billion. Calculate the Net National Product at Market Prices (NNPMP) for the year 2022.

(a) ₹ 1,300 billion

(b) ₹ 1,700 billion

(c) ₹ 1,300 billion (adjusted for depreciation)

(d) ₹ 1,700 billion (adjusted for depreciation)

56. In a country, the Gross National Product (GNP) at Market Prices for the year 2023 is ₹ 2,000 billion. During the same year, depreciation (Capital Consumption Allowance) amounts to ₹ 250 billion. The Net National Product at Market Prices (NNPMP) for the year 2023 is-

(a) ₹ 2,250 billion

(b) ₹ 1,750 billion

(c) ₹ 2,250 billion (adjusted for depreciation)

(d) ₹ 1,750 billion (adjusted for depreciation)

57. In a country, the Gross Domestic Product at Market Prices (GDPMP) for the year 2021 is ₹ 900 billion, and indirect taxes (subsidies) on products are ₹ 50 billion. Calculate the Gross Domestic Product at Factor Cost (GDPFC) for the year 2021.

(a) ₹ 850 billion

(b) ₹ 950 billion

(c) ₹ 950 billion (adjusted for indirect taxes)

(d) ₹ 850 billion (adjusted for subsidies)

58. In a country, the Gross Domestic Product at Market Prices (GDPMP) for the year 2022 is ₹ 1,200 billion, and indirect taxes (subsidies) on products are ₹ 100 billion. Calculate the Gross Domestic Product at Factor Cost (GDPFC) for the year 2022.

(a) ₹ 1,100 billion

(b) ₹ 1,300 billion

(c) ₹ 1,100 billion (adjusted for indirect taxes)

(d) ₹ 1,300 billion (adjusted for subsidies)

59. In a country, the Gross Domestic Product at Market Prices (GDPMP) for the year 2023 is ₹ 2,500 billion, and indirect taxes (subsidies) on products are Rs.200 billion. Calculate the Gross Domestic Product at Factor Cost (GDPFC) for the year 2023.

(a) y 2,300 billion

(b) ₹ 2,700 billion

(c) ₹ 2,300 billion (adjusted for indirect taxes)

(d) ₹ 2,700 billion (adjusted for subsidies)

60. In a country, the Gross Domestic Product at Factor Cost (GDPFC) for the year 2021 is y 800 billion, and depreciation (consumption of fixed capital) is y 100 billion. Calculate the Net Domestic Product at Factor Cost (NDPFC) for the year 2021.

(a) y 700 billion

(b) y 900 billion

(c) y 700 billion (adjusted for depreciation)

(d) y 900 billion (adjusted for depreciation)

61. In a country, the Gross Domestic Product at Factor Cost (GDPFC) for the year 2022 is y 1,200 billion, and depreciation (consumption of fixed capital) is y 150 billion. Calculate the Net Domestic Product at Factor Cost (NDPFC) for the year 2022.

(a) ₹ 1,050 billion

(b) ₹ 1,350 billion

(c) ₹ 1,050 billion (adjusted for depreciation)

(d) ₹ 1,350 billion (adjusted for depreciation)

62. In a country, the Gross Domestic Product at Factor Cost (GDPFC) for the year 2023 is y 2,500 billion, and depreciation (consumption of fixed capital) is y 200 billion. Calculate the Net Domestic Product at Factor Cost (NDPFC) for the year 2023.

(a) ₹ 2,300 billion

(b) ₹ 2,700 billion

(c) ₹ 2,300 billion (adjusted for depreciation)

(d) ₹ 2,700 billion (adjusted for depreciation)

63. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2021 is ₹ 900 billion, and net indirect taxes (subsidies) on products are ₹ 50 billion. Calculate the Net National Product at Factor Cost (NNPFC) or National Income for the year 2021.

(a) ₹ 850 billion

(b) ₹ 950 billion

(c) ₹ 950 billion (adjusted for net indirect taxes)

(d) ₹ 850 billion (adjusted for subsidies)

64. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2022 is ₹ 1,200 billion, and net indirect taxes (subsidies) on products are ₹ 100 billion. Calculate the Net National Product at Factor Cost (NNPFC) or National Income for the year 2022.

(a) ₹ 1,100 billion

(b) ₹ 1,300 billion

(c) ₹ 1,100 billion (adjusted for net indirect taxes)

(d) ₹ 1,300 billion (adjusted for subsidies)

65. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2023 is ₹ 2,500 billion, and net indirect taxes (subsidies) on products are ₹ 200 billion. Calculate the Net National Product at Factor Cost (NNPFC) or National Income for the year 2023.

(a) ₹ 2,300 billion

(b) ₹ 2,700 billion

(c) ₹ 2,300 billion (adjusted for net indirect taxes)

(d) ₹ 2,700 billion (adjusted for subsidies)

66. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2021 is ₹ 800 billion, and the total population is 200 million. Calculate the Per Capita Income for the year 2021.

(a) ₹4,000

(b) ₹ 4,500

(c) ₹3,500

(d) ₹ 4,200

67. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2022 is ₹ 1,200 billion, and the total population is 250 million. Calculate the Per Capita Income for the year 2022

(a) ₹ 4,800

(b) ₹ 4,000

(c) ₹ 4,500

(d) ₹ 5,000

68. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2023 is ₹ 2,500 billion, and the total population is 300 million. Calculate the Per Capita Income for the year 2023

(a) ₹ 8,000

(b) ₹ 6,000

(c) ₹ 7,500

(d) ₹ 5,000

69. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2021 is ₹ 900 billion, depreciation (consumption of fixed capital) is ₹ 100 billion, net indirect taxes (subsidies) on products are ₹ 50 billion, and net current transfers from abroad are ₹ 20 billion. Calculate the Personal Income for the year 2021.

(a) ₹ 730 billion

(b) ₹ 830 billion

(c) ₹ 850 billion

(d) ₹ 900 billion

70. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2022 is ₹ 1,200 billion, depreciation (consumption of fixed capital) is ₹ 150 billion, net indirect taxes (subsidies) on products are ₹ 80 billion, and net current transfers from abroad are ₹ 30 billion. Calculate the Personal Income for the year 2022.

(a) ₹ 1,000 billion

(b) ₹ 1,100 billion

(c) ₹ 1,020 billion

(d) ₹ 1,130 billion

71 . In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2023 is ₹ 2,500 billion, depreciation (consumption of fixed capital) is ₹ 200 billion, net indirect taxes (subsidies) on products are ₹ 100 billion, and net current transfers from abroad are ₹ 40 billion. Calculate the Personal Income for the year 2023.

(a) ₹2,240billion
(b) ₹ 2,440 billion
(c) ₹2,380billion
(d) ₹ 2,540 billion

72. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2021 is ₹ 900 billion. The indirect taxes (net of subsidies) on products are ₹ 50 billion, and the consumption of fixed capital (depreciation) is ₹ 100 billion. Calculate the Personal Income for the year 2021, given that there are no other income transfer ₹

(a) ₹ 750 billion

(b) ₹ 800 billion

(c) ₹ 850 billion

(d) ₹ 900 billion

73. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2022 is ₹ 1,200 billion. The indirect taxes (net of subsidies) on products are ₹ 80 billion, and the consumption of fixed capital (depreciation) is ₹ 150 billion. Calculate the Personal Income for the year 2022, given that there are no other income transfer

(a) ₹ 960 billion
(b) ₹ 970 billion
(c) ₹ 980 billion
(d) ₹ 990 billion

74. In a country, the Gross National Product at Factor Cost (GNPFC) for the year 2023 is 7 2,500 billion. The indirect taxes (net of subsidies) on products are ₹ 150 billion, and the consumption of fixed capital (depreciation) is ₹ 200 billion. Calculate the Personal Income for the year 2023, given that there are no other income transfer

(a) ₹ 2,150 billion
(b) ₹ 2,150 billion
(c) ₹ 2,150 billion

(d) ₹ 2,150 billion

75. In a country, the Personal Income (PI) for the year 2021 is ₹ 800 billion. The direct taxes are 7 100 billion, and the social security contributions are ₹ 50 billion. Calculate the Disposable Personal Income (Dl) for the year 2021, given that there are no other income transfer ₹

(a) ₹650billion

(b) ₹ 750 billion

(c) ₹700billion

(d) ₹ 600 billion

76. In a country, the Personal Income (PI) for the year 2022 is ₹ 1,200 billion. The direct taxes are ₹ 150 billion, and the social security contributions are ₹ 100 billion. Calculate the Disposable Personal Income (Dl) for the year 2022, given that there are no other income transfer ₹

(a) ₹ 950billion

(b) ₹ 1,050 billion

(c) ₹ 1,000billion

(d) ₹ 900 billion

77. In a country, the Personal Income (PI) for the year 2023 is ₹ 2,500 billion. The direct taxes are ₹ 200 billion, and the social security contributions are ₹ 150 billion. Calculate the Disposable Personal Income (DI) for the year 2023, given that there are no other income transfer ₹

(a) ₹2,200billion

(b) ₹ 2,300 billion

(c) ₹2,350billion

(d) ₹ 2,400 billion

78. In a country, the Personal Income (PI) for the year 2021 is ₹ 900 billion. Personal taxes for the year 2021 are ₹ 150 billion. Calculate the Disposable Personal Income (Dl) for the year 2021.

(a) ₹ 750 billion

(b) ₹ 900 billion

(c) ₹ 750 billion (adjusted for personal taxes)

(d) ₹ 1,050 billion

79. In a country, the Personal Income (PI) for the year 2022 is ₹ 1,200 billion. Personal taxes for the year 2022 are ₹ 180 billion. Calculate the Disposable Personal Income (DI) for the year 2022.

(a) ₹ 1,020 billion

(b) ₹ 1,200 billion

(c) ₹ 1,020 billion (adjusted for personal taxes)

(d) ₹ 1,380 billion

80. In a country, the Personal Income (PI) for the year 2023 is ₹ 2,500 billion. Personal taxes for the year 2023 are ₹ 300 billion. Calculate the Disposable Personal Income (DI) for the year 2023.

(a) ₹ 2,200 billion

(b) ₹ 2,800 billion

(c) ₹ 2,200 billion (adjusted for personal taxes)

(d) ₹ 2,800 billion (adjusted for personal taxes)

81. In a country, the Personal Income (PI) for the year 2021 is ₹ 900 billion. Current transfers from the government and rest of the world to individuals for the year 2021 are ₹ 50 billion. Social contributions by individuals for the year 2021 are ₹ 100 billion. Calculate the Private Income for the year 2021.

(a) ₹ 750 billion

(b) ₹ 800 billion

(c) ₹ 850 billion

(d) ₹ 950 billion

82. In a country, the Personal Income (PI) for the year 2022 is ₹ 1,200 billion. Current transfers from the government and rest of the world to individuals for the year 2022 are ₹ 80 billion. Social contributions by individuals for the year 2022 are ₹ 150 billion. Calculate the Private Income for the year 2022.

(a) ₹ 970 billion

(b) ₹ 970 billion

(c) ₹ 970 billion

(d) ₹ 970 billion

83. In a country, the Personal Income (PI) for the year 2023 is ₹ 2,500 billion. Current transfers from the government and rest of the world to individuals for the year 2023 are ₹ 200 billion. Social contributions by individuals for the year 2023 are ₹ 200 billion. Calculate the Private Income for the year 2023.

(a) ₹2,300billion

(b) ₹ 2,700 billion

(c) ₹2,500billion

(d) ₹ 2,900 billion

84. In a country, the Personal Income (PI) for the year 2021 is ₹ 900 billion. Transfer payments for the year 2021 are ₹ 100 billion, and corporate taxes are ₹ 50 billion. Calculate the Private Income for the year 2021.

(a) ₹ 750 billion

(b) ₹ 750 billion (adjusted for transfer payments)

(c) ₹ 850 billion

(d) ₹ 950 billion

85. In a country, the Personal Income (PI) for the year 2022 is ₹ 1,200 billion. Transfer payments for the year 2022 are ₹ 150 billion, and corporate taxes are ₹ 80 billion. Calculate the Private Income for the year 2022.

(a) ₹ 970 billion

(b) ₹ 1,020 billion

(c) ₹ 970 billion (adjusted for transfer payments)

(d) ₹ 1,080 billion

86. In a country, the Personal Income (PI) for the year 2023 is ₹ 2,500 billion. Transfer payments for the year 2023 are ₹ 200 billion, and corporate taxes are ₹ 150 billion. Calculate the Private Income for the year 2023.

(a) ₹ 2,200 billion

(b) ₹ 2,150 billion

(c) ₹ 2,200 billion (adjusted for transfer payments)

(d) ₹ 2,350 billion

87. Which of the following organizations is responsible for estimating the National Income of India?

(a) Reserve Bank of India (RBI)

(b) Central Statistical Office (CSO)

(c)Ministry of Finance

(d) World Bank

88. Which of the following methods is used to estimate the National Income of India?

(a) Expenditure approach

(b) Consumer Price Index method

(c) Profit and Loss method

(d) Balance of Payments approach

89. Which of the following is NOT considered a part of the National Income of India?

(a) Wages of factory workers

(b) Dividends received by shareholders from a domestic company

(c) Profits earned by a foreign company from its operations in India

(d) Government grants given to a state for infrastructure development

90. Which base year is currently used for calculating the real Gross Domestic Product (GDP) in India?

(a) 2010-2011

(b) 2004-2005

(c) 2015-2016

(d) 2008-2009

91. Which component of National Income in India is known as the "single largest component" contributing to the economy's output?

(a) Agriculture
(b) Manufacturing
(c) Services
(d) Construction

92. Which organization is responsible for estimating and publishing National Income data in India?

(a) Reserve Bank of India (RBI)

(b) Ministry of Finance

(c) Central Statistical Office (CSO)

(d) Indian Statistical Institute (ISI)

93. Which method is used to estimate National Income in India?

(a)Expenditure approach
(b) Production approach
(c) income approach
(d) All of the above

94. The base year for computing the Gross Domestic Product (GDP) in India is generally revised after every:

(a) 5 years

(b) 8 years

(c) 10 years

(d) 15 years

95. Which factor cost adjustment is necessary to arrive at Gross Domestic Product (GDP) at factor cost from GDP at market prices in India?

(a) Deducting indirect taxes and adding subsidies

(b) Adding indirect taxes and deducting subsidies

(c) Adding net exports

(d) Deducting net exports

96. Which of the following sectors is NOT included in the sectoral classification used for estimating National Income in India?

(a) Agriculture and allied activities

(b) Manufacturing

(c) Services

(d) Foreign Trade

97. In India, which organization is responsible for the estimation of National Income?

(a) Ministry of Finance
(b) Reserve Bank of India (RBI)
(c) Central Statistical Office (CSO)
(d) Planning Commission of India

98. Which factor-based method is used for calculating Gross Domestic Product (GDP) in India?

(a) Production Approach

(b) Expenditure Approach

(c) Income Approach

(d) Value Added Approach

99. Which fiscal year, is considered for the computation of India's National Income statistics?

(a) January 1st to December 31st

(b) April 1st to March 31st

(c) July 1st to June 30th

(d) October 1st to September 30th

100. In India, which sector contributes the most to the Gross Domestic Product (GDP)?

(a) Agriculture and Allied Activities

(b) Manufacturing

(c) Services

(d) Mining and Quarrying

101. In the context of National Income accounting, what does GVA stand for?

(a) Gross Value Adjustment

(b) Gross Value Added

(c) Gross Variable Assessment

(d) General Value Adjustment

102. In a simple economy, the total value of goods and services produced (Gross Domestic Product - GDP) is ₹ 500 billion. The total income earned by households (wages, rent, and profits) is ₹ 400 billion. Calculate the total value of savings and taxes in this economy.

(a) ₹ 100 billion

(b) ₹ 200 billion

(c) ₹ 300 billion

(d) ₹ 400 billion

103. In a closed economy, the total value of goods and services produced (Gross Domestic Product - GDP) is ₹ 800 billion. The total value of consumption expenditure is ₹ 600 billion. Calculate the total value of savings in this closed economy.

(a) ₹ 100 billion

(b) ₹ 200 billion

(c) ₹ 300 billion

(d) ₹ 400 billion

104. In an open economy, the total value of goods and services produced (Gross Domestic Product - GDP) is ₹ 1,500 billion. The total value of consumption expenditure is ₹ 1,000 billion, and exports are ₹ 300 billion. Calculate the total value of savings in this open economy.

(a) ₹ 300 billion

(b) ₹ 500 billion

(c) ₹ 800 billion

(d) ₹ 1,200 billion

105. In a two-sector economy, the total value of output (Gross Domestic Product) is ₹ 800 billion. Calculate the total value of income generated in the economy.

(a) ₹ 800 billion

(b) ₹ 600 billion

(c) ₹ 400 billion

(d) ₹ 1,200 billion

106. In a three-sector economy, the total value of output (Gross Domestic Product) is ₹ 1,200 billion. The value of exports is ₹ 100 billion, and the value of government spending on goods and services is ₹ 150 billion. Calculate the total value of income generated in the economy.

(a) ₹ 1,200 billion

(b) ₹ 1,050 billion

(c) ₹ 950 billion

(d) ₹ 1,000 billion

107. In a four-sector economy, the total value of output (Gross Domestic Product) is ₹ 2,000 billion. The value of imports is ₹ 300 billion, and the value of government spending on goods and services is ₹ 400 billion. Calculate the total value of income generated in the economy.

(a) ₹ 1,300 billion

(b) ₹ 1,600 billion

(c) ₹ 2,000 billion

(d) ₹ 2,700 billion

108. Consider a three-stage production process. The value of raw materials purchased by a firm is ₹ 500, the cost of intermediate goods is ₹ 300, and the firm adds a value of ₹ 200 to produce the final goods. Calculate the value added by the firm.

(a) ₹ 200

(b) MOO

(c) ₹ 500

(d) ₹ 1,000

109. Consider a four-stage production process. The value of raw materials purchased by a firm is ₹ 800, the cost of intermediate goods at each stage is ₹ 100, ₹ 150, and ₹ 200, respectively. The firm adds a value of ₹ 300 at the final stage to produce the final goods. Calculate the value added by the firm.

(a) MOO

(b) ₹ 150

(c) ₹ 300

(d) ₹ 450

110. Consider a two-stage production process. The value of raw materials purchased by a firm is ₹ 400, and the firm adds a value of ₹ 600 to produce the final goods. Calculate the value added by the firm.

(a) ₹ 400

(b) ₹ 400

(c) ₹ 1,000

(d) ₹ 200

111. In a three-stage production process, the value of raw materials purchased by a company is ₹ 500 million. The company adds value worth ₹ 300 million during the production process. Calculate the total value of the final product.

(a) ₹ 100 million

(b) ₹ 200 million

(c) ₹ 300 million

(d) ₹ 800 million

112. In a four-stage production process, the value of intermediate goods purchased by a company is ₹ 800 billion. The company adds value worth ₹ 400 billion during the production process. Calculate the total value of the final product.

(a) ₹ 200 billion

(b) ₹ 400 billion

(c) ₹ 800 billion

(d) ₹ 1,200 billion

113. In a five-stage production process, the value of raw materials purchased by a company is ₹ 1,000 million. The company adds value worth ₹ 500 million during the production process. Calculate the total value of the final product.

(a) ₹ 500 million

(b) ₹ 1,000 million

(c) ₹ 1,500 million

(d) ₹ 2,000 million

114. In an economy, the following income components are given: employee compensation (₹ 300 billion), rents (₹ 50 billion), interest (₹ 100 billion), proprietor's income (₹ 150 billion), corporate profits (₹ 200 billion), and taxes on production and imports (₹ 50 billion). Calculate the Gross Domestic Product (GDP) using the Income Method.

(a) ₹ 500 billion

(b) ₹ 700 billion

(c) ₹ 800 billion

(d) ₹ 850 billion

115. In an economy, the following income components are given: employee compensation (₹ 400 billion), rents (₹ 70 billion), interest (₹ 120 billion), proprietor's income (₹ 180 billion), corporate profits (₹ 250 billion), and taxes on production and imports (₹ 60 billion). Calculate the Gross Domestic Product (GDP) using the Income Method.

(a) ₹ 800 billion

(b) ₹ 900 billion

(c) ₹ 1,000 billion

(d) ₹ 1,080 billion

116. In an economy, the following income components are given: employee compensation (₹ 500 billion), rents (₹ 90 billion), interest (₹ 150 billion), proprietor's income (₹ 200 billion), corporate profits (₹ 300 billion), and taxes on production and imports (₹ 80 billion). Calculate the Gross Domestic Product (GDP) using the Income Method.

(a) ₹ 950 billion

(b) ₹ 1,000 billion

(c) ₹ 1,200 billion

(d) ₹ 1,220 billion

117. In a country, the total compensation of employees (wages, salaries, and benefits) for the year 2021 is ₹ 500 billion. The gross operating surplus (profit) earned by businesses for the year 2021 is ₹ 300 billion. Calculate the Gross National Income (GNI) for the year 2021

(a) ₹ 200 billion

(b) ₹ 500 billion

(c) ₹ 800 billion

(d) ₹ 300 billion

118. In a country, the total compensation of employees (wages, salaries, and benefits) for the year 2022 is ₹ 600 billion. The gross operating surplus (profit) earned by businesses for the year 2022 is ₹ 400 billion. Calculate the Gross National Income (GNI) for the year 2022.

(a) ₹ 1,000 billion

(b) ₹ 400 billion

(c) ₹ 600 billion

(d) ₹ 1,200 billion

119. In a country, the total compensation of employees (wages, salaries, and benefits) for the year 2023 is ₹ 800 billion. The gross operating surplus (profit) earned by businesses for the year 2023 is ₹ 500 billion. Calculate the Gross National Income (GNI) for the year 2023.

(a) ₹ 1,300 billion

(b) ₹ 1,500 billion

(c) ₹ 800 billion

(d) ₹ 300 billion

120. In a country, the total private consumption expenditure for the year 2021 is ₹ 800 billion. The total investment expenditure for the year 2021 is ₹ 200 billion. The government's total expenditure on goods and services for the year 2021 is ₹ 300 billion. Calculate the Gross Domestic Product (GDP) for the year 2021.

(a) ₹ 500 billion

(b) ₹ 1,000 billion

(c) ₹ 1,300 billion

(d) ₹ 900 billion

121. In a country, the total private consumption expenditure for the year 2022 is ₹ 900 billion. The total investment expenditure for the year 2022 is ₹ 250 billion. The government's total expenditure on goods and services for the year 2022 is ₹ 350 billion. Calculate the Gross Domestic Product (GDP) for the year 2022.

(a) ₹ 1,500 billion

(b) ₹ 1,100 billion

(c) ₹ 1,200 billion

(d) ₹ 1,500 billion

122. In a country, the total private consumption expenditure for the year 2023 is ₹ 1,200 billion. The total investment expenditure for the year 2023 is ₹ 300 billion. The government's total expenditure on goods and services for the year 2023 is ₹ 400 billion. Calculate the Gross Domestic Product (GDP) for the year 2023.

(a) ₹ 1,500 billion
(b) ₹ 1,900 billion
(c) ₹ 1,900 billion (adjusted for imports)
(d) ₹ 1,500 billion (adjusted for exports)

123. In a country, the total private consumption expenditure for the year 2021 is ₹ 800 billion. The gross private domestic investment for the year 2021 is ₹ 200 billion. The government expenditure on goods and services for the year 2021 is ₹ 300 billion, and the net exports (exports minus imports) for the year 2021 are -₹ 100 billion. Calculate the Gross Domestic Product (GDP) for the year 2021.

(a) ₹ 1,000 billion

(b) ₹ 1,000 billion

(c) ₹ 1,200 billion

(d) ₹ 900 billion

124. In a country, the total private consumption expenditure for the year 2022 is ₹ 1,200 billion. The gross private domestic investment for the year 2022 is ₹ 300 billion. The government expenditure on goods and services for the year 2022 is ₹ 400 billion, and the net exports (exports minus imports) for the year 2022 are -₹ 150 billion. Calculate the Gross Domestic Product (GDP) for the year 2022.

(a) ₹ 1,350 billion

(b) ₹ 1,350 billion

(c) ₹ 1,550 billion

(d) ₹ 1,100 billion

125. In a country, the total private consumption expenditure for the year 2023 is ₹ 1,500 billion. The gross private domestic investment for the year 2023 is ₹ 400 billion. The government expenditure on goods and services for the year 2023 is ₹ 500 billion, and the net exports (exports minus imports) for the year 2023 are -₹ 200 billion. Calculate the Gross Domestic Product (GDP) for the year 2023.

(a) ₹ 1,300 billion

(b) ₹ 1,300 billion

(c) ₹ 1,600 billion

(d) ₹ 1,200 billion

126. The System of Regional Accounts in India provides economic data at which level of geographical aggregation?

(a) District level

(b) State level

(c) National level

(d) International level

127. Which government agency is responsible for preparing the System of Regional Accounts in India?

(a) Ministry of Finance

(b) Reserve Bank of India (RBI)

(c) Central Statistical Office (CSO)

(d) National Institution for Transforming India (NITI Aayog)

128. The System of Regional Accounts in India provides data on which of the following aspects at the state level?

(a) Population and demographic trends

(b) Agricultural production and land use

(c) Industrial output and manufacturing activities

(d) All of the above

129. Which of the following is NOT a primary purpose of the System of Regional Accounts in India?

(a) Facilitating inter-state economic comparisons

(b) Informing state-level economic planning and policy formulation

(c) Identifying regional disparities and inequalities

(d) Regulating regional fiscal policies

130. Which statistical yearbook published by the CSO includes the data and analysis on the System of Regional Accounts in India?

(a) Economic Survey of India

(b) Indian Financial Yearbook

(c) India in Figures

(d) National Accounts Statistics

131. What is the primary purpose of the System of Regional Accounts in India?

(a) To estimate the national income of the country

(b) To measure the economic growth of different states

(c) To calculate the GDP of individual cities

(d) To track the inflation rate at the regional level

132. Which organization is responsible for preparing the System of Regional Accounts in India?

(a) Reserve Bank of India (RBI)

(b) Ministry of Finance

(c) Central Statistical Office (CSO)

(d) National Sample Survey Office (NSSO)

133. Which of the following indicators is NOT covered in the System of Regional Accounts in India?

(a) Gross State Domestic Product (GSDP)

(b) Per Capita Income of states

(c) Industrial Production Index of states

(d) National Unemployment Rate

134. Which method is used for estimating the Gross State Domestic Product (GSDP) in India?

(a) Production Approach

(b) Income Approach

(c) Expenditure Approach

(d) Value Added Approach

135. The System of Regional Accounts in India provides data at which level of geographical aggregation

(a) District level

(b) City level

(c) State level

(d) Village level

136. Gross Domestic Product (GDP) measures:

(a) The total value of goods and services produced within a country's border ?

(b) The total value of goods and services consumed by households.

(c) The total value of goods and services exported by a country.

(d) The total value of goods and services imported by a country.

137. Which of the following statements is true regarding the relationship between GDP and welfare?

(a) Higher GDP always leads to higher welfare for all citizens.

(b) Higher GDP guarantees improved living standards for all citizens.

(c) GDP is a comprehensive measure of societal well-being.

(d) GDP per capital is a useful but incomplete indicator of welfare.

138. Which of the following factors is NOT considered in the calculation of GDP?

(a) Government spending on infrastructure projects

(b) Investment in new factories and equipment

(c) Income earned by citizens working abroad

(d) Transfer payments, such as social welfare benefits

139. Which of the following situations can lead to a discrepancy between GDP growth and citizens' well-being?

(a) When inflation is high, and GDP growth is low

(b) When income inequality increases during a period of economic expansion

(c) When a country's exports decrease, and GDP growth slows down

(d) When government spending increases to fund public services and welfare programs

140. Which of the following is a limitation of using GDP as a measure of welfare?

(a) GDP does not account for the value of goods and services produced in the informal sector.

(b) GDP does not consider government spending on defence and - security.

(c) GDP does not take into account changes in the trade balance.

(d) GDP does not capture the impact of technological advancements on productivity

141. Gross Domestic Product (GDP) is a measure of:

(a) The total population of a country
(b) The total value of goods and services produced in a country
(c) The total government spending in a country
(d) The total imports and exports of a country

142. Which of the following statements is true regarding GDP and welfare?

(a) A higher GDP always indicates higher welfare for the population.

(b) GDP is unrelated to the well-being and welfare of the population.

(c) GDP is a good indicator of economic growth but does not fully capture the overall welfare of the population.

(d) GDP is a measure of income distribution among the population

143. Which of the following is an example of a limitation of using GDP as a measure of welfare?

(a) GDP includes the value of illegal activities, such as drug trafficking.

(b) GDP accounts for environmental degradation and pollution.

(c) GDP reflects the level of education and healthcare in a country.

(d) GDP considers the distribution of income among different income groups.

144. Which term refers to the total GDP adjusted for inflation or changes in price levels?

(a) Real GDP

(b) Nominal GDP

(c) Per capita GDP

(d) Gross National Product (GNP)

145. Which of the following factors is NOT considered in GDP calculations?

(a) Government spending on infrastructure projects

(b) Private investment in businesses and factories

(c) Household savings and personal investments

(d) Value of intermediate goods used in the production process

146. Which of the following is a limitation of using Gross Domestic Product (GDP) as a measure of economic welfare?

(a) GDP does not account for changes in the population size.

(b) GDP includes the value of all final goods and services.

(c) GDP considers income distribution among different income groups.

(d) GDP measures the total value of goods and services produced.

147. Which factor can lead to an overestimation of a country's GDP?

(a) Inclusion of government transfer payments
(b) Exclusion of household consumption
(c) Exclusion of exports of goods and services
(d) Inclusion of imports of goods and services

148. Which aspect is not adequately captured by GDP, making it an incomplete measure of economic performance?

(a) Economic growth rate

(b) Inflation rate

(c) Income distribution

(d) Unemployment rate

149. Which challenge arises due to the difficulty of accurately measuring the informal or underground economy?

(a) Seasonal adjustments

(b) Double-counting of intermediate goods

(c) Price fluctuations

(d) Shadow economy estimation

150. Which of the following is NOT a limitation of using GDP as a measure of well-being?

(a) GDP ignores the value of leisure time and non-market activities.

(b) GDP does not account for environmental degradation and resource depletion.

(c) GDP considers the level of investment in human capital and education.

(d) GDP focuses solely on economic activities and production

151. Which of the following is a limitation of using National Income as a measure of economic welfare?

(a) It does not account for income inequality.

(b) It includes the value of illegal activities in the economy.

(c) It is difficult to calculate accurately.

(d) It is not relevant for developed countries

152. Which challenge arises due to the existence of the informal or underground economy?

(a) Difficulty in measuring the overall economic output accurately

(b) The inclusion of illegal activities in the GDP calculation

(c) Inflationary pressure on the economy

(d) Increased government expenditure

153. Which of the following is a limitation of using GDP as an indicator of well-being in terms of environmental sustainability?

(a) GDP includes the value of illegal activities.

(b) GDP does not consider income distribution.

(c) GDP growth may be accompanied by environmental degradation.

(d) GDP does not account for changes in price levels.

154. Which limitation of National Income computation arises due to the exclusion of non-market activities and household production?

(a) Overestimation of economic output

(b) Difficulty in calculating GDP at factor cost

(c) Underestimation of economic output and welfare

(d) Overestimation of economic growth rate

155. Which challenge arises due to the constant changes in the structure of the economy and the introduction of new goods and services?

(a) Difficulty in calculating inflation rate

(b) Changes in government policies

(c) Difficulty in measuring real GDP

(d) Difficulty in estimating the savings rate

156. National income accounting is a method used to:

(a) Calculate the total profits of private companies
(b) Measure the economic performance of a country
(c) Determine the total savings of the government
(d) Assess the inflation rate in the economy

157. Gross Domestic Product (GDP) is defined as:

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

(b) The total value of all imports and exports of a country

(c) The total value of all goods and services produced by a country's citizens, regardless of their location

(d) The total value of all goods and services produced by a country's companies, regardless of their ownership

158. Which of the following is NOT included in GDP calculations?

(a) Investment spending by businesses
(b) Government spending on infrastructure
(c) Social security payments to retirees
(d) Consumer spending on durable goods

159. The income approach to calculating GDP:

(a) Adds up all the wages, salaries, and profits earned in an economy

(b) Only considers the total spending on final goods and services

(c) Focuses on the net exports of a country

(d) Includes only the value of intermediate goods and services

160. Real GDP differs from Nominal GDP in that:

(a) Real GDP accounts for inflation, while Nominal GDP does not

(b) Real GDP includes government spending, while Nominal GDP does not

(c) Real GDP is measured in current market prices, while Nominal GDP is adjusted for inflation

(d) Real GDP considers only the value of goods, while Nominal GDP includes services as well

161. National Income is calculated as:

(a) GDP minus depreciation
(b) GDP plus net exports
(c) GDP minus indirect taxes and subsidies
(d) GDP minus government spending

162. The expenditure approach to calculating GDP:

(a) Adds up all the wages, salaries, and profits earned in an economy

(b) Focuses on the total spending on final goods and services

(c) Includes only the value of intermediate goods and services

(d) Considers the net exports of a country

163 . Which of the following is a component of Gross Domestic Product (GDP)?

(a) Money supply in the economy

(b) Unemployment rate

(c) Government budget deficit

(d) Investment spending by businesses

164. National income estimates are essential for:

(a) Calculating the profits of individual companies
(b) Assessing the distribution of wealth in a country.
(c) Determining the exchange rates between currencies
(d) Monitoring the stock market performance

165. The primary use of national income estimates is to:

(a) Measure the overall happiness and well-being of citizens
(b) Determine the economic growth rate of the country
(c) Calculate the total value of imports and exports
(d) Evaluate the effectiveness of foreign aid programs

166. Why is it important to calculate Gross Domestic Product (GDP)?

(a) To understand the unemployment rate in the country

(b) To analyze the overall debt of the government

(c) To determine the total value of all goods and services produced in the economy

(d) To evaluate the efficiency of the banking sector

167. National income estimates help in comparing the economic performance of different countries by:

(a) Converting all currencies to a common unit of measurement
(b) Focusing solely on the GDP growth rate
(c) Ignoring the impact of inflation on the economy
(d) Excluding the service sector from the calculations

168. The per capita income, derived from national income estimates, is useful for:

(a) Understanding the total population of a country

(b) Analyzing the average income of individuals in the country

(c) Measuring the total number of employed people

(d) Evaluating the performance of the agricultural sector

169 . One of the limitations of using national income estimates is that they:

(a) Cannot account for the underground economy

(b) Overstate the value of intermediate goods

(c) Ignore the impact of international trade on the economy

(d) Focus excessively on government spending

170. National income estimates help policymakers in making informed decisions about:

(a) The promotion of consumer spending

(b) The allocation of resources and budget planning

(c) The reduction of inflation rates

(d) The regulation of the stock market

171. In times of economic downturn, national income estimates can be used to:

(a) Encourage more foreign investments

(b) Identify the sectors that require government bailouts

(c) Increase taxes on businesses and individuals

(d) Decrease government spending on infrastructure

172. Gross Domestic Product (GDP) is the total value of:

(a) All goods and services produced within a country's borders in a specific time period

(b) All goods and services produced by a country's citizens, regardless of their location

(c) All goods and services produced by a country's companies, regardless of their ownership

(d) All final goods and services produced within a country's borders in a specific time period

173. Gross National Product (GNP) differs from GDP in that GNP:

(a) Includes only the value of final goods and services

(b) Excludes the value of exports

(c) Accounts for depreciation of capital goods

(d) Includes the value of goods and services produced by a country's citizens abroad

174 . Net National Product (NNP) is calculated by:

(a) Adding depreciation to GDP
(b) Subtracting depreciation from GDP
(c) Adding depreciation to GNP
(d) Subtracting depreciation from GNP

175. National Income (NI) is calculated by:

a) Adding indirect taxes to NNP

(b) Subtracting indirect taxes from NNP

(c) Adding net foreign factor income to NNP

(d) Subtracting net foreign factor income from NNP

176 . Personal Income (PI) is the total income received by:

(a) Individuals before paying personal taxes
(b) Individuals after paying personal taxes
(c) Households before paying personal taxes
(d) Households after paying personal taxes

177. Disposable Income (Dl) is calculated by:

(a) Adding personal taxes to personal income

(b) Subtracting personal taxes from personal income

(c) Adding corporate taxes to personal income

(d) Subtracting corporate taxes from personal income

178. Which of the following represents the broadest measure of a country's national income?

(a) GDP

(b) GNP

(c) NNP

(d) PI

179. Gross National Income (GNI) is defined as:

(a) The total value of all goods and services produced by a country's companies, regardless of their ownership

(b) The total value of all goods and services produced by a country's citizens, regardless of their location

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

(d) The total value of all goods and services produced within a country's borders, excluding foreign factors of production

180 . In India, the organization responsible for estimating national income is:

(a) Reserve Bank of India (RBI)

(b) Ministry of Finance

(c) Central Statistical Office (CSO)

(d) Planning Commission

181. Which of the following methods is primarily used to estimate national income in India?

(a) Production approach

(b) Expenditure approach

(c) Income approach

(d) All of the above

182. The base year for estimating Gross Domestic Product (GDP) using constant prices in India is typically updated every:

(a) 5 years
(b) 7 years
(c) 10 years
(d) 12 years

183. In India, Gross Domestic Product (GDP) at market prices is calculated by adding:

(a) Indirect taxes and depreciation to GDP at factor cost

(b) Indirect taxes and net-factor income from abroad to GDP at factor cost

(c) Indirect taxes and subsidies to GDP at factor cost

(d) Indirect taxes and net factor income from abroad to GDP at market prices

184. National Income in India is also known as:

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

185. The Central Statistical Office (CSO) in India operates under the purview of the:

(a) Ministry of Finance

(b) Ministry of Statistics and Programme Implementation

(c) Reserve Bank of India (RBI)

(d) Planning Commission

186. In the context of India's national income estimation, GVA stands for:

(a) Gross Value Added
(b) Gross Variable Analysis
(c) Government Value Assessment
(d) Government Variable Account

187. Which of the following sectors is NOT covered in the estimation of national income in India?

(a) Agriculture and Allied Activities
(b) Manufacturing
(c) Financial Services
(d) Household Consumption

188. The System of Regional Accounts (SRA) in India aims to:

(a) Calculate the national income of India

(b) Measure the economic performance of different states and regions within India

(c) Assess the exchange rates between different Indian states

(d) Determine the total imports and exports of each Indian state

189. The Ministry responsible for the compilation of the System of Regional Accounts in India is:

(a) Ministry of Finance

(b) Ministry of Commerce and Industry

(c) Ministry of Home Affairs

(d) Ministry of Statistics and Programme Implementation

190. The base year used for estimating the System of Regional Accounts in India is generally revised every:

(a) 3 years

(b) 5 years

(c) 7 years

(d) 10 years

191. The regional accounts data in India provides insights into:

(a) The inflation rate in each state

(b) The fiscal deficit of the central government

(c) The economic activities and their contribution to each state's GDP

(d) The foreign direct investments received by different Indian states

192. Which of the following is NOT a component of the System of Regional[1] Accounts in India?

(a) Gross State Domestic Product (GSDP)

(b) Per Capita Income of states

(c) Sectoral distribution of states' population

(d) International trade data of each state

193 . The primary source of data used for compiling the System of Regional Accounts in India is:

(a) Annual reports of different state governments

(b) Survey data collected by private agencies

(c) Data from the Reserve Bank of India (RBI)

(d) Data from various government departments and surveys conducted by the Central Statistical Office (CSO)

194. The System of Regional Accounts helps in identifying the:

(a) Number of state-owned enterprises in each region

(b) Level of unemployment in the country

(c) Disparities in economic growth and development among states

(d) Composition of the national budget

195. One of the limitations of national income computation is that it:

(a) Ignores the contribution of the services sector to the economy

(b) Overestimates the value of intermediate goods and services

(c) Excludes the impact of inflation on the economy

(d) Does not consider non-market activities and the informal economy

196. The challenge of accurately measuring national income arises due to:

(a) Difficulties in collecting data on government spending

(b) Limited availability of data on international trade

(c) The constantly changing structure of the economy

(d) The exclusion of the financial sector from the calculations

197. Which of the following is NOT a challenge in computing national income?

(a) Difficulty in accounting for depreciation of assets

(b) Estimating the value of household production and unpaid work

(c) Dealing with fluctuations in exchange rates

(d) Accounting for income generated from illegal activities

198. National income computation may not accurately reflect the economic well-being of:

(a) The government sector

(b) The manufacturing sector

(c) The agricultural sector

(d) Different income groups within the population

199. One of the limitations of using Gross Domestic Product (GDP) as a measure of welfare is that it:

(a) Does not account for income distribution within the country

(b) Ignores the value of net exports in the economy

(c) Overestimates the contribution of government spending to the economy

(d) Excludes the value of investment spending by businesses

200. The concept of national income fails to consider the economic value of:

(a) Social security payments to retirees

(b) Imports of goods and services

(c) Gross fixed capital formation

(d) National debt and government borrowing

201. Which of the following does NOT pose a challenge in calculating Gross National Product (GNP)?

(a) Accounting for the income earned by foreign residents in the country

(b) Estimating the value of exports of goods and services

(c) Dealing with changes in the national currency's exchange rate

(d) Measuring the value of capital goods used in the production process

CHAPTER 6 DETERMINATION OF NATIONAL INCOME

UNIT:2 THE KEYNESIAN THEORY OF DETERMINATION OF NATIONAL INCOME

202. What is the central proposition of Keynesian theory regarding the determination of national income?

(a) National income is determined by aggregate supply.

(b) National income is determined by aggregate demand.

(c) National income is determined by both aggregate supply and aggregate demand.

(d) National income is determined by the government's fiscal policy.

203. During a recession, Keynesian economists recommend which of the following policies to stimulate economic growth and increase national income?

(a) Decreasing government spending and raising taxes.

(b) Decreasing the money supply to control inflation.

(c) Increasing government spending and lowering taxes.

(d) Reducing exports to protect domestic industries.

204. In the Keynesian model, what is the role of private investment in determining national income?

(a) Private investment has no impact on national income.
(b) Private investment solely determines national income.
(c) Private investment is a component of aggregate demand affecting national income.
(d) Private investment only affects the inflation rate, not national income.

205. According to the Keynesian theory, what can lead to a situation of "underemployment equilibrium" in an economy?

(a) When aggregate demand exceeds aggregate supply.

(b) When aggregate supply exceeds aggregate demand.

(c) When there is full employment in the economy.

(d) When aggregate demand is insufficient to create full employment.

206. Which of the following represents the primary tool for the government to influence aggregate demand and stabilize the economy, according to Keynesian economics?

(a) Monetary policy.

(b) Fiscal policy.

(c) Supply-side policies.

(d) Exchange rate policy.

207. Who is the main proponent of the Keynesian theory of determination of National Income?

(a) Adam Smith

(b) John Maynard Keynes

(c) Milton Friedman

(d) Friedrich Hayek

208. According to Keynesian theory, what determines the level of employment and output in an economy?

(a) Consumer preferences and saving habits

(b) Government spending and taxation policies

(c) The interaction of aggregate demand and aggregate supply

(d) The natural rate of unemployment

209. The central idea of the Keynesian theory is that:

(a) Government intervention is necessary to stabilize the economy

(b) The market forces alone can ensure full employment and economic stability

(c) Tax cuts are the most effective tool for economic growth

(d) Private investment is the primary driver of economic prosperity

210. According to Keynes, what can lead to a situation of "effective demand deficiency" in the economy?

(a) Excessive government spending
(b) High levels of consumer saving
(c) Low interest rates set by the central bank
(d) High levels of inflation

211. Keynesian theory suggests that during an economic downturn, the government should implement:

(a) Austerity measures to reduce public debt

(b) Supply-side policies to boost production

(c) Contractionary monetary policies to control inflation

(d) Expansionary fiscal policies to increase spending

212. Keynes argued that during periods of economic recession or depression, the government should:

(a) Increase taxes to reduce budget deficits

(b) Reduce government spending to control inflation

(c) Decrease interest rates to encourage private investment

(d) Increase government spending to stimulate aggregate demand

213. The concept of "Multiplier Effect" in the Keynesian theory suggests that:

(a) Changes in government spending have a larger impact on National Income than changes in taxes.

(b) A change in investment leads to a proportionate change in National Income.

(c) Increases in exports result in higher economic growth and employment.

(d) Changes in consumption have a direct and immediate impact on investment.

214. According to Keynes, in situations of insufficient aggregate demand, the economy may experience:

(a) Demand-pull inflation

(b) Cost-push inflation

(c) Deflation and unemployment

(d) Stagflation

215. In a simple two-sector model of the circular flow, the two sectors are:

(a) Government and households

(b) Business firms and households

(c) Government and business firms

(d) Foreign sector and households

216. In the circular flow model, which sector is the ultimate consumer of goods and services?

(a) Business firms

(b) Households

(c) Government

(d) Foreign sector

217. In the circular flow model, which sector supplies factors of production to business firms?

(a) Government

(b) Households

(c) Business firms

(d) Foreign sector

218. Which of the following flows represents the payment made by business firms to households for providing factors of production?

(a) Factor payments

(b) Transfer payments

(c) Investment spending

(d) Consumption expenditure

219. In the circular flow model, which sector provides funds to business firms for investment purposes?

(a) Government
(b) Households
(c) Business firms
(d) Foreign sector

220. In the circular flow model, households are the:

(a) Sellers of goods and services and buyers of factors of production

(b) Buyers of goods and services and sellers of factors of production

(c) Buyers of goods and services and buyers of factors of production

(d) Sellers of goods and services and sellers of factors of production

221. Which of the following best represents the flow of goods and services in the circular flow model?

(a) Money flows from households to businesses for goods and services.

(b) Goods and services flow from households to businesses in exchange for money.

(c) Money flows from businesses to households for factors of production.

(d) Factors of production flow from businesses to households in exchange for money.

222. Savings in the circular flow model refer to:

(a) The money that businesses save from their profits

(b) The money that households save from their income

(c) The money that businesses invest in new projects

(d) The money that households spend on goods and services

223. In the circular flow model, the total value of goods and services produced in the economy is measured by:

(a) Gross Domestic Product (GDP)

(b) Gross National Product (GNP)

(c) Net Domestic Product (NDP)

(d) Net National Product (NNP)

224. In the circular flow model, households receive income in the form of:

(a) Profits

(b) Taxes

(c) Wages, rent, and interest

(d) Government transfers

225. Which component of the circular flow represents the total spending by households on goods and services?

(a) Savings

(b) Investment

(c) Government spending

(d) Consumption expenditure

226. In the two-sector circular flow model, savings by households are equal to:

(a) Consumption expenditure

(b) Taxes paid to the government

(c) Investment by firms

(d) Government spending

227. The circular flow model assumes that all income earned by households is either spent on consumption or saved, and there is no:

(a) Government intervention

(b) Investment by firms

(c) Financial sector

(d) Foreign trade

228. In economics, the study of how individuals and societies allocate limited resources to satisfy their unlimited wants is known as:

(a) Microeconomics

(b) Macroeconomics

(c) Economic planning

(d) Economics

229. The total value of all final goods and services produced within a country's borders during a specific time period is known as:

(a) Gross Domestic Product (GDP)

(b) Gross National Product (GNP)

(c) Net National Product (NNP)

(d) National Income

230. Which of the following is NOT a factor of production in economics?

(a) Land

(b) Labor

(c) Capital

(d) Money

231. The price at which the quantity demanded of a good or service equals the quantity supplied is known as:

(a) Equilibrium price
(b) Market price
(c) Maximum price
(d) Minimum price

232. The study of how individuals and firms make decisions and interact in markets is known as:

(a) Macroeconomics

(b) Microeconomics

(c) Economic planning

(d) Econometrics

233. Which of the following is a basic concept in economics that refers to the limited nature of resources

(a) Opportunity cost

(b) Scarcity

(c) Inflation

(d) Gross Domestic Product (GDP)

234. Opportunity cost is defined as:

(a) The cost of producing one additional unit of a good or service

(b) The total cost of all inputs used in the production process

(c) The highest-valued alternative given up when a choice is made

(d) The difference between total revenue and total cost

235. Which function of money refers to money serving as a medium of exchange in transactions?

(a) Store of value
(b) Unit of account
(c) Medium of exchange
(d) Standard of deferred payment

236. The Consumer Price Index (CPI) is a measure of:

(a) The overall level of prices in an economy
(b) The total output produced in an economy
(c) The unemployment rate in an economy
(d) The government's budget deficit

237. The total market value of all final goods and services produced within a country's borders during a specific time period is known as:

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

238. The total value of all goods and services produced within a country's borders during a specific time period is known as:

(a) Gross National Product (GNP)

(b) Gross Domestic Product (GDP)

(c) Net Domestic Product (NDP)

(d) Net National Product (NNP)

239. The measure of the responsiveness of quantity demanded of a good to a change in its price is known as:

(a) Elasticity of demand

(b) Elasticity of supply

(c) Marginal utility

(d) Consumer surplus

240. Which type of unemployment occurs when there is a temporary mismatch between job seekers and available job vacancies?

(a) Cyclical unemployment

(b) Frictional unemployment

(c) Structural unemployment

(d) Seasonal unemployment

241. The interest rate at which a central bank lends money to commercial banks is known as:

(a) Prime rate

(b) Discount rate

(c) Federal funds rate

(d) LIBOR rate

242. In an economy, the Aggregate Demand (AD) function is represented as AD = 1,000 - 100P, where P is the price level. Calculate the Aggregate Demand when the price level is 5.

(a) 1,500

(b) 500

(c) 1,000

(d) 2,000

243. In an economy, the Aggregate Demand (AD) function is represented as AD = 2,500 - 150P, where P is the price level. Calculate the Aggregate Demand when the price level is ₹ 10.

(a) 1,500
(b) 2,500
(c) 2,000
(d) 3,000

244 . In an economy, the Aggregate Demand (AD) function is represented as AD = 3,000 - 200P, where P is the price level. Calculate the Aggregate Demand when the price level is ₹ 15.

(a) 2,500

(b) 3,000

(c) 1,500

(d) 2,000

245. In an economy, the aggregate demand (AD) function is represented as AD = 2,000 - 100P, where P is the price level. Calculate the equilibrium level of aggregate demand when the price level (P) is ₹ 15.

(a) ₹ 1,000

(b) ₹ 2,500

(c) ₹ 1,500

(d) ₹ 500

246. In an economy, the consumption function is represented as $C = 500 + 0.8Y$, where Y is the disposable income. Calculate the level of consumption when the disposable income (Y) is ₹ 2,000.

(a) ₹ 1,800

(b) ₹ 1,900

(c) ₹ 2,500

(d) ₹ 2,200

247. In an economy, the consumption function is represented as C = 500 + 0.8Y, where C is consumption and Y is disposable income. Calculate the level of consumption when disposable income (Y) is ₹ 1.000

(a) ₹ 1,200

(b) ₹ 1,300

(c) ₹ 1,400

(d) ₹ 1,500

248. In an economy, the consumption function is represented as $C = 1{,}000 + 0.8Y$, where Y is the disposable income. Calculate the level of consumption when the disposable income (Y) is ₹ 2,000

(a) ₹ 800

(b) ₹ 1,200

(c) ₹ 2,400

(d) ₹ 2,800

249. In an economy, the consumption function is represented as $C = 800 + 0.6Y$, where Y is the disposable income. Calculate the level of consumption when the disposable income (Y) is ₹ 3 000

(a) ₹ 1,000

(b) ₹ 1,800

(c) ₹ 2,200

(d) ₹ 1,400

250. In an economy, the consumption function is represented as C = 800 + 0.6Y, where Y is the disposable income. Calculate the level of consumption when the disposable income (Y) is ₹ 2,500.

(a) ₹ 1,500

(b) ₹ 2,000

(c) ₹ 2,200

(d) ₹ 2,800

251. In an economy, the consumption function is represented as $C = 1{,}000 + 0.8Y$, where C is the consumption and Y is the disposable income. Calculate the level of consumption when the disposable income (Y) is ₹ 5,000.

(a) ₹ 1,800

(b) ₹ 3,800

(c) ₹ 4,000

(d) ₹ 5,000

252. In an economy, the consumption function is represented as C = 1,000 + 0.6Y, where C is the consumption and Y is the disposable income. Calculate the level of saving when the disposable income (Y) is ₹ 4,000.

(a) ₹ 2,400

(b) ₹ 1,600

(c) ₹ 2,000

(d) ₹ 1,000

253. In an economy, the consumption function is represented as C = 800 + 0.6Y, where C is the consumption, Y is the disposable income, and S is the saving. Calculate the level of saving when the disposable income (Y) is ₹ 2,000.

(a) ₹ 1,200

(b) ₹ 800

(c) ₹ 400

(d) ₹ 1,600

254. In an economy, the consumption function is represented as C = 1,000 + 0.6Y, where C is the consumption, and Y is the disposable income. Calculate the level of saving when the disposable income (Y) is ₹ 4,000.

(a) ₹ 600

(b) ₹ 1,600

(c) ₹ 2,400

(d) ₹ 2,600

255. In an economy, the short-run aggregate supply (SRAS) curve is represented as SRAS = 1,500 + 0.5P, where P is the price level. Calculate the level of aggregate supply when the price level (P) is ₹ 10.

(a) 1,550

(b) 2,000

(c) 2,500

(d) 1,000

256. In an economy, the short-run aggregate supply (SRAS) curve is represented as SRAS = 2,000 + 100P, where P is the price level. Calculate the level of aggregate supply when the price level (P) is ₹ 10

(a) 2,100
(b) 3,000
(c) 2,500
(d) 2,200

257. In an economy, the aggregate supply (AS) function is represented as AS = 2,000 + 100P, where P is the price level. Calculate the level of aggregate supply when the price level (P) is ₹ 10.

(a) ₹ 2,000
(b) ₹ 3,000
(c) ₹ 2,100
(d) ₹ 2,500

258. In the two-sector model of National Income determination, the two main sectors are:

(a) Government and households

(b) Government and foreign trade

(c) Households and firms (businesses)

(d) Firms (businesses) and foreign trade

259. In the two-sector model, the total output produced by firms is either consumed by households or:

(a) Saved by households

(b) Invested by firms

(c) Exported to foreign countries

(d) Imported from foreign countries

260. In the two-sector model, the total income earned by households is either spent on consumption or:

(a) Invested by firms

(b) Taxed by the government

(c) Exported to foreign countries

(d) Imported from foreign countries

261. In the two-sector model, the equilibrium level of National Income occurs when:

(a) Total consumption equals total investment

(b) Total savings equals total investment

(c) Total consumption equals total savings

(d) Total income equals total expenditure

262. If total consumption in the two-sector model is greater than total income, the economy will experience:

(a) An increase in inventories

(b) An increase in investment

(c) An increase in National Income

(d) A decrease in National Income

263. In the two-sector model, the income earned by households is allocated between:

(a) Taxes and Savings

(b) Consumption and Savings

(c) Consumption and Investment

(d) Taxes and Investment

264. In the two-sector model, the equilibrium condition is achieved when:

(a) Consumption equals savings

(b) Consumption exceeds savings

(c) Savings exceed consumption

(d) Consumption and savings are both zero

265. If in the two-sector model, consumption exceeds income, it would result in:

(a) Equilibrium

(b) A budget surplus

(c) A budget deficit

(d) An increase in investment

266. In the two-sector model, investment is assumed to be:

(a) Autonomous
(b) Derived
(c) Dependent on consumption
(d) Dependent on government spending

267. In the two-sector model, the total income earned by households is divided into two components: consumption expenditure (C) and:

(a) Gross Domestic Product (GDP)

(b) Investment (I)

(c) Net exports (NX)

(d) Savings (S)

268. The equilibrium condition in the two-sector model occurs when:

(a) Savings are greater than investment

(b) Consumption equals investment

(c) Savings equal investment

(d) Consumption equals GDP

269. If, in the two-sector model, aggregate savings are greater than aggregate investment, the economy is in:

(a) Recession
(b) Equilibrium
(c) Inflation
(d) Unemployment

270. The formula for calculating national income (Y) in the two-sector model is:

(a) Y = C - S

(b) Y = C + S

(c) Y = C + I

(d) Y = C -1

271. In an economy, the aggregate demand (A(d) function is represented as AD = 2,000 -10OP, and the short-run aggregate supply (SRAS) function is represented as SRAS = 1,000 + 150P. Calculate the equilibrium price level (P) and output level when the economy is at equilibrium.

(a) P = ₹ 6, Y = 1,400
(b) P = ₹ 8, Y = 1,200
(c) P = ₹ 10, Y = 1,000
(d) P = ₹12, Y = 800

272. In an economy, the aggregate demand (AD) and short-run aggregate supply (SRAS) functions are given by AD = 2,000 - 100P and SRAS = 1.000 + 150P, where P is the price level. Calculate the equilibrium price level and output level.

(a) Equilibrium price level: ₹ 8; Output level: 1,400 units

(b) Equilibrium price level: ₹ 10; Output level: 1,500 units

(c) Equilibrium price level: ₹ 12; Output level: 1,600 units

(d) Equilibrium price level: ₹ 6; Output level: 1,200 units

273. In an economy, the aggregate demand (A(d) function is represented as AD = 2,000 -10OP, and the short-run aggregate supply (SRAS) function is represented as SRAS = 500 + 100P. Calculate the equilibrium price level and output level in the economy.

(a) Equilibrium price level = ₹ 8; Equilibrium output level = 1,200 units

(b) Equilibrium price level = ₹ 10; Equilibrium output level = 1,000 units

(c) Equilibrium price level = ₹ 12; Equilibrium output level = 800 units

(d) Equilibrium price level = ₹ 14; Equilibrium output level = 600 units

274. The investment multiplier measures the relationship between:

(a) Consumer spending and investment

(b) Government spending and investment

(c) Investment and changes in national income

(d) Changes in national income and consumer spending

275. The formula to calculate the investment multiplier is:

(a) Investment Multiplier = 1 / Marginal Propensity to Consume (MPC)

(b) Investment Multiplier = 1 / Marginal Propensity to Save (MPS)

(c) Investment Multiplier = 1 + Marginal Propensity to Consume (MPC)

(d) Investment Multiplier = 1 + Marginal Propensity to Save (MPS)

276. If the Marginal Propensity to Save (MPS) is 0.2, what is the value of the investment multiplier?

(a) 1.2

(b) 5

(c) 0.2

(d) 0.8

277. The investment multiplier indicates that an increase in investment of a certain amount will lead to a/an:

(a) Smaller increase in national income

(b) Equal decrease in national income

(c) Larger increase in national income

(d) No change in national income

278. The investment multiplier assumes that:

(a) The economy is at full employment

(b) Consumer spending is constant

(c) Government spending is constant

(d) There are no leakages in the economy

279. The investment multiplier measures the:

(a) Increase in government spending due to an increase in investment

(b) Increase in investment due to an increase in government spending

(c) Total change in national income resulting from a change in investment

(d) Total change in investment resulting from a change in national income

280. The value of the investment multiplier is calculated as:

(a) 1 / Marginal Propensity to Consume (MPC)

(b) Marginal Propensity to Consume (MPC) /1

(c) 1 / Marginal Propensity to Save (MPS)

(d) Marginal Propensity to Save (MPS) /1

281. If the Marginal Propensity to Consume (MPC) is 0.8, the value of the investment multiplier will be:

(a) 2

(b) 3

(c) 4

(d) 5

282. The investment multiplier can be used to calculate the total change in income when there is an autonomous increase in investment. Autonomous investment refers to investment that:

(a) Depends on changes in income

(b) Does not depend on changes in income

(c) Is made by the government sector

(d) Is made by the foreign sector

283. If the investment multiplier is 3, an initial increase in investment of ₹ 100 million will lead to a total increase in national income of:

(a) ₹ 200 million

(b) ₹ 300 million

(c) ₹ 400 million

(d) ₹ 500 million

284. The investment multiplier measures the:

(a) Change in investment due to changes in interest rates.

(b) Change in investment due to changes in government spending.

(c) Change in national income due to changes in investment.

(d) Change in consumption due to changes in income.

285. The formula for calculating the investment multiplier is:

(a) Investment Multiplier - 1 / Marginal Propensity to Consume (MPC)

(b) Investment Multiplier = 1 / Marginal Propensity to Save (MPS)

(c) Investment Multiplier = 1 / Marginal Propensity to Import (MPI)

(d) Investment Multiplier = 1 / Marginal Propensity to Invest (MPI)

286. If the marginal propensity to consume (MPC) is 0.8, the value of the investment multiplier would be:

(a) 0.8

(b) 5

(c) 0.2

(d) 2

287. The investment multiplier is based on the idea that an initial change in investment:

(a) Directly affects consumption spending by households.

(b) Indirectly affects consumption and investment spending through changes in interest rates.

(c) Indirectly affects consumption spending by households.

(d) Directly affects government spending

288. If the investment multiplier is 4, a ₹ 100 million increase in investment will lead to a total increase in national income of:

(a) ₹ 200 million

(b) ₹ 400 million

(c) ₹ 600 million

(d) ₹ 800 million

289. In the three-sector model, the three main sectors of the economy are:

(a) Government, households, and foreign trade

(b) Government, households, and financial institutions

(c) Households, firms (businesses), and foreign trade

(d) Households, firms (businesses), and financial institutions

290. In the three-sector model, the equilibrium condition occurs when:

(a) Total consumption equals total savings

(b) Total income equals total consumption

(c) Total income equals total expenditure

(d) Total savings equals total investment

291. The formula for calculating the equilibrium level of income (Y) in the three-sector model is:

(a) Y = C + I + G

(b) Y = C + S + T

(c) Y = C + I + NX

(d) Y = C + I - NX

292. If in the three-sector model, total consumption is ₹ 800 million, total investment is ₹ 200 million, government expenditure is ₹ 300 million, and net exports are ₹ 50 million, the equilibrium level of income (Y) would be:

(a) ₹ 1,050 million

(b) ₹ 1,250 million

(c) ₹ 750 million

(d) ₹ 1,350 million

293. If in the three-sector model, total consumption is ₹ 500 million, total investment is ₹ 300 million, government expenditure is ₹ 200 million, and net exports are -₹ 50 million (trade deficit), the equilibrium level of income (Y) would be:

(a) ₹ 1,050 million

(b) ₹ 950 million

(c) ₹ 750 million

(d) ₹ 1,150 million

294. In a three-sector model, the three main sectors of the economy are:

(a) Households, firms, and government
(b) Households, firms, and foreign trade
(c) Households, firms, and banks
(d) Households, firms, and financial institutions

295. in a three-sector model, the equilibrium condition occurs when:

(a) Aggregate savings equal aggregate investment

(b) Aggregate consumption equals aggregate income

(c) Total exports equal total imports

(d) Total government spending equals total tax revenue

296. If, in the three-sector model, aggregate consumption is greater than aggregate income, the economy is in:

(a) Recession
(b) Equilibrium
(c) Inflation
(d) A trade surplus

297. The formula for calculating the equilibrium level of income (Y) in a three-sector model is:

(a) $Y = C - I + X - M$

(b) $Y = C + I + G$

(c) $Y = C + S + T$

(d) $Y = C + I + X$

298. The concept of the marginal propensity to import (MPM) in a three-sector model refers to:

(a) The change in government spending due to changes in income.

(b) The change in consumption due to changes in income.

(c) The change in imports due to changes in income.

(d) The change in investment due to changes in interest rates.

299. The formula for calculating national income (Y) in the three-sector model is:

(a) Y = C + S

(b) Y = C + I

(c) Y = C + T

(d) Y = C + T + I

300. In the three-sector model, the total income earned by households is divided into three components: consumption expenditure (C), savings (S), and:

(a) Taxes (T)

(b) Investment (I)

(c) Exports (X)

(d) Government expenditure (G)

301. The equilibrium condition in the three-sector model occurs when:

(a) Total consumption equals total income

(b) Total savings equal total investment

(c) Total consumption plus total taxes equal total income

(d) Total exports equal total imports

302. If, in the three-sector model, aggregate consumption and taxes are greater than aggregate income, it indicates that:

(a) The economy is in equilibrium

(b) The economy is in recession

(c) The economy is facing a surplus

(d) The economy is facing a deficit

303. In an economy, the government purchases of goods and services (G) are ₹ 500 billion, taxes (T) are ₹ 300 billion, transfer payments (TR) are ₹ 100 billion, and the disposable income (YD) is ₹ 1,500 billion. Calculate the level of government savings or dissaving's.

(a) Government savings of ₹ 200 billion

(b) Government di00ssavings of ₹ 100 billion

(c) Government dissavings of ₹ 200 billion

(d) Government savings of ₹ 100 billion

304. In an economy, the government increases its spending on infrastructure projects and welfare programs. As a result, the government expenditure (G) increases by ₹ 100 billion. How will this increase in government expenditure affect the equilibrium level of income in the economy, assuming the marginal propensity to consume (MPC) is 0.8?

(a) The equilibrium level of income will increase by ₹ 100 billion.

(b) The equilibrium level of income will decrease by ₹ 100 billion.

(c) The equilibrium level of income will increase by ₹ 500 billion.

(d) The equilibrium level of income will decrease by ₹ 500 billion.

305. In an economy, the government increases its spending on infrastructure projects and welfare programs. As a result, the government expenditure (G) increases by ₹ 200 billion. How will this increase in government expenditure affect the equilibrium level of income (Y) in the economy, assuming a simple Keynesian model?

(a) The equilibrium level of income (Y) will increase by ₹ 200 billion.

(b) The equilibrium level of income (Y) will decrease by ₹ 200 billion.

(c) The equilibrium level of income (Y) will not change.

(d) The equilibrium level of income (Y) will change, but the direction of change cannot be determined without more information.

306. In an economy, the government purchases (G) are ₹ 500 billion, taxes (T) are ₹ 300 billion, transfer payments (TR) are ₹ 100 billion, and the disposable income (YD) is ₹ 1,800 billion. Calculate the level of government savings or dissavings (Sg).

(a) Government savings (Sg) = ₹ 100 billion

(b) Government savings (Sg) = -₹ 100 billion

(c) Government savings (Sg) = ₹ 300 billion

(d) Government savings (Sg) = ₹ 300 billion

307. In the four-sector model, the total income earned by households is divided into four components: consumption expenditure (C), savings (S), taxes (T), and:

(a) Exports (X)

(b) Imports (M)

(c) Investment(l)

(d) Government expenditure (G)

308. The equilibrium condition in the four-sector model occurs when:

(a) Total consumption equals total income
(b) Total savings equal total investment
(c) Total consumption plus total taxes equal total income
(d) Total exports equal total imports

309. If, in the four-sector model, aggregate consumption and taxes are greater than aggregate income, it indicates that:

(a) The economy is in equilibrium
(b) The economy is in recession
(c) The economy is facing a surplus
(d) The economy is facing a deficit

310. In the four-sector model, the net exports (NX) component represents:

(a) Total consumption by households

(b) Total government expenditure

(c) Total investment by firms

(d) The difference between exports (X) and imports (M)

311. The formula for calculating national income (Y) in the four-sector model is:

(a) Y = C + S

(b) Y = C + T

(c) Y = C + T + I

(d) Y = C + T + I + NX

312. In the four-sector model, the four main sectors of the economy are:

(a)Households, firms (businesses), government, and foreign trade

(b)Households, firms (businesses), government, and financial institutions

(c)Households, firms (businesses), government, and banks

(d)Households, firms (businesses), government, and central bank

313. In the four-sector model, the total income earned by households is divided into four components: consumption expenditure ((c), savings (S), taxes (T), and:

(a) Imports (M)

(b) Exports (X)

(c) Government expenditure (G)

(d) Investments (I)

314. The equilibrium condition in the four-sector model occurs when:

(a) Total consumption plus total taxes equal total income
(b) Total consumption plus total investment equal total income
(c) Total savings plus total investment equal total income
(d) Total exports equal total imports

315. If, in the four-sector model, aggregate consumption, taxes, and imports are greater than aggregate income, it indicates that:

(a) The economy is in equilibrium

(b) The economy is in recession

(c) The economy is facing a surplus

(d) The economy is facing a deficit

316. The formula for calculating national income (Y) in the four-sector model is:

(a) Y = C + S

(b) Y = C + I

(c) Y = C + T + X

(d) Y = C + T + I + X- M

317. According to the Keynesian theory, during an economic recession, the government should:

(a) Decrease government spending to reduce budget deficits.

(b) Increase taxes to control inflation.

(c) Increase government spending to stimulate aggregate demand.

(d) Decrease interest rates to encourage private investment.

318. The Keynesian theory emphasizes that in times of economic downturns, the primary cause of unemployment is:

(a) Technological advancements leading to job losses.

(b) Structural changes in the economy.

(c) Insufficient aggregate demand.

(d) Excessive government intervention.

319. The concept of the "Multiplier Effect" in the Keynesian theory suggests that:

(a) Government spending has a larger impact on national income than changes in taxes.

(b) A change in investment leads to a proportionate change in national income.

(c) Increases in exports result in higher economic growth and employment.

(d) Changes in consumption have a direct and immediate impact on investment.

320. According to the Keynesian theory, during periods of high inflation, the government should focus on:

(a) Increasing government spending to boost aggregate demand.

(b) Reducing taxes to encourage consumption.

(c) Decreasing money supply and raising interest rates to control spending.

(d) Encouraging private investment through tax incentives.

321. The Keynesian theory highlights that during economic downturns, there may be a role for the government to engage in:

(a) Active fiscal and monetary policies to stabilize the economy.

(b) Laissez-faire and minimal government intervention.

(c) Decreasing public expenditure to reduce budget deficits.

(d) Reducing public debt to promote economic growth.

322. The conclusion of the Keynesian theory of determination of national income is that:

(a) The government should play a minimal role in the economy.

(b) Government intervention is necessary to stabilize the economy and achieve full employment.

(c) The economy will always be in a state of equilibrium without any government intervention.

(d) Monetary policy is the most effective tool to control inflation and unemployment.

323. According to the Keynesian theory, during times of economic recession, the government should:

(a) Decrease taxes to boost consumer spending.

(b) Decrease government spending to reduce budget deficits.

(c) Increase taxes to reduce inflation.

(d) Increase government spending to stimulate aggregate demand

324. The Keynesian theory suggests that changes in aggregate demand can lead to fluctuations in:

(a) The exchange rate.

(b) Interest rates.

(c) Unemployment and inflation.

(d) Stock market prices

325. The primary focus of the Keynesian theory is on:

(a) Long-term economic growth.

(b) Achieving price stability.

(c) Short-run economic fluctuations and stabilizing the economy.

(d) Increasing international trade.

326. The Keynesian theory influenced the development of economic policies during:

(a) The Great Depression in the 1930s.
(b) The Industrial Revolution in the 18th century.
(c) The Renaissance period in Europe.
(d) The post-World War II era.

327. The Keynesian theory of determination of national income was proposed by:

(a) Adam Smith

(b) John Maynard Keynes

(c) Milton Friedman

(d) Friedrich Hayek

328. According to the Keynesian theory, the level of national income is primarily determined by:

(a) Aggregate demand in the economy

(b) Aggregate supply in the economy

(c) The government s fiscal policy

(d) The central bank's monetary policy

329. The central idea of the Keynesian theory is that:

(a) Supply creates its own demand in the economy

(b) Savings and investment are equal in the long run

(c) The economy can experience prolonged periods of unemployment

(d) Government intervention is unnecessary in a free-market economy

330. Keynes argued that during economic downturns, the government should:

(a) Reduce taxes and increase government spending

(b) Increase taxes and reduce government spending

(c) Allow market forces to correct the imbalances in the economy

(d) Privatize state-owned enterprises to stimulate economic growth

331. The concept of "effective demand" in the Keynesian theory refers to:

(a) The total demand for goods and services in the economy

(b) The demand for goods and services by the government sector

(c) The demand for exports and imports in the economy

(d) The demand for consumer goods only, excluding investment

332. Keynesian policies are designed to address:

(a) Short-run fluctuations in the business cycle

(b) Long-run structural issues in the economy

(c) Inflationary pressures in the economy

(d) Excessive government debt and deficits

333. In the Keynesian theory, if aggregate demand is insufficient to achieve full employment, the result will be:

(a) Inflation

(b) Deflation

(c) Recession or unemployment

(d) Economic growth and stability

334. The Keynesian theory gained prominence during which historical period?

(a) The Great Depression of the 1930s

(b) The Industrial Revolution of the 18th century

(c) The Renaissance era in Europe

(d) The dot-com bubble of the late 1990s

335. In a simple two-sector model of the economy, the two main sectors are:

(a) Household and government
(b) Household and business
(c) Business and government
(d) Household and financial

336. The circular flow model illustrates the flow of:

(a) Goods and services and money between households and firms

(b) Goods and services and money between households and the government

(c) Goods and services and money between businesses and the government

(d) Goods and services and money between firms and financial institutions

337. In the circular flow model, households are the:

(a) Buyers of goods and services and sellers of factors of production

(b) Buyers of goods and services and buyers of factors of production

(c) Sellers of goods and services and sellers of factors of production

(d) Sellers of goods and services and buyers of factors of production

338. Which of the following represents the flow of money in the circular flow model?

(a) Money flows from households to businesses as payment for goods and services

(b) Money flows from businesses to households as payment for factors of production

(c) Money flows from businesses to the government as taxes

(d) Money flows from households to the government as taxes

339. In the circular flow model, households receive income through:

(a) Profits earned from business activities

(b) Government subsidies and transfers

(c) Wages, salaries, and rent for providing factors of production

(d) Interest earned from financial investments

340. The circular flow model assumes that:

(a) There is no saving or investment in the economy
(b) The government does not play a role in the economy
(c) There are no leakages or injections in the flow of income
(d) The economy is closed, with no foreign trade

341. Leakage in the circular flow model refers to:

(a) Money flowing out of the economy due to imports
(b) Money flowing into the economy due to exports
(c) Savings and taxes that reduce the flow of income
(d) Government spending that increases the flow of income

342. Injection in the circular flow model refers to:

(a) Money flowing into the economy due to exports
(b) Money flowing out of the economy due to imports
(c) Government spending and investments that increase the flow of income
(d) Savings and taxes that reduce the flow of income

343. Economics is the study of:

(a) How to maximize individual profits
(b) How to achieve economic equality among individuals
(c) How societies allocate scarce resources to satisfy unlimited wants
(d) How to control inflation and unemployment in the economy

344. The basic economic problem arises because:

(a) Governments are inefficient in resource allocation

(b) Human wants are unlimited, but resources are limited

(c) There is a surplus of goods and services in the market

(d) Consumers' preferences change frequently

345. The concept of opportunity cost refers to:

(a) The monetary cost of an economic decision

(b) The highest-valued alternative that must be given up when a choice is made

(c) The additional cost incurred when producing one more unit of a good

(d) The total cost of production of a firm

346. In economics, the term "demand" refers to:

(a) The quantity of a good or service that producers are willing to supply

(b) The quantity of a good or service that consumers are willing and able to buy at a given price

(c) The price at which producers are willing to sell a good or service

(d) The price at which consumers are willing and able to buy a good or service

347. The law of supply states that:

(a) As the price of a good or service increases, the quantity demanded will increase

(b) As the price of a good or service increases, the quantity supplied will decrease

(c) As the price of a good or service decreases, the quantity demanded will decrease

(d) As the price of a good or service decreases, the quantity supplied will increase

348. Which of the following is a function of money in an economy?

(a) To regulate imports and exports

(b) To control inflation and deflation

(c) To serve as a medium of exchange, unit of account, and store of value

(d) To determine the distribution of income and wealth

349. In a market economy, the allocation of resources is primarily determined by:

(a) The government through central planning

(b) Consumer preferences and market forces of supply and demand

(c) Labor unions and collective bargaining

(d) International trade agreements and treaties

350. The production possibilities frontier (PPF) represents:

(a) The maximum quantity of goods and services that a country can produce using all available resources efficiently

(b) The minimum level of production a country must achieve to meet its basic needs

(c) The total output of a country's economy in a given time period

(d) The income distribution among different income groups in an economy

351. In the two-sector model of national income determination, the two main sectors are:

(a) Household and government

(b) Household and business

(c) Business and government

(d) Government and foreign trade

352. The two-sector model simplifies the economy by considering the interactions between:

(a) Households and businesses only

(b) Households and the government only

(c) Businesses and the government only

(d) Households and the foreign sector only

353. In the two-sector model, households are the main:

(a) Producers of goods and services
(b) Consumers of goods and services
(c) Suppliers of factors of production
(d) Investors in the economy

354. The two-sector model assumes that all the income earned by households is either:

(a) Spent on consumption or saved

(b) Spent on consumption or invested

(c) Spent on imports or exports

(d) Spent on consumption or taxes

355. Investment in the two-sector model refers to:

(a) The purchase of financial assets by households
(b) The purchase of physical capital goods by businesses
(c) The government's spending on infrastructure projects
(d) The government's spending on social welfare programs

356. Savings in the two-sector model is equal to:

(a) Investment
(b) Consumption
(c) Income earned by households
(d) Government spending

357. The two-sector model assumes that there is no:

(a) Government intervention in the economy
(b) Unemployment or inflation
(c) Saving or investment in the economy
(d) International trade or foreign sector interaction

358. In the two-sector model, the equilibrium condition is achieved when:

(a) Savings are equal to consumption

(b) Investment is equal to consumption

(c) Investment is equal to savings

(d) Savings are equal to government spending

359. The investment multiplier is a concept used in economics to measure:

(a) The impact of changes in investment on the overall economy

(b) The efficiency of the financial sector in generating profits

(c) The effectiveness of government spending on economic growth

(d) The correlation between inflation and unemployment

360. The investment multiplier is calculated as the:

(a) Change in investment divided by the change in national income

(b) Change in national income divided by the change in investment

(c) Change in consumption divided by the change in investment

(d) Change in government spending divided by the change in investment

361. A higher investment multiplier implies that:

(a) Changes in investment have a larger impact on the overall economy

(b) Changes in investment have a smaller impact on the overall economy

(c) The economy is in a recessionary phase

(d) The economy is in an inflationary phase

362. The investment multiplier process works through:

(a) Changes in consumer spending due to changes in investment

(b) Changes in government spending due to changes in investment

(c) Changes in aggregate demand due to changes in investment

(d) Changes in aggregate supply due to changes in investment

363. The value of the investment multiplier is influenced by the:

(a) Level of government regulation in the economy

(b) Level of unemployment in the economy

(c) Marginal propensity to consume (MPC) and the marginal propensity to save (MPS)

(d) Exchange rate of the national currency

364. In an economy with a high investment multiplier, a decrease in investment can lead to:

(a) A significant decrease in national income and output

(b) An increase in consumer spending to compensate for the decrease in investment

(c) An increase in government spending to compensate for the decrease in investment

(d) No significant impact on the overall economy

365. The investment multiplier is a key concept in understanding the impact of:

(a) Fiscal policy on economic growth

(b) Monetary policy on interest rates

(c) Foreign trade on exchange rates

(d) Supply-side policies on unemployment

366. The investment multiplier is a theoretical concept that assumes:

(a) Investment has a fixed impact on the economy

(b) The economy is in a constant state of equilibrium

(c) There are no leakages in the circular flow of income

(d) All other factors in the economy remain constant

367. In a three-sector model of national income determination, the three main sectors are:

(a) Household, government, and foreign trade
(b) Household, business, and government
(c) Business, government, and foreign trade
(d) Household, financial, and foreign trade

368. The three-sector model expands the two-sector model by incorporating the role of:

(a) Government and imports only

(b) Government and exports only

(c) Government and both imports and exports

(d) Foreign trade and exports only

369. In the three-sector model, government spending includes:

(a) Imports and exports of goods and services

(b) Taxes and transfers to households

(c) Investments in physical capital by businesses

(d) Savings and financial investments

370. Equilibrium income in the three-sector model is achieved when:

(a) Aggregate demand is greater than aggregate supply

(b) Aggregate demand is less than aggregate supply

(c) Aggregate demand is equal to aggregate supply

(d) Aggregate demand is equal to consumption

371. The equilibrium condition in the three-sector model is represented as:

(a) Aggregate demand (AD) = Exports (X) + Government spending (G)

(b) Aggregate demand (AD) = Consumption (C) + Government spending (G) + Savings (S)

(c) Aggregate demand (AD) = Consumption (C) + Investment (I) + Government spending (G)

(d) Aggregate demand (AD) = Consumption (C) + Investment (I) + Government spending (G) - Imports (M)

372. In the three-sector model, leakage refers to:

(a) Money flowing into the economy due to exports

(b) Money flowing out of the economy due to imports

(c) Taxes and savings that reduce the flow of income

(d) Government spending that increases the flow of income

373. The injection in the three-sector model refers to:

(a) Money flowing out of the economy due to imports

(b) Money flowing into the economy due to exports

(c) Government spending and investments that increase the flow of income

(d) Savings and taxes that reduce the flow of income

374. In the three-sector model, if aggregate demand exceeds aggregate supply, it leads to:

(a) A surplus in the economy

(b) An increase in government borrowing

(c) Inflationary pressures in the economy

(d) A decrease in national income

375. In a four-sector model of national income determination, the four main sectors are:

(a) Household, government, business, and foreign trade

(b) Household, government, business, and financial

(c) Household, government, business, and exports

(d) Business, government, foreign trade, and financial

376. The four-sector model expands the three-sector model by incorporating the role of:

(a) Government and imports only

(b) Government and exports only

(c) Foreign trade and exports only

(d) Financial sector and imports only

377. In the four-sector model, net exports (NX) represent the difference between:

(a) Government spending (G) and taxes (T)

(b) Exports (X) and imports (M)

(c) Savings (S) and investments (I)

(d) Consumption (C) and investment (I)

378. Equilibrium income in the four-sector model is achieved when:

(a) Aggregate demand is greater than aggregate supply

(b) Aggregate demand is less than aggregate supply

(c) Aggregate demand is equal to aggregate supply

(d) Aggregate demand is equal to consumption

379. The equilibrium condition in the four-sector model is represented as

(a) Aggregate demand (AD) = Consumption (C) + Government spending (G) + Savings (S)

(b) Aggregate demand (AD) = Consumption (C) + Investment (I) + Government spending (G) + Net exports (NX)

(c) Aggregate demand (AD) = Consumption (C) + Investment (I) + Government spending (G) - Net exports (NX)

(d) Aggregate demand (AD) = Consumption (C) + Investment (I) + Government spending (G) - Taxes (T)

380. In the four-sector model, the net exports (NX) are negative when:

(a) Imports exceed exports

(b) Exports exceed imports

(c) Government spending exceeds taxes

(d) Savings exceed investments

381. The leakage in the four-sector model refers to:

(a) Money flowing into the economy due to exports
(b) Money flowing out of the economy due to imports
(c) Taxes, savings, and imports that reduce the flow of income
(d) Government spending and investments that increase the flow of income

382. The injection in the four-sector model refers to:

(a) Money flowing out of the economy due to imports

(b) Money flowing into the economy due to exports

(c) Government spending, exports, and investments that increase the flow of income

(d) Taxes, savings, and imports that reduce the flow of income

383. The Keynesian theory emphasizes the role of ________ in influencing national income.

(a) Aggregate supply

(b) Government policies

(c) Foreign trade

(d) Business investments

384. According to the Keynesian theory, during periods of economic downturns, the government should use ________ to stimulate economic growth.

(a) Monetary policy

(b) Supply-side policies

(c) Fiscal policy

(d) Trade policies

385. The concept of "effective demand" in the Keynesian theory highlights the importance of:

(a) Government spending on infrastructure projects

(b) The total demand for goods and services in the economy

(c) The level of savings and investments in the economy

(d) The role of foreign trade in influencing national income

386. The Keynesian theory suggests that if there is insufficient aggregate demand in the economy, the government should:

(a) Reduce government spending and lower taxes

(b) Increase government spending and lower taxes

(c) Increase interest rates to encourage savings

(d) Decrease interest rates to promote borrowing and investment

387. In the Keynesian model, full employment equilibrium can only be achieved with:

(a) An increase in government regulations and control

(b) The proper functioning of the financial sector

(c) The active role of the government in managing aggregate demand

(d) A balanced budget and reduced government intervention

388. The Keynesian theory gained popularity during the:

(a) Great Depression of the 1930s
(b) Industrial Revolution of the 18th century
(c) Renaissance era in Europe
(d) Dot-com bubble of the late 1990s

389. Keynes argued that in the long run:

(a) Government intervention is unnecessary in the economy

(b) Supply creates its own demand

(c) The economy will automatically reach full employment

(d) The impact of government policies on aggregate demand diminishes

390. The Keynesian theory's focus on aggregate demand and government intervention has had a significant influence on the development of modern:

(a) Classical economics

(b) Monetarist economics

(c) Neoclassical economics

(d) Macroeconomics

391. 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 bus iness enterprises composed of citizens of India alone living in India during the accounting year

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

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

i. 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

393. 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

394. 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

395 .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

396. 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

397. Which of the following enters into the calculation of national income?

a) The value of the services that accompany the sale
b) Additions to inventory stocks of final goods and materials
c) Stocks and bonds sold during eth current year
d) (a) and (b) above

398. Gross National Product at market prices GNP MP is

(a)GDP MP + Net Factor Income from Abroad
(b)GDP MP - Net Factor Income from Abroad
(c)GDP MP - Depreciation
(d)GDP MP + Net Indirect Taxes

399. Choose the correct statement

a. GNP includes earnings of Indian corporations overseas and Indian residents working overseas; but GDP does not include these

b. NNPFC = National Income = FID (factor income earned in domestic territory) – NFIA.

c. Capital goods and inventory investment are excluded from computation of GDP

d. NDP**MP** = GDP**MP** + Depreciation

400. The basis of distinction between market price and factor cost is

a. net factor income from abroad
b. net indirect taxes (i.e., Indirect taxes - Subsidies)
c. net indirect taxes (i.e., Indirect taxes + Subsidies)
d. depreciation (consumption of fixed capital)

401. If net factor income from abroad is positive, then

a. national income will be greater than domestic factor incomes.
b. national income will be less than domestic factor incomes.
c. net exports will be negative
d. domestic factor incomes will be greater than national income

402 . The GDP per capital is

a. a measure of a country's economic output per person
b. actual current income receipts of persons
c. national income divided by population
d. (a)and (c) above

403. Which of the following is an example of transfer payment?

a. Old age pensions and family pensions
b. Scholarships given to deserving diligent students.
c. Compensation given for loss of property due to floods
d. All the above

404. Mixed income of the self -employed means

(a)net profits received by self -employed people
(b)outside wages received by self- employed people
(c)combined factor payments which are not distinguishable,
(d)wages due to non- economic activities

405. Which of the following is added to national income while calculating personal income?

a. Transfer payments to individuals
b. Undistributed profits of corporate
c. Transfer payments made to foreigners
d. Mixed income of self employed

Chapter 6 – National Income Answers

Que	Ans	Que	Ans	Que	Ans	Que	Ans	Que	Ans	Que	Ans
1	D	47	C	93	D	139	B	185	A	231	A
2	B	48	A	94	C	140	A	186	D	232	B
3	B	49	B	95	A	141	B	187	B	233	D
4	C	50	C	96	D	142	C	188	D	234	C
5	D	51	C	97	C	143	A	189	B	235	C
6	A	52	C	98	C	144	A	190	C	236	A
7	A	53	C	99	B	145	C	191	D	237	A
8	B	54	B	100	C	146	A	192	D	238	B
9	C	55	A	101	B	147	A	193	C	239	A
10	A	56	D	102	A	148	C	194	D	240	B
11	B	57	C	103	C	149	D	195	C	241	B
12	B	58	C	104	A	150	C	196	C	242	B
13	D	59	C	105	A	151	A	197	D	243	C
14	C	60	C	106	B	152	A	198	A	244	C
15	B	61	C	107	B	153	C	199	A	245	C
16	D	62	C	108	A	154	C	200	D	246	B
17	D	63	C	109	D	155	C	201	B	247	D
18	A	64	C	110	D	156	B	202	C	248	B
19	C	65	C	111	D	157	A	203	C	249	D
20	D	66	A	112	D	158	A	204	D	250	C
21	B	67	C	113	C	159	A	205	B	251	B
22	B	68	B	114	C	160	C	206	B	252	A
23	B	69	B	115	B	161	B	207	C	253	C
24	B	70	C	116	D	162	D	208	A	254	B
25	A	71	A	117	C	163	B	209	B	255	A
26	C	72	A	118	A	164	B	210	D	256	A
27	D	73	B	119	B	165	C	211	D	257	B
28	D	74	C	120	B	166	A	212	D	258	C
29	A	75	A	121	C	167	B	213	A	259	A
30	B	76	D	122	B	168	A	214	C	260	A
31	A	77	A	123	A	169	B	215	B	261	C
32	B	78	C	124	A	170	B	216	B	262	D
33	A	79	C	125	C	171	A	217	B	263	B
34	B	80	C	126	B	172	D	218	A	264	A
35	D	81	B	127	C	173	B	219	B	265	C
36	B	82	A	128	B	174	B	220	A	266	A
37	C	83	A	129	B	175	B	221	B	267	D
38	A	84	B	130	D	176	B	222	B	268	C
39	C	85	D	131	B	177	B	223	A	269	A
40	A	86	A	132	C	178	B	224	C	270	B
41	C	87	B	133	D	179	C	225	D	271	A
42	D	88	A	134	C	180	D	226	C	272	A
43	B	89	C	135	C	181	A	227	B	273	B
44	C	90	A	136	A	182	D	228	D	274	C
45	C	91	C	137		183	C	229	A	275	D
46	B	92	C	138	D	184	D	230	D	276	B

Que	Ans	Que	Ans	Que	Ans
277	**C**	323	**D**	369	**B**
278	**D**	324	**C**	370	**C**
279	**C**	325	**C**	371	**C**
280	**A**	326	**A**	372	**C**
281	**C**	327	**B**	373	**C**
282	**B**	328	**A**	374	**C**
283	**B**	329	**C**	375	**A**
284	**C**	330	**A**	376	**A**
285	**A**	331	**A**	377	**B**
286	**D**	332	**A**	378	**C**
287	**C**	333	**C**	379	**B**
288	**C**	334	**A**	380	**A**
289	**A**	335	**B**	381	**C**
290	**C**	336	**A**	382	**C**
291	**C**	337	**A**	383	**B**
292	**B**	338	**A**	384	**C**
293	**B**	339	**C**	385	**B**
294	**B**	340	**C**	386	**B**
295	**B**	341	**C**	387	**C**
296	**A**	342	**C**	388	**A**
297	**B**	343	**C**	389	**D**
298	**C**	344	**B**	390	**D**
299	**D**	345	**B**	391	**B**
300	**A**	346	**B**	392	**B**
301	**C**	347	**D**	393	**B**
302	**D**	348	**C**	394	**B**
303	**C**	349	**B**	395	**B**
304	**C**	350	**A**	396	**D**
305	**A**	351	**B**	397	**D**
306	**B**	352	A	398	**A**
307	**C**	353	**B**	399	**A**
308	**C**	354	**A**	400	**B**
309	**D**	355	**B**	401	**D**
310	**D**	356	**A**	402	**D**
311	**D**	357	**D**	403	**C**
312	**A**	358	**C**	404	**A**
313	**B**	359	**A**	405	
314	**C**	360	**B**		
315	**D**	361	**A**		
316	**D**	362	**C**		
317	**C**	363	**C**		
318	**C**	364	**A**		
319	**B**	365	**A**		
320	**C**	366	**D**		
321	**A**	367	**B**		
322	**B**	368	**C**		

CHPATER – 7

PUBLIC FINANCE

1. What does fiscal policy refer to?

(a) The government's policy on taxation and public expenditure.

(b) The policy of the central bank to control the money supply.

(c) The policy of promoting free trade and globalization.

(d) The policy of regulating foreign direct investment.

2. What is the primary objective of fiscal policy?

(a) Controlling inflation
(b) Achieving trade surplus
(c) Reducing income inequality
(d) Stabilizing financial markets

3. Which level of government is responsible for formulating and implementing fiscal policy in a federal system?

(a) Local government

(b) State government

(c) Central government

(d) Municipal government

4. What is the role of the state government in fiscal policy?

(a) Implementing monetary policy

(b) Controlling inflation

(c) Managing the country's foreign exchange reserves

(d) Implementing certain tax and expenditure policies within the state

5. Which of the following is an example of an expansionary fiscal policy?

(a) Increasing taxes to reduce inflation

(b) Reducing government spending to control budget deficit

(c) Increasing government spending and cutting taxes to stimulate economic growth

(d) Implementing austerity measures to address recession

6. Fiscal functions refer to:

(a) The functions performed by the central bank to control the money supply.

(b) The functions performed by the government related to taxation, expenditure, and borrowing.

(c) The functions performed by commercial banks to provide credit to the public.

(d) The functions performed by the stock exchange to regulate financial markets.

7. Fiscal policy is primarily concerned with:

(a) Controlling the money supply and interest rates in the economy.

(b) Regulating international trade and exchange rates.

(c) Achieving price stability and controlling inflation.

(d) Influencing the level of aggregate demand and economic activity.

8. The central government's main source of revenue is derived from:

(a) State taxes and fees.

(b) Central excise duties and customs duties.

(c) Corporate income taxes and personal income taxes.

(d) Borrowing from international financial institutions.

9. The division of financial powers and responsibilities between the central government and state governments is outlined in:

(a) The Fiscal Responsibility and Budget Management Act.

(b) The Reserve Bank of India Act.

(c)The Finance Commission's recommendations.

(d) The Securities and Exchange Board of India Act.

10. A budget deficit occurs when:

(a) Government revenues exceed government expenditures.

(b) Government expenditures exceed government revenues.

(c) Tax revenues are equal to government expenditures.

(d) The fiscal deficit is equal to the revenue deficit.

11. In a market economy, the primary role of the government is to:

(a) Own and control all the means of production.

(b) Set prices and allocate resources.

(c) Provide goods and services directly to consumers.

(d) Ensure the functioning of markets and enforce property rights.

12. In a planned economy, the government:

(a) Leaves all economic decisions to the private sector.

(b) Controls all aspects of the economy, including production, distribution, and pricing.

(c) Promotes international trade and exports.

(d) Focuses on providing public goods and services only.

13. The concept of "market failure" refers to:

(a) The government's inability to efficiently allocate resources.

(b) The inability of markets to achieve an equitable distribution of wealth.

(c) Situations where the market does not efficiently allocate resources to produce goods and services.

(d) The government's inability to provide public goods and services.

14. Fiscal policy is a tool used by the government to:

(a) Control the money supply and interest rates in the economy.

(b) Regulate international trade and exchange rates.

(c) Influence the level of economic activity and stabilize the economy through changes in government spending and taxation.

(d) Manage the balance of payments and foreign exchange reserves.

15. Which of the following is an example of a government providing a public good?

(a) A private company producing smartphones for sale in the market.

(b) A government-owned airline company operating international flights.

(c) A private university offering education services to students.

(d) A government building a public park for the community.

16. The primary function of the government in an economic system is to:

(a) Maximize profits for businesses.

(b) Ensure price stability in the market.

(c) Allocate and manage scarce resources.

(d) Promote international trade and exports.

17. In a market economy, the role of the government is mostly:

(a) To control all aspects of production and distribution.

(b) To centralize economic decision-making in the hands of a few authorities.

(c) To provide goods and services directly to the public.

(d) To intervene selectively to correct market failures and ensure fair competition.

18. Fiscal policy refers to the government's actions related to:

(a) Controlling the money supply and interest rates.
(b) Managing taxation and government spending.
(c) Regulating international trade and exchange rates.
(d) Setting employment targets and wage rates.

19. The concept of a "mixed economy" implies that:

(a) The government owns and controls all means of production and distribution.

(b) The economy is entirely market-driven without any government intervention.

(c) The economy combines elements of both a market economy and a planned economy.

(d) The government does not have any role in economic decision-making.

20. An example of a government's microeconomic role is:

(a) Implementing monetary policy to control inflation.

(b) Managing the country's balance of trade and current account.

(c) Regulating the labour market and setting minimum wages.

(d) Setting targets for economic growth and GDP expansion.

21. The allocation function in economics refers to:

(a) The government's role in distributing subsidies to various industries.

(b) The process of allocating resources among different uses to satisfy unlimited wants.

(c) The role of financial institutions in allocating credit to the public.

(d) The process of allocating goods and services among different regions of the country.

22. In a market economy, the allocation of resources is primarily determined by:

(a) Central planning by the government.

(b) Consumer preferences and demand.

(c) The availability of natural resources.

(d) The level of government spending.

23. Which economic system relies heavily on central planning and government control to allocate resources?

(a) Market economy

(b) Mixed economy

(c) Planned economy

(d) Command economy

24. The price mechanism in a market economy plays a crucial role in resource allocation because it:

(a) Determines the level of government spending on public goods.

(b) Regulates international trade and exchange rates.

(c) Adjusts supply and demand to reach equilibrium prices.

(d) Allocates resources based on government subsidies.

25. The concept of opportunity cost is related to the allocation function in economics because it:

(a) Represents the value of the next best alternative foregone when a choice is made.

(b) Determines the level of government spending on public goods.

(c) Indicates the monetary cost of production for a firm.

(d) Measures the overall cost of inflation in the economy.

26. The allocation function in an economic system refers to:

(a) How the government allocates its budget for different sectors.

(b) How resources are distributed among households and firms.

(c) How the central bank allocates credit to commercial banks.

(d) How foreign trade is regulated and controlled.

27. In a command economy, the allocation of resources is mainly decided by:

(a) Market forces and competitive forces.

(b) The interaction of buyers and sellers in the marketplace.

(c) Government authorities and central planners.

(d) The balance of trade and foreign exchange rates.

28. The concept of "opportunity cost" is related to:

(a) The cost of producing one additional unit of a good or service.

(b) The cost of investing in capital goods.

(c) The cost of producing a good or service at the lowest possible cost.

(d) The cost of choosing one option over the next best alternative.

29. Economic efficiency is achieved when:

(a) The government intervenes in resource allocation.

(b) Production is maximized, regardless of the distribution of goods.

(c) Resources are allocated to produce the highest quality goods.

(d) Resources are allocated to produce goods in a way that maximizes total welfare.

30. The redistribution function in an economic system refers to:

(a) The process of reallocating resources among different sectors of the economy.

(b) The role of the government in redistributing income and wealth among the population.

(c) The function of the central bank in regulating the money supply and interest rates.

(d) The process of reallocating resources between domestic and foreign markets.

31. Which of the following is an example of a redistributive policy?

(a) Providing subsidies to domestic industries to boost exports.

(b) Implementing tax cuts to stimulate economic growth.

(c) Introducing progressive income tax rates to tax higher incomes at a higher rate.

(d) Reducing government spending to control budget deficits.

32. The objective of the redistribution function is to:

(a) Maximize government revenue from taxation.
(b) Promote economic growth and increase GDP.
(c) Achieve a more equitable distribution of income and wealth.
(d) Encourage international trade and foreign investment.

33. Social welfare programs, such as unemployment benefits and food assistance, are examples of:

(a) Regressive policies that benefit higher-income individuals.

(b) Supply-side policies aimed at stimulating production.

(c) Redistributive policies that provide support to those in need.

(d) Demand-side policies that boost consumer spending.

34. A "means-tested" welfare program refers to a program that:

(a) Provides benefits to all individuals regardless of their income level.

(b) Is funded through progressive taxation.

(c) Targets benefits to individuals based on their income or financial need.

(d) Supports specific industries to boost economic growth.

35. The government's main tool for achieving redistribution is through:

(a) Fiscal policy, involving taxation and government spending.

(b) Monetary policy, involving controlling the money supply and interest rates.

(c) Exchange rate policies to promote international trade.

(d) Industrial policies to support specific industries.

36. Which of the following policies is an example of redistribution function?

(a) A government policy aimed at promoting economic growth and investment.

(b) A government policy to control inflation through monetary measures.

(c) A progressive income tax system where higher-income individuals pay higher tax rates.

(d) A policy to encourage exports and boost foreign trade.

37. The objective of the redistribution function is to:

(a) Maximize government revenue through taxation.
(b) Encourage individuals to save and invest more.
(c) Achieve price stability and control inflation.
(d) Reduce income and wealth disparities among different segments of society.

38. Universal basic income (UBI) is an example of:

(a) An anti-inflationary measure.
(b) A regressive tax policy.
(c) A redistribution policy
(d) A trade promotion policy.

39. The stabilization function in an economic system refers to:

(a) The government's role in stabilizing prices of essential goods and services.

(b) The process of stabilizing the stock market and financial markets.

(c) The government's efforts to stabilize the overall economy and counter economic fluctuations.

(d) The stabilization of exchange rates in international trade.

40. During periods of high inflation, the government's main focus in terms of stabilization function is usually on:

(a) Increasing government spending to boost aggregate demand.

(b) Implementing contractionary monetary policies to reduce money supply and control inflation.

(c) Reducing taxes to increase disposable income and boost consumer spending.

(d) Encouraging foreign trade to improve the trade balance.

41. In response to an economic recession, the government can use fiscal policy to stimulate the economy by:

(a) Decreasing government spending and increasing taxes.

(b) Decreasing taxes and increasing government spending.

(c) Increasing interest rates and reducing government spending.

(d) Decreasing interest rates and reducing government spending.

42. The primary goal of the stabilization function is to achieve:

(a) A balanced budget for the government.
(b) Maximum economic growth and expansion.
(c) Full employment and price stability.
(d) Increased international trade and exports.

43. Automatic stabilizers in the economy refer to:

(a) Government policies that automatically stabilize the stock market during downturns.

(b) Economic factors that automatically offset economic fluctuations without government intervention.

(c) Government agencies responsible for regulating prices and wages.

(d) The stabilization of foreign exchange rates in international trade.

44. During periods of economic recession, the government can use fiscal policy to:

(a) Increase taxes and reduce government spending to boost private investment.

(b) Increase government spending and reduce taxes to stimulate aggregate demand.

(c) Implement contractionary monetary policy to control inflation.

(d) Increase interest rates to encourage savings.

45. Inflation targeting is an example of:

(a) Fiscal policy to stabilize the economy.
(b) An exchange rate policy to control imports.
(c) A monetary policy to achieve price stability.
(d) Industrial policy to support the manufacturing sector.

46. Automatic stabilizers are government policies or programs that:

(a) Automatically increase government spending during economic downturns.

(b) Automatically reduce taxes during periods of economic growth.

(c) Require parliamentary approval for implementation.

(d) Are unrelated to economic conditions and fluctuations.

47. Which of the following best defines fiscal functions?

(a) The management of public debt

(b) The management of private debt

(c) The management of monetary policy

(d) The management of government finances

48. What is the primary source of revenue for the Central Government in India?

(a) State taxes
(b) Goods and Services Tax (GST)
(c) Corporate taxes
(d) Sales tax

49. Which of the following represents a capital receipt for the government?

(a) Income tax

(b) Goods and Services Tax (GST)

(c) Borrowings from the World Bank

(d) Customs duty

50. In India, who is responsible for the collection of most direct taxes?

(a) State Governments
(b) Local Governments (Panchayats)
(c) Central Board of Direct Taxes (CBDT)
(d) Reserve Bank of India (RBI)

51. Which type of budget shows the receipts and expenditures of both the Central and State Governments?

(a) Consolidated Budget
(b) Annual Financial Statement
(c) Deficit Budget
(d) Revenue Budget

52. In a market-oriented economic system, the primary role of the government is to

(a) Own and operate key industries and businesses.

(b) Regulate and control prices of goods and services.

(c) Facilitate economic growth and stability while intervening minimally.

(d) Implement strict trade barriers and tariffs.

53. Which of the following is an example of a fiscal policy measure undertaken by the government during an economic downturn?

(a) Reducing interest rates to encourage borrowing and spending.

(b) Decreasing the money supply to control inflation.

(c) Implementing free trade agreements to promote international trade.

(d) Privatizing state-owned enterprises to boost competition.

54. The government's role in providing public goods and services refers to:

(a) The distribution of cash transfers to low-income individuals.

(b) The provision of essential goods and services for the entire population.

(c) The implementation of tax cuts to stimulate consumer spending.

(d) The establishment of monopolies in critical industries.

55. Which economic system involves extensive government planning and control over resources and production?

(a) Market economy

(b) Mixed economy

(c) Command economy

(d) Traditional economy

56. During times of inflation, the government might employ which monetary policy measure to reduce the money supply?

(a) Quantitative easing

(b) Open market operations

(c) Increasing government spending

(d) Lowering reserve requirements for banks

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(a) Quantitative easing
(b) Open market operations
(c) increasing government spending
(d) Lowering reserve requirements for banks

62. The redistribution function in economics refers to:

(a) The allocation of resources among different sectors of the economy

(b) The transfer of wealth or income from one group to another

(c) The process of increasing government spending on social welfare programs

(d) The implementation of progressive taxation to fund public goods

63. The primary goal of the redistribution function is to:

(a) Maximize profits for businesses
(b) Promote economic growth and development
(c) Reduce income inequality and poverty
(d) Encourage consumer spending and investment

64. Which of the following is an example of the redistribution function in action?

(a) A government investing in infrastructure development

(b) A government providing subsidies to farmers

(c) A progressive income tax system

(d) A central bank controlling the money supply

65. In a progressive income tax system:

(a) The tax rate decreases as income increases

(b) The tax rate remains constant regardless of income levels

(c) The tax rate increases as income increases

(d) There are no taxes imposed on personal income

66. The redistribution function aims to achieve:

(a) Economic efficiency and market equilibrium

(b) A balanced budget for the government

(c) An equitable distribution of wealth and income

(d) Increased consumer spending and investment

67. Social welfare programs, such as unemployment benefits and food assistance, are examples of:

(a) Progressive taxation

(b) Redistribution of income

(c) Government subsidies to businesses

(d) Expansionary fiscal policies

68. One of the challenges in implementing the redistribution function is:

(a) Balancing the budget and avoiding deficits

(b) Ensuring that all individuals have equal incomes

(c) Overreliance on government intervention in the economy

(d) Ensuring that the redistribution does not discourage work and productivity

69. The redistribution function is often a subject of debate due to:

(a) Its potential impact on economic growth and investment

(b) Its positive impact on reducing inflation and unemployment

(c) The ease of implementing progressive taxation

(d) Its association with increased government spending on public goods

70. The stabilization function in economics refers to:

(a) The government's role in redistributing wealth and income

(b) The process of controlling inflation and unemployment in the economy

(c) The allocation of resources among different sectors of the economy

(d) The promotion of international trade and exports

71. The primary goal of the stabilization function is to:

(a) Maximize profits for businesses
(b) Achieve long-term economic growth and development
(c) Maintain price stability and full employment
(d) Increase government revenue through taxation

72. Which of the following is an example of the stabilization function in action?

(a) The government implementing progressive taxation to reduce income inequality

(b) A central bank adjusting interest rates to control inflation

(c) A government investing in infrastructure development

(d) The implementation of tariffs to protect domestic industries

73. In the context of the stabilization function, "price stability" refers to:

(a) The constant level of prices for goods and services

(b) A situation where prices are increasing moderately over time

(c) The absence of inflation or deflation in the economy

(d) A situation where prices are determined by market forces without government Intervention

74. The stabilization function aims to achieve:

(a) A balanced budget for the government
(b) Full employment and stable economic growth
(c) An equitable distribution of wealth and income
(d) Increased consumer spending and investment

75. Monetary policy, such as changes in interest rates and open market operations, is an example of

(a) Fiscal policy to stabilize the economy

(b) Redistribution of income to reduce poverty

(c) The stabilization function in action

(d) Supply-side policies to boost economic growth

76. One of the challenges in implementing the stabilization function is:

(a) Achieving a balance between inflation and unemployment

(b) Ensuring that all individuals have equal access to economic opportunities

(c) Overreliance on government intervention in the economy

(d) Managing fluctuations in the exchange rate

77. The stabilization function is often a subject of debate due to:

(a) Its potential impact on income distribution and wealth inequality

(b) The complexity of implementing monetary and fiscal policies

(c) The conflict between short-term stabilization goals and long-term economic growth

(d) The association with reduced government spending on public goods

CHAPTER 7 PUBLIC FINANCE

Unit:2

Market Failure/Government Intervention to Correct Market Failure

78. Market failure occurs when:

(a) The government intervenes in the market to regulate prices.

(b) Demand for a product exceeds its supply in the market.

(c) The market fails to allocate resources efficiently.

(d) The government imposes taxes on goods and services.

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

(a) The production of a public good like street lighting.

(b) The availability of luxury goods in the market.

(c) The price increase of a product due to high demand.

(d) The availability of goods and services through competition.

80. Externalities refer to:

(a) The costs and benefits that affect only the producers in the market.

(b) The costs and benefits that affect both producers and consumers in the market.

(c) The costs and benefits that affect only the consumers in the market.

(d) The costs and benefits that have no impact on the market.

81. When a company pollutes the environment while producing goods, it is an example of:

(a) Positive externality.
(b) Negative externality.
(c) Public good.
(d) Market equilibrium.

82. Government intervention to correct market failure may involve:

(a) Reducing taxes to encourage investment.

(b) Providing subsidies to producers to lower costs.

(c) Imposing price controls to regulate market prices.

(d) Correcting externalities through taxes or subsidies

83. Which of the following is an example of a positive externality?

(a) Pollution from a factory affecting nearby residents' health negatively.

(b) A new technology leading to increased productivity in an industry.

(c) Overfishing in an unregulated fishery.

(d) A decrease in consumer spending affecting local businesses negatively.

84. Which of the following is a cause of market failure?

(a) Perfect competition in the market.
(b) Government intervention to correct externalities.
(c) Absence of public goods in the market.
(d) Equilibrium between supply and demand.

85. Externalities refer to:

(a) The costs and benefits faced by producers in the market.

(b) The positive impacts of government policies on the economy.

(c) The spillover effects of market transactions on third parties.

(d) The ability of consumers to make informed decisions.

86. When a company pollutes a nearby river, causing harm to the environment and nearby communities, it is an example of:

(a) Positive externality.

(b) Negative externality.

(c) Perfect competition.

(d) Government intervention.

87. How can the government address market failure due to externalities?

(a) By increasing taxes on the affected firms.
(b) By providing subsidies to the affected firms.
(c) By implementing regulations and standards.
(d) By reducing public goods in the market.

88. Market failure occurs when:

(a) The government intervenes excessively in the market.

(b) The market is unable to allocate resources efficiently.

(c) Producers dominate the market, leading to reduced competition.

(d) Consumer demand exceeds the available supply of goods.

89. Which of the following is a cause of market failure?

(a) Perfect competition in the market.

(b) Externalities and public goods.

(c) Government regulations promoting fair trade.

(d) Decrease in consumer demand.

90. In the presence of negative externalities, the market tends to produce:

(a) Less of the good than is socially optimal.

(b) More of the good than is socially optimal.

(c) The socially optimal level of the good.

(d) The good in the most efficient manner.

91. A public good is characterized by:

(a) Rivalry in consumption and excludability.
(b) Non-rivalry in consumption and excludability.
(c) Rivalry in consumption and non-excludability.
(d) Non-rivalry in consumption and non-excludability.

92. Which of the following is an example of a negative externality?

(a) A new technology leading to increased productivity in an industry.

(b) Pollution from a factory affecting nearby residents' health negatively.

(c) A decrease in consumer spending affecting local businesses negatively.

(d) Government subsidies encouraging the production of a specific good.

93. Which of the following is a reason for market failure?

(a) Perfect competition in the market.

(b) Government regulations promoting fair trade.

(c) Externalities and public goods.

(d) Increase in consumer demand

94. When a market is characterized by information asymmetry, it means that:

(a) Consumers have more information than producers.

(b) Producers have more information than consumers.

(c) Both consumers and producers have equal access to information.

(d) The market is perfectly efficient with no information gaps.

95. Public goods are non-excludable, which means:

(a) Individuals can be excluded from using them.
(b) They are available only to the public sector.
(c) They are available only to low-income individuals.
(d) Individuals cannot be excluded from using them.

96. Which of the following is a reason why markets fail?

(a) Perfect competition among firms.
(b) Absence of externalities.
(c) Adequate provision of public goods.
(d) Information asymmetry.

97. When external costs are not accounted for in the market price of a good, it leads to:

(a) Overproduction of the good.
(b) Underproduction of the good.
(c) Optimal production of the good.
(d) Equilibrium production of the good.

98. Which of the following is a market failure caused by incomplete information?

(a) Perfect competition.

(b) Monopoly power.

(c) Moral hazard in insurance markets.

(d) Efficient allocation of resources.

99. Public goods are typically underprovided in the market because:

(a) They are non-excludable.
(b) They are rivalrous in consumption.
(c) The government doesn't regulate their production.
(d) Private firms find them unprofitable.

100. Monopolies can lead to market failure because:

(a) They produce goods efficiently at lower prices.
(b) They have a larger market share.
(c) They restrict output and charge higher prices.
(d) They promote competition.

101. What is market power?

(a) The ability of a company to set prices arbitrarily high

(b) The ability of a company to influence market outcomes

(c) The ability of a company to manipulate consumer preferences

(d) The ability of a company to engage in predatory pricing

102. Which of the following is an example of a perfectly competitive market?

(a) The market for smartphones with several dominant companies

(b) The market for agricultural products with many small-scale farmers

(c) The market for luxury watches with a few high-end brands

(d) The market for electric vehicles with one leading manufacturer

103. A monopoly exists when:

(a) There is a single seller, and there are no close substitutes for the product.

(b) There are a few dominant sellers, and they collude to set prices.

(c) There are multiple sellers offering identical products.

(d) The government regulates the prices of goods in the market.

104. Which of the following is a characteristic of an oligopoly?

(a) Large number of sellers in the market

(b) Identical products offered by all firms

(c) Little to no barriers to entry for new firms

(d) Interdependence among the firms in the market

105. Which of the following strategies is typical of a monopolistic competition?

(a) High barriers to entry for new firms

(b) Identical products offered by all firms

(c) Heavy reliance on non-price competition

(d) Price-setting by a central authority

106. What is an externality?

(a) A situation where a company produces goods more efficiently than its competitors

(b) A cost or benefit that affects a party who did not choose to incur that cost or benefit

(c) A condition in which the price of a product exceeds its production cost

(d) An agreement between two firms to fix prices in the market

107. Which of the following is an example of a negative externality?

(a) A company providing free health check-ups to. its employees

(b) Planting trees in a neighbourhood park

(c) A factory releasing pollutants into a nearby river

(d) Offering discounts on products to attract more customers

108. Which statement best describes a positive externality?

(a) An increase in the price of a good leads to a decrease in its demand.

(b) Subsidizing the production of solar panels to promote renewable energy.

(c) The consumption of cigarettes leading to adverse health effects for smokers.

(d) A decrease in consumer income leads to a decrease in the consumption of luxury goods.

109. What is the most effective way to internalize externalities?

(a) Government intervention through regulations and taxes

(b) Imposing price ceilings on goods and services

(c) Encouraging monopolies to dominate the market

(d) Allowing markets to reach equilibrium naturally

110. Which market structure is most likely to neglect externalities?

(a) Perfect competition
(b) Monopoly
(c) Oligopoly
(d) Monopolistic competition

111. Public goods are characterized by:

(a) Rivalry in consumption and excludability.

(b) Non-rivalry in consumption and excludability.

(c) Rivalry in consumption and non-excludability.

(d) Non-rivalry in consumption and non-excludability.

112. Which of the following statements is true about public goods?

(a) Public goods can be easily provided by private firms for a profit.

(b) The free-rider problem is not a concern for public goods.

(c) Public goods have a competitive market price.

(d) Public goods are typically provided by the government or public sector.

113. The free-rider problem associated with public goods refers to:

(a) Individuals who benefit from public goods but refuse to pay for them.

(b) The lack of competition among providers of public goods.

(c) The government's inability to regulate public goods effectively.

(d) The high costs of production associated with public goods.

114. Which of the following is an example of a public good?

(a) Private luxury goods like designer handbags.

(b) Cable television service.

(c) National defence and military protection.

(d) Exclusive membership at a country club.

115. The concept of "free-rider" in the context of public goods refers to:

(a) Individuals who benefit from public goods without contributing to their provision.

(b) Individuals who willingly pay for public goods.

(c) Public sector employees responsible for providing public goods.

(d) Non-profit organizations that supply public goods.

116. The free-rider problem refers to the situation where:

(a) The government provides goods and services without charging any taxes.

(b) Individuals benefit from a public good without contributing to its provision.

(c) Private companies offer goods for free to attract more customers.

(d) The supply of a public good exceeds its demand.

117. Which of the following is an example of a pure public good?

(a) Cable TV subscription with different channels.

(b) Toll road with limited access.

(c) National defense provided by the government.

(d) Private tutoring service for individual students.

118. Public goods face challenges in the free market because:

(a) Private firms can charge high prices for them.

(b) They are produced by the government.

(c) They are subject to demand and supply fluctuations.

(d) They may be underprovided due to the free-rider problem.

119. Incomplete information in a market refers to:

(a) The lack of government regulations in the market.

(b) The presence of externalities in the market.

(c) The absence of competition among firms in the market.

(d) Situations where one party in a transaction has more information than the other.

120. Moral hazard is an example of incomplete information in:

(a) Insurance markets.

(b) Perfectly competitive markets.

(c) Monopoly markets.

(d) Labor markets.

121. Adverse selection is a situation where:

(a) Buyers and sellers have equal knowledge about a product.

(b) High-quality goods dominate the market.

(c) Low-quality goods are more likely to be traded.

(d) The market is characterized by perfect competition.

122. How does incomplete information impact market outcomes?

(a) It leads to a more efficient allocation of resources.
(b) It results in higher prices for goods and services.
(c) It reduces transaction costs in the market.
(d) It may lead to market failure and suboptimal outcomes.

123. Solutions to the problem of incomplete information in markets may include:

(a) Eliminating government regulations.

(b) Encouraging monopolies to dominate the market.

(c) Enhancing transparency and disclosure of information.

(d) Reducing competition among firms.

124. Incomplete information in the market refers to a situation where:

(a) Consumers have perfect knowledge about the quality and price of goods.

(b) Sellers have perfect knowledge about consumer preferences.

(c) Market participants have unequal access to information.

(d) The government regulates the flow of information in the market.

125. Adverse selection in the insurance market refers to:

(a) Insurance companies charging high premiums for high-risk individuals.

(b) High-risk individuals selecting insurance policies with high deductibles.

(c) High-risk individuals being more likely to buy insurance.

(d) Insurance companies excluding high-risk individuals from coverage.

126. Moral hazard in the context of insurance refers to:

(a) Insurance companies increasing premiums for risky individuals.

(b) Policyholders taking less risk due to insurance coverage.

(c) Policyholders misrepresenting information to obtain lower premiums.

(d) Insurance companies denying coverage to high-risk individuals

127. Which of the following is an example of adverse selection in the used car market?

(a) Sellers providing detailed information about the car's condition.

(b) Buyers selecting cars based on their preferences.

(c) Sellers selling high-quality cars at premium prices.

(d) Buyers being unsure about the true condition of the car.

128. How can markets mitigate the problem of incomplete information?

(a) By increasing government regulation and control.

(b) By limiting the availability of information to all market participants.

(c) Through transparency and disclosure of relevant information.

(d) By reducing competition among market participants.

129. What does "asymmetric information" refer to in economics?

(a) A situation where buyers and sellers have the same level of information

(b) A situation where one party in a transaction has more information than the other

(c) A situation where prices are the same for all participants in the market

(d) A situation where there is no information available to make decisions

130. Which of the following is an example of asymmetric information in the used car market?

(a) All used cars having the same market price

(b) Buyers and sellers having access to the same car history reports

(c) A seller knowing the true condition of a used car, but the buyer does not

(d) Buyers and sellers negotiating the price of used cars in an open market

131. What is adverse selection in the context of asymmetric information?

(a) A situation where sellers selectively disclose information to buyers

(b) A situation where both parties have complete and accurate information

(c) A situation where higher-quality goods are driven out of the market

(d) A situation where the presence of hidden information leads to undesirable outcomes

132. How can insurance companies address the problem of adverse selection?

(a) By offering lower premiums to high-risk individuals

(b) By providing more information to policyholders

(c) By avoiding selling insurance to high-risk individuals

(d) By pooling the risks of diverse individuals through underwriting

133. Which concept refers to a situation where the presence of asymmetric information causes the deterioration of the quality of goods or services traded in the market?

(a) Moral hazard
(b) Market equilibrium
(c) Gresham's Law
(d) Lemons problem

134. What is asymmetric information?

(a) A situation where all parties involved in a transaction have equal access to information.

(b) A situation where one party in a transaction has more information than the other party.

(c) A situation where both parties in a transaction lack necessary information.

(d) A situation where the market information is not readily available to anyone.

135. In the context of the used car market, what is adverse selection?

(a) A person investing in a diversified portfolio to reduce risk.

(b) A person purchasing health insurance to cover medical expenses.

(c) A person taking more financial risks after purchasing comprehensive ‘ insurance.

(d) A person conducting market research to make an informed purchasing decision.

136. Which of the following is an example of moral hazard?

(a) A person investing in a diversified portfolio to reduce risk.

(b) A person purchasing health insurance to cover medical expenses.

(c) A person taking more financial risks after purchasing comprehensive insurance.

(d) A person conducting market research to make an informed purchasing decision.

137. How does adverse selection impact the market for insurance?

(a) It leads to higher insurance premiums for everyone.

(b) It encourages insurance companies to offer more coverage options.

(c) It results in a decrease in demand for insurance products.

(d) It reduces the profitability of insurance companies.

138. Which of the following is a solution to the problem of adverse selection in insurance markets?

(a) Implementing price controls on insurance premiums

(b) Requiring individuals to purchase insurance

(c) Offering subsidies to insurance companies

(d) Pooling individuals with different risk levels

139. Market power refers to:

(a) The ability of the government to control market prices.

(b) The ability of a single firm to influence market prices and output.

(c) The government's ability to regulate market competition.

(d) The ability of consumers to make informed purchasing decisions.

140. Which of the following is a consequence of excessive market power?

(a) Increased competition and lower prices for consumers.

(b) Optimal allocation of resources in the market.

(c) Reduced consumer choices and higher prices.

(d) Elimination of government regulations.

141. Antitrust laws are designed to:

(a) Protect firms with dominant market positions from competition.

(b) Encourage collusion among competing firms.

(c) Promote mergers and acquisitions in the market.

(d) Prevent monopolistic practices and promote competition

142. A natural monopoly occurs when:

(a) A single firm dominates the market due to barriers to entry.

(b) There is perfect competition among multiple firms in the market.

(c) The government owns and operates all industries in the economy.

(d) Market power is evenly distributed among all firms in the industry.

143. Government intervention to minimize market power can include:

(a) Imposing price floors to protect producers.

(b) Providing subsidies to encourage higher production.

(c) Breaking up monopolies or regulating their behaviour.

(d) Implementing import tariffs to promote domestic industries.

144. Market power refers to the ability of a firm or a group of firms to:

(a) Minimize production costs and maximize profits.

(b) Influence market prices and control the quantity of goods produced.

(c) Compete fairly in the market and offer high-quality products.

(d) Participate in international trade and expand their market share.

145. Which of the following is a potential consequence of excessive market power?

(a) Increased competition and lower prices for consumers.

(b) Higher quality products and improved customer service.

(c) Limited choices and higher prices for consumers.

(d) Increased innovation and technological advancements.

146. Government intervention to minimize market power can include:

(a) Providing subsidies to support monopolistic firms.

(b) Enforcing antitrust laws to promote competition.

(c) Imposing price controls to regulate the market.

(d) Discouraging new firms from entering the market.

147. A natural monopoly occurs when:

(a) There is only one firm in the market with significant market power.

(b) The government regulates the prices and operations of all firms.

(c) Multiple firms compete in the market without any dominance.

(d) Economies of scale make it more efficient for one firm to serve the entire market.

148. How can the government promote competition to minimize market power?

(a) By granting exclusive rights to firms for certain products.

(b) By providing subsidies to dominant firms to expand their production.

(c) By removing barriers to entry and encouraging new competitors.

(d) By imposing price floors to protect producers from low prices.

149. Externalities in the market refer to:

(a) The influence of government policies on market outcomes.

(b) The impact of international trade on domestic industries.

(c) The spillover effects of market activities on third parties.

(d) The fluctuations in market prices due to supply and demand.

150. A negative externality occurs when:

(a) The production of a good benefits third parties.

(b) The production of a good imposes costs on third parties.

(c) The government imposes taxes on goods and services.

(d) The market is in equilibrium without any distortions.

151. Which of the following is a government intervention to correct negative externalities?

(a) Subsidizing the production of goods with negative externalities.

(b) Imposing taxes on goods with negative externalities.

(c) Restricting the production of goods with positive externalities.

(d) Providing direct financial support to firms.

152. Positive externalities occur when:

(a) The production of a good benefits third parties.
(b) The production of a good imposes costs on third parties.
(c) The government intervenes in the market.
(d) There is overproduction of goods in the market.

153. Which of the following is a government intervention to correct positive externalities?

(a) Subsidizing the production of goods with positive externalities.

(b) Imposing taxes on goods with positive externalities.

(c) Imposing price ceilings on goods with positive externalities.

(d) Removing government regulations on production.

154. Negative externalities occur when:

(a) The production of a good leads to higher demand for other goods.

(b) The consumption of a good benefits other individuals in society.

(c) Economic activities impose costs on third parties.

(d) There is an oversupply of goods in the market.

155. Which of the following is a potential solution for correcting negative externalities?

(a) Providing subsidies to the firms generating negative externalities.

(b) Implementing price controls to regulate the market.

(c) Enforcing property rights and allowing lawsuits against polluters.

(d) Imposing higher taxes on consumers of the goods with negative externalities.

156. Positive externalities occur when:

(a) The production of a good leads to higher prices in the market.
(b) Economic activities benefit third parties without compensation.
(c) There is a surplus of goods in the market.
(d) There is an undersupply of goods in the market.

157. Which of the following is a government intervention to encourage positive externalities?

(a) Imposing taxes on the producers of goods with positive externalities.

(b) Providing subsidies to the producers of goods with positive externalities.

(c) Enforcing price ceilings to reduce prices of goods with positive externalities.

(d) Discouraging the consumption of goods with positive externalities.

158. Merit goods are goods that:

(a) Have high market demand and limited supply.
(b) Are provided by the government without any cost to consumers.
(c) Are considered to have positive externalities and are underprovided by the market.
(d) Are characterized by rivalry in consumption and excludability.

159. Which of the following is an example of a merit good?

(a) Fast food and soft drinks.
(b) Private luxury cars.
(c) Education and vaccinations.
(d) High-end fashion products.

160. Why might merit goods be underprovided by the market?

(a) Because they have low demand and high supply.

(b) Because they are often inferior in quality to other goods.

(c) Because producers find it unprofitable to supply them.

(d) Because consumers are not aware of their benefits.

161. How can the government intervene to ensure adequate provision of merit goods?

(a) By imposing price controls to keep prices low.

(b) By reducing taxes on the production of merit goods.

(c) By providing subsidies to producers of merit goods.

(d) By reducing government expenditure on other sectors

162. The purpose of government intervention in the case of merit goods is to:

(a) Increase consumer choices in the market.

(b) Maximize government revenue from taxes.

(c) Correct market failures and ensure social welfare.

(d) Encourage competition among producers.

163. Merit goods are goods that:

(a) Are produced by government-owned firms.

(b) Are provided by private firms but subsidized by the government.

(c) Have positive externalities and are underprovided in the free market.

(d) Have negative externalities and are overproduced in the free market.

164. Which of the following is an example of a merit good?

(a) Cigarettes and alcoholic beverages.
(b) Fast food and sugary beverages.
(c) Education and vaccinations.
(d) Luxury cars and high-end fashion.

165. Government intervention to promote merit goods can include:

(a) Imposing higher taxes on the consumption of merit goods.
(b) Subsidizing the production of merit goods.
(c) Implementing price controls to regulate the prices of merit goods.
(d) Promoting advertisements for luxury goods.

166. Why are merit goods often underprovided in the free market?

(a) Because they are produced by government-owned firms.

(b) Because private firms find them unprofitable to produce.

(c) Because consumers do not value their positive externalities.

(d) Because they are subject to price ceilings.

167. The government's intervention in the case of merit goods is primarily aimed at:

(a) Restricting the consumption of these goods.

(b) Ensuring equitable distribution of these goods.

(c) Encouraging the consumption of these goods.

(d) Eliminating the production of these goods

168. Demerit goods are goods that:

(a) Have positive externalities and are underprovided in the free market.

(b) Have negative externalities and are overproduced in the free market.

(c) Are produced by government-owned firms.

(d) Are provided by private firms but subsidized by the government.

169. Which of the following is an example of a demerit good?

(a) Education and vaccinations.

(b) Fast food and sugary beverages.

(c) Renewable energy sources.

(d) Public transportation services.

170. Government intervention to discourage the consumption of demerit goods can include:

(a) Subsidizing the production of demerit goods.

(b) Implementing price controls to regulate the prices of demerit goods.

(c) Enforcing property rights for demerit goods.

(d) Imposing higher taxes on the consumption of demerit goods.

171. Why are demerit goods often overproduced in the free market?

(a) Because they are produced by government-owned firms.

(b) Because private firms find them profitable to produce.

(c) Because consumers fully consider their negative externalities.

(d) Because they are subject to price floors.

172. The government's intervention in the case of demerit goods is primarily aimed at:

(a) Restricting the consumption of these goods.
(b) Ensuring equitable distribution of these goods.
(c) Encouraging the consumption of these goods.
(d) Eliminating the production of these goods.

173. Public goods are characterized by:

(a) Excludability and rivalry in consumption.

(b) Non-excludability and rivalry in consumption.

(c) Excludability and non-rivalry in consumption.

(d) Non-excludability and non-rivalry in consumption

174. Which of the following is a key challenge in the provision of public goods?

(a) Free-rider problem.

(b) Price fluctuations in the market.

(c) Excessive competition among producers.

(d) Lack of demand from consumers.

175. Government intervention in the provision of public goods can involve:

(a) Imposing high taxes on consumers who use public goods.

(b) Restricting access to public goods to a selected group of individuals.

(c) Privatizing the production and distribution of public goods.

(d) Financing the provision of public goods through taxes and government spending.

176. Which of the following is an example of a public good that is typically provided by the government?

(a) Movie tickets.
(b) Cable TV subscriptions.
(c) National defence.
(d) Smartphones.

177. The concept of "crowding out" refers to:

(a) The phenomenon where the demand for public goods exceeds the government's ability to provide them.

(b) Government spending on public goods leading to reduced private sector investment.

(c) The government's attempt to exclude certain individuals from accessing public goods.

(d) The competition between private firms in providing public goods.

178. Why are public goods often underprovided in the free market?

(a) Because they are produced by government-owned firms.

(b) Because private firms find them unprofitable to produce.

(c) Because consumers are fully aware of their positive externalities.

(d) Because they are subject to price ceilings.

179. Government intervention to provide public goods can include:

(a) Imposing taxes on consumers to fund their production.

(b) Subsidizing private firms to produce public goods.

(c) Implementing price controls to regulate the prices of public goods.

(d) Encouraging consumers to purchase public goods.

180. Which of the following is an example of a public good?

(a) Education provided by a private school.
(b) Cable TV subscription with different channels.
(c) National defence provided by the government.
(d) Exclusive access to a members-only online forum.

181. How can the government promote the provision of public goods?

(a) By granting exclusive rights to firms for certain public goods.
(b) By providing subsidies to private firms to limit public goods production.
(c) By increasing taxes on individuals to reduce public goods consumption.
(d) By directly funding the production of public goods.

182. Non-market pricing refers to:

(a) The setting of prices based on supply and demand in the market.

(b) The government's intervention to control prices in the market.

(c) The use of prices as a mechanism to allocate resources efficiently.

(d) The setting of prices by the government outside the regular market forces.

183. Which of the following is an example of non-market pricing?

(a) A competitive market where prices are determined by supply and demand.
(b) Government-controlled price ceilings on rent in certain areas.
(c) Pricing strategy based on product differentiation.
(d) Dynamic pricing used by online retailers.

184. What is the primary objective of non-market pricing by the government?

(a) To maximize profits for private firms.

(b) To encourage competition among producers.

(c) To ensure price stability and affordability for consumers.

(d) To eliminate the role of prices in the economy.

185. Price floors imposed by the government result in:

(a) Higher prices and excess supply in the market.

(b) Lower prices and excess demand in the market.

(c) Higher prices and shortage of goods in the market.

(d) Lower prices and increased competition among producers.

186. Non-market pricing is often used by the government to:

(a) Encourage competition and innovation among firms.

(b) Allow market forces to determine prices freely.

(c) Correct market failures and ensure equitable distribution.

(d) Eliminate the role of prices in resource allocation.

187. Non-market pricing is often used to address:

(a) Market failures and externalities.
(b) Competitive pricing in the market.
(c) Demand and supply fluctuations.
(d) Price discrimination by businesses.

188. What is the primary purpose of non-market pricing?

(a) To increase profits for businesses.

(b) To promote competition among firms.

(c) To allocate resources in the most efficient way.

(d) To reduce government control over the economy.

189. Non-market pricing may lead to:

(a) Greater market efficiency and consumer welfare.

(b) Lower production and decreased consumer choices.

(c) Increased competition among firms.

(d) Higher prices due to supply shortages

190. Information failure occurs when:

(a) The government intervenes in the market to regulate prices.

(b) Consumers have perfect knowledge about the quality and price of goods.

(c) Market participants have unequal access to information.

(d) There is an oversupply of goods in the market.

191. Which of the following is a potential consequence of information failure?

(a) Increased competition and lower prices for consumers.

(b) Higher quality products and improved customer service.

(c) Limited choices and higher prices for consumers.

(d) Increased innovation and technological advancements.

192. Government intervention to correct information failure can include:

(a) Imposing price controls to regulate the market.

(b) Limiting the availability of information to all market participants.

(c) Enforcing property rights and allowing lawsuits for misrepresentation.

(d) Providing subsidies to firms with more information.

193. How can the government promote transparency and reduce information failure?

(a) By granting exclusive rights to firms for certain products.

(b) By restricting the flow of information to protect businesses.

(c) By enforcing regulations that require firms to disclose relevant information.

(d) By reducing competition among market participants.

194. Why is correcting information failure important in a market economy?

(a) To limit government interference in the market.

(b) To protect businesses from competition.

(c) To ensure that markets function efficiently and fairly.

(d) To increase profits for firms

195. Which of the following is an example of government intervention to correct information failure?

(a) Requiring businesses to disclose nutritional information on food labels.

(b) Allowing businesses to keep their product information confidential.

(c) Imposing price ceilings to control inflation.

(d) Allowing businesses to mislead consumers with false advertisements.

196. The primary goal of government intervention for correcting information failure is to:

(a) Control the prices of goods and services in the market.

(b) Limit competition and protect businesses.

(c) Ensure a level playing field for all market participants.

(d) Enhance transparency and empower consumers with information.

197. Which of the following is an example of information failure?

(a) Consumers conducting thorough research before making a purchase.

(b) Companies providing complete and transparent information about their products.

(c) Misleading advertising that exaggerates the benefits of 'a product.

(d) Consumers making well-informed decisions based on market prices.

198. The ultimate goal of government intervention to correct information failure is to:

(a) Increase government control over market activities.

(b) Regulate market prices to ensure fairness.

(c) Ensure that consumers have access to accurate and relevant information.

(d) Promote competition among businesses.

199. Which of the following is a potential consequence of inequitable distribution of resources?

(a) Increased competition and economic growth.

(b) Higher levels of poverty and social unrest.

(c) Greater incentives for innovation and entrepreneurship.

(d) Improved living standards for all individuals.

200. Government intervention for equitable distribution can include:

(a) Implementing price controls to regulate resource allocation.

(b) Promoting competition among firms to increase efficiency.

(c) Providing social welfare programs to support vulnerable populations.

(d) Limiting the availability of resources to maintain scarcity.

201. Which of the following is an example of government intervention for equitable distribution?

(a) Imposing higher taxes on high-income individuals.

(b) Deregulating industries tp. encourage competition.

(c) Allowing market forces to determine resource allocation.

(d) Implementing subsidies to support profitable businesses.

202. The main objective of government intervention for equitable distribution is to:

(a) Maximize profits for businesses.

(b) Ensure that everyone has equal wealth and income.

(c) Promote economic growth and development.

(d) Reduce economic inequalities and provide support to the needy.

203. Which of the following is a potential consequence of income inequality?

(a) Increased economic growth and development.
(b) Reduced poverty and improved living standards for all.
(c) Social unrest and a sense of injustice in society.
(d) Greater investment and entrepreneurship.

204. Government intervention for equitable distribution can include:

(a) Imposing taxes on high-income individuals and redistributing the funds.

(b) Implementing price controls to regulate market prices.

(c) Encouraging competition among businesses to reduce income disparities.

(d) Reducing government spending on social welfare programs.

205. Which of the following is an example of a government program aimed at equitable distribution?

(a) Providing subsidies to profitable businesses.

(b) Implementing a flat tax rate for all income levels.

(c) Offering financial assistance to low-income families.

(d) Reducing regulations on corporations.

206. The main objective of government intervention for equitable distribution is to:

(a) Maximize government revenue through taxation.

(b) Minimize government control over the economy.

(c) Ensure that everyone receives equal income and wealth.

(d) Reduce income and wealth disparities and promote social welfare.

207. Market failure occurs when:

(a) The government imposes excessive regulations on businesses

(b) The market is unable to allocate resources efficiently

(c) Consumers demand more goods and services than producers can supply

(d) There is perfect competition among firms in the market

208. The main cause of market failure is often attributed to:

(a) Excessive government intervention in the economy

(b) Monopoly power held by a single firm in the market

(c) Lack of consumer demand for certain goods and services

(d) Externalities and the absence of property rights

209. Externalities refer to:

(a) The benefits or costs of production that spill over to affect third parties

(b) The government's interference in the market

(c) The changes in demand and supply in the market

(d) The fluctuations in the stock market

210. Which of the following is an example of a positive externality?

(a) Pollution from a factory affecting the health of nearby residents

(b) Vaccination programs reducing the spread of infectious diseases

(c) Congestion and traffic jams in urban areas

(d) The depletion of natural resources due to overexploitation

211. Government intervention to correct market failure can include:

(a) Imposing trade barriers and tariffs on imports
(b) Reducing taxes to stimulate consumer spending
(c) Providing subsidies to inefficient firms in the market
(d) Imposing taxes or regulations to address externalities

212. Public goods are characterized by:

(a) Rivalry in consumption and exclusion of non-payers
(b) Rivalry in consumption and non-exclusion of non-payers
(c) Non-rivalry in consumption and exclusion of non-payers
(d) Non-rivalry in consumption and non-exclusion of non-payers

213. The free-rider problem refers to:

(a) Consumers demanding more goods than producers can supply

(b) Firms in the market charging excessively high prices for their products

(c) People benefiting from a public good without contributing to its provision

(d) Government intervention causing market inefficiencies

214. Government intervention to correct market failure aims to:

(a) Completely replace the market mechanism with central planning
(b) Eliminate all externalities and market distortions
(c) Improve market efficiency and promote economic welfare
(d) Privatize all public goods and services

215. Market failure occurs when:

(a) The government intervenes too much in the economy
(b) The market allocates resources efficiently
(c) The market fails to allocate resources efficiently
(d) There is perfect competition among firms in the market

216. The main cause of market failure is often attributed to:

(a) Perfect competition among firms in the market
(b) The absence of government regulations
(c) Externalities and market imperfections
(d) H1.2 The Concept of Market Failure

217. Externalities refer to:

(a) The government's role in the market

(b) The benefits or costs of production that spill over to affect third parties

(c) The changes in supply and demand in the market

(d) The fluctuations in stock prices

218. Which of the following is an example of a negative externality?

(a) A company providing scholarships to local students

(b) The construction of a new park in the neighbourhood

(c) Pollution from a factory affecting nearby residents

(d) Government subsidies to support renewable energy

219. Public goods are characterized by:

(a) Rivalry in consumption and exclusion of non-payers

(b) Rivalry in consumption and non-exclusion of non-payers

(c) Non-rivalry in consumption and exclusion of non-payers

(d) Non-rivalry in consumption and non-exclusion of non-payers

220. The free-rider problem refers to:

(a) Consumers demanding more goods than producers can supply

(b) Firms in the market charging excessively high prices for their products

(c) People benefiting from a public good without contributing to its provision

(d) Government intervention causing market inefficiencies

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

(a) A competitive market with many buyers and sellers

(b) A perfectly efficient allocation of resources in a free market

(c) Overconsumption of natural resources leading to environmental degradation

(d) Government subsidies promoting the growth of a specific industry

222. Government intervention to correct market failure aims to:

(a) Eliminate all externalities and market distortions

(b) Replace the market mechanism with central planning

(c) Reduce competition and increase market power for firms

(d) Improve market efficiency and promote economic welfare

223. Market failure occurs when:

(a) The government intervenes too much in the economy
(b) The market allocates resources efficiently
(c) The market fails to allocate resources efficiently
(d) There is perfect competition among firms in the market

224. Which of the following is a reason why markets fail?

(a) Lack of consumer demand for goods and services
(b) Excessive government regulations in the market
(c) High levels of competition among firms
(d) Efficient allocation of resources by the market

225. Externalities refer to:

(a) The government's role in the market
(b) The benefits or costs of production that spill over to affect third parties
(c) The changes in supply and demand in the market
(d) The fluctuations in stock prices

226. Which of the following is an example of a negative externality?

(a) A company providing scholarships to local students
(b) The construction of a new park in the neighbourhood
(c) Pollution from a factory affecting nearby residents
(d) Government subsidies to support renewable energy

227. Public goods are characterized by:

(a) Rivalry in consumption and exclusion of non-payers

(b) Rivalry in consumption and non-exclusion of non-payers

(c) Non-rivalry in consumption and exclusion of non-payers

(d) Non-rivalry in consumption and non-exclusion of non-payers

228. The free-rider problem refers to:

(a) Consumers demanding more goods than producers can supply

(b) Firms in the market charging excessively high prices for their products

(c) People benefiting from a public good without contributing to its provision

(d) Government intervention causing market inefficiencies

229. Which of the following is a reason for market failure?

(a) Well-defined property rights and contract enforcement
(b) Perfect information and transparency in the market
(c) Externalities and market imperfections
(d) Equal distribution of income among consumers

230. Government intervention to correct market failure aims to:

(a) Eliminate all externalities and market distortions

(b) Replace the market mechanism with central planning

(c) Reduce competition and increase market power for firms

(d) Improve market efficiency and promote economic welfare

231. Public goods are characterized by:

(a) Rivalry in consumption and exclusion of non-payers

(b) Rivalry in consumption and non-exclusion of non-payers

(c) Non-rivalry in consumption and exclusion of non-payers

(d) Non-rivalry in consumption and non-exclusion of non-payers

232. Which of the following is a characteristic of a public good?

(a) It is produced and provided by private companies

(b) It can only be consumed by one person at a time

(c) Consumers can be excluded from consuming the good

(d) Consumption by one person does not reduce its. availability to others

233. National defence is an example of a public good because[1]:

(a) It is provided by private firms in the market

(b) It is non-excludable, and consumption, and one person's does mot diminish its availability to others

(c) It is rivalrous in consumption, and one person's consumption reduces its availability to others

(d) It can be selectively' provided' to certain individual Is based on their willingness to pay

234. Which of the following statements is true regarding public goods?

(a) Private firms have a strong incentive to produce public goods due to high profits

(b) Public goods are usually provided! by fie government to ensure widespread access

(c) Public goods are always rivalrous in consumption;

(d) Public goods have well-defined property rights for exclusive use

235. One of the main challenges with public goods is the:

(a) High cost of production and provision

(b) Difficulty in excluding non-payers from consuming the good

(c) Lack of consumer demand for such goods

(d) Rivalry in consumption, leading to scarcity

236. Free-rider problem refers to the situation where:

(a) Consumers demand more goods than producers can supply

(b) Firms in the market charge excessively high prices for their products

(c) People benefit from a public good without contributing to its provision

(d) Government intervention causes market inefficiencies

237. Which of the following is NOT an example of a public good?

(a) Street lighting in a city

(b) National defence and military protection

(c) A private toll road with restricted access

(d) Air pollution control to benefit the entire community

238. The concept of public goods is relevant to:

(a) Only developed countries with strong governments
(b) Both developed and developing countries
(c) Only developing countries with limited resources
(d) Only countries with a large population

239. In economics, incomplete information refers to

(a) Situations where consumers have perfect knowledge about the goods and services they purchase
(b) Situations where producers have perfect knowledge about the costs of production
(c) Situations where there is uncertainty or asymmetry of information between buyers and sellers
(d) Situations where government regulations provide complete information to all market participants

240. Asymmetric information occurs when:

(a) Buyers and sellers have equal knowledge about the quality of goods and services

(b) One party in a transaction has more information than the other

(c) Government agencies provide information to all market participants

(d) Market participants have perfect knowledge about market prices

241. Moral hazard refers to:

(a) The risk that one party in a transaction will take advantage of the other's lack of information

(b) The risk that market prices will change due to new information becoming available

(c) The risk that a party will deliberately take actions that increase the probability of a negative outcome

(d) The risk that one party will change the terms of a contract after it is agreed upon

242. Adverse selection occurs when:

(a) Buyers and sellers have equal knowledge about the quality of goods and services

(b) One party in a transaction has more information about the product's quality than the other

(c) The government provides complete information to all market participants

(d) Market participants have perfect knowledge about market prices

243. In the context of insurance markets, adverse selection refers to:

(a) The tendency for high-risk individuals to seek insurance coverage more than low-risk individuals
(b) The tendency for insurance companies to offer low premiums to attract more customers
(c) The presence of government regulations that ensure complete information for insurance buyers
(d) The equal access to insurance products for all individuals, regardless of their risk profile

244. Which of the following is an example of adverse selection in the used car market?

(a) A seller providing complete information about a car's history to potential buyers

(b) A buyer knowing more about a car's hidden defects than the seller

(c) A government agency regulating the prices of used cars

(d) All used cars being sold at the same price regardless of their condition

245. How can market participants mitigate the problem of incomplete information?

(a) By increasing government regulations and oversight

(b) By sharing more information with each other

(c) By avoiding any form of insurance contracts

(d) By refusing to engage in any transactions

246. The problem of adverse selection is most commonly observed in markets for:

(a) Luxury goods and services

(b) Essential commodities and basic necessities

(c) Used cars and insurance products

(d) Government-subsidized products

247. Market power refers to:

(a) The ability of the government to control market prices

(b) The dominance of a single firm or a group of firms in a market

(c) The efficiency of markets in allocating resources

(d) The absence of government regulations in the market

248. Why is market power a concern for policymakers?

(a) Market power leads to perfect competition and efficient markets

(b) Market power can lead to higher prices and reduced consumer choice

(c) Market power promotes innovation and technological advancements

(d) Market power ensures equitable distribution of wealth in society

249. Government intervention to minimize market power is aimed at:

(a) Promoting monopolistic practices for economic growth

(b) Encouraging firms to merge and create larger entities

(c) Increasing barriers to entry for new firms in the market

(d) Preventing anti-competitive behaviour and promoting competition

250. Which of the following is an example of government intervention to minimize market power?

(a) Implementing price controls to regulate market prices

(b) Providing subsidies to dominant firms in the market

(c) Granting exclusive licenses to companies to operate in a specific industry

(d) Enforcing antitrust laws to prevent monopolistic practices

251. Antitrust laws are designed to:

(a) Facilitate mergers and acquisitions between large firms

(b) Restrict the entry of foreign companies in the domestic market

(c) Promote fair competition and prevent monopolistic practices

(d) Allow companies to engage in price-fixing agreements

252. A merger between two large companies in the same industry may raise concerns about:

(a) Increased competition in the market

(b) Lower prices and better consumer choice

(c) Potential abuse of market power and reduced competition

(d) A more efficient allocation of resources

253. How can the government promote competition and minimize market power?

(a) By providing subsidies and incentives to dominant firms

(b) By imposing price controls to limit price fluctuations

(c) By enforcing antitrust laws and regulating mergers and acquisitions

(d) By granting exclusive licenses to companies for specific industries

254. The primary goal of government intervention to minimize market power is to:

(a) Ensure maximum profits for dominant firms in the market

(b) Restrict consumer choice and options to prevent market inefficiencies

(c) Promote competition and protect consumers from unfair practices

(d) Stifle innovation and technological advancements in the market

255. Externalities refer to:

(a) The benefits or costs of production that spill over to affect third parties

(b) The government's intervention in the market to control prices

(c) The equal distribution of income and wealth in society

(d) The fluctuations in supply and demand in the market

256. Negative externalities occur when:

(a) The government imposes taxes to fund public goods
(b) The costs of production are borne by producers alone
(c) The benefits of production are enjoyed by consumers alone
(d) The costs of production are imposed on third parties not involved in the transaction

257. Which of the following is an example of a negative externality?

(a) A company providing scholarships to local students

(b) The construction of a new park in the neighborhood

(c) Pollution from a factory affecting nearby residents

(d) Government subsidies to support renewable energy

258. To correct negative externalities, the government can use:

(a) Subsidies to encourage more production of goods with negative externalities

(b) Taxes to discourage the production of goods with negative externalities

(c) Import tariffs to protect domestic industries

(d) Price controls to regulate the prices of goods with negative externalities

259. Positive externalities occur when:

(a) The government provides subsidies to firms to promote production

(b) The costs of production are imposed on third parties not involved in the transaction

(c) The benefits of production are enjoyed by producers alone

(d) The benefits of production spill over to benefit third parties not involved in the transaction

260. Which of the following is an example of a positive externality?

(a) A company selling a product at a higher price than its competitors

(b) A vaccination program reducing the spread of infectious diseases in a community

(c) A government imposing high tariffs on imported goods

(d) A company causing pollution that affects the health of nearby residents

261. To correct positive externalities, the government can use:

(a) Subsidies to discourage the production of goods with positive externalities

(b) Taxes to reduce consumption of goods with positive externalities

(c) Regulations to limit the benefits of production to certain individuals

(d) Subsidies to encourage the production of goods with positive externalities

262. The main goal of government intervention to correct externalities is to:

(a) Completely eliminate all externalities from the market

(b) Reduce the efficiency of market transactions

(c) Internalize external costs or benefits to achieve a more optimal outcome

(d) Limit the role of government in economic activities

263. Merit goods are characterized by:

(a) Being produced and provided by private companies only

(b) High prices and limited accessibility for all consumers

(c) Having positive externalities and being under-consumed in the market

(d) Being rivalrous in consumption and subject to market failures

264. Which of the following is an example of a merit good?

(a) Luxury cars with high price tags

(b) Fast food items with excessive sugar and fat content

(c) Public education and healthcare services

(d) Designer clothing and accessories

265. Merit goods are typically:

(a) Overprovided in the market due to high consumer demand

(b) Subject to competitive market forces and price fluctuations

(c) Underprovided in the market due to positive externalities

(d) Provided by private companies with no government involvement

266. To encourage the consumption of merit goods, the government can:

(a) Impose taxes to reduce consumption and limit negative externalities

(b) Provide subsidies to consumers to lower the prices of these goods

(c) Deregulate the market to allow for greater competition

(d) Implement price controls to keep the prices stable

267. The primary goal of government intervention in the case of merit goods is to:

(a) Limit consumer choice and promote government-controlled markets

(b) Increase the prices of these goods to generate more government revenue

(c) Ensure that consumers have access to these goods despite their positive externalities

(d) Eliminate the production of merit goods to reduce market inefficiencies

268. One of the challenges of government intervention in providing merit goods is:

(a) Overconsumption and excessive demand for these goods

(b) The difficulty in identifying which goods have positive externalities

(c) The lack of interest from private companies to produce merit goods

(d) The need to impose high taxes on consumers to fund the provision of these goods

269. In the case of merit goods, the government's role is to:

a) Completely replace the private sector in providing these goods

(b) Let the market forces determine their prices and availability

(c) Encourage private companies to overproduce these goods for profit

(d) Correct market failures by ensuring adequate provision of these goods

270. Which of the following is a potential consequence of inadequate provision of merit goods in society?

(a) Increased consumption of harmful goods with negative externalities

(b) Lower government expenditures and reduced budget deficits

(c) Higher prices of merit goods due to excessive demand

(d) A more efficient allocation of resources in the market

271. Demerit goods are characterized by:

(a) Having positive externalities arid being under-consumed in the market

(b) High prices and limited accessibility for all consumers

(c) Having negative externalities and being over-consumed in the market

(d) Being rivalrous in consumption and subject to market failures

272. Which of the following is an example of a demerit good?

(a) Organic fruits and vegetables
(b) Cigarettes and tobacco products
(c) Public education and healthcare services
(d) Renewable energy sources

273. Demerit goods are typically:

(a) Overprovided in the market due to high consumer demand

(b) Subject to competitive market forces and price fluctuations

(c) Underprovided in the market due to negative externalities

(d) Provided by private companies with no government involvement

274. To discourage the consumption of demerit goods, the government can:

(a) Impose taxes to reduce consumption and internalize negative externalities

(b) Provide subsidies to consumers to lower the prices of these goods

(c) Deregulate the market to allow for greater competition

(d) Implement price controls to keep the prices stable

275. The primary goal of government intervention in the case of demerit goods is to:

(a) Limit consumer choice and promote government-controlled markets

(b) Increase the prices of these goods to generate more government revenue

(c) Reduce the consumption of these goods due to their negative externalities

(d) Encourage the production of demerit goods for profit

276. One of the challenges of government intervention in discouraging demerit goods is:

(a) Overconsumption and excessive demand for these goods

(b) The difficulty in identifying which goods have negative externalities

(c) The lack of interest from private companies to produce demerit goods

(d) The need to provide subsidies to consumers to increase consumption

277. In the case of demerit goods, the government's role is to:

(a) Completely replace the private sector in providing these goods

(b) Let the market forces determine their prices and availability

(c) Encourage private companies to overproduce these goods for profit

(d) Correct market failures by discouraging the consumption of these goods

278. Which of the following is a potential consequence of excessive consumption of demerit goods in society?

(a) Reduced government expenditures and increased budget surplus

(b) Higher healthcare costs and negative health outcomes

(c) Lower prices of demerit goods due to excessive demand

(d) Improved allocation of resources in the market

279. Public goods are characterized by:

(a) Rivalry in consumption and exclusion of non-payers

(b) Rivalry in consumption and non-exclusion of non-payers

(c) Non-rivalry in consumption and exclusion of non-payers

(d) Non-rivalry in consumption and non-exclusion of non-payers

280. Which of the following is an example of a public good?

(a) A private toll road with restricted access
(b) National defense and military protection
(c) A company providing exclusive memberships
(d) Pollution from a factory affecting nearby residents

281. Public goods are typically:

(a) Overprovided in the market due to high consumer demand

(b) Subject to competitive market forces and price fluctuations

(c) Underprovided in the market due to free-rider problem

(d) Provided by private companies with no government involvement

282. The free-rider problem refers to:

(a) Consumers demanding more goods than producers can supply

(b) Firms in the market charging excessively high prices for their products

(c) People benefiting from a public good without contributing to its provision

(d) Government intervention causing market inefficiencies

283. To ensure the provision of public goods, the government can:

(a) Impose taxes to fund the production of public goods

(b) Provide subsidies to private firms to produce public goods

(c) Deregulate the market to allow for greater competition

(d) Implement price controls to regulate the prices of public goods

284. Which of the following is NOT a characteristic of public goods?

(a) Non-rivalry in consumption

(b) Non-exclusion of non-payers

(c) Positive externalities associated with consumption

(d) Under-consumption in the market

285. The primary goal of government intervention in the case of public goods is to:

(a) Limit consumer choice and control the production of public goods

(b) Increase prices of public goods to generate more government revenue

(c) Ensure the provision of public goods despite free-rider problem

(d) Encourage private companies to produce public goods for profit

286. Which of the following is a potential consequence of under-provision of public goods in society?

(a) Excessive government spending and budget deficit

(b) Lower taxes and reduced government expenditure

(c) Lack of access to essential services and infrastructure

(d) Inefficient allocation of resources in the market

287. Non-market pricing refers to:

(a) The pricing mechanism determined by supply and demand forces in a market

(b) The setting of prices by the government or other authorities outside of the market forces

(c) The practice of firms colluding to fix prices in a competitive market

(d) The use of price controls to regulate market prices

288. Which of the following is an example of non-market pricing?

(a) A company setting its product price based on market demand and production costs

(b) The government capping the price of essential goods to control inflation

(c) A competitive market where prices are determined solely by supply and demand

(d) A company engaging in predatory pricing to drive competitors out of the market

289. Price controls are government interventions that:

(a) Allow firms to set prices freely to maximize profits

(b) Restrict the entry of new firms in the market to maintain price stability

(c) Fix maximum or minimum prices for certain goods and services

(d) Prohibit firms from engaging in price discrimination

290. Which of the following is an example of a price ceiling?

(a) The government sets a minimum price for agricultural products to support farmers

(b) A city government caps the rent that landlords can charge for residential properties

(c) A company raises its product price to increase profit margins

(d) The government allows free-market forces to determine the price of luxury goods

291. Price floors are designed to:

(a) Prevent price discrimination in the market
(b) Stabilize prices during periods of high inflation
(c) Encourage competition among firms to lower prices
(d) Set a minimum price for certain goods to support producers

292. The primary purpose of implementing non-market pricing measures like price controls is to:

(a) Allow firms to maximize profits by freely setting prices

(b) Achieve an equitable distribution of income and wealth in society

(c) Increase government revenue by taxing consumer purchases

(d) Eliminate all market inefficiencies and imperfections

293. One of the potential drawbacks of price controls is:

(a) The increased likelihood of price gouging by firms

(b) The potential for excessive competition and price wars

(c) The distortion of market signals and reduced incentives for producers

(d) The elimination of all price fluctuations in the market

294. Non-market pricing measures are often implemented when:

(a) The market is experiencing perfect competition and efficient price determination

(b) There is a need to correct externalities and market failures

(c) The government seeks to maximize profits for firms

(d) Consumers demand lower prices for goods and services

295. Information failure refers to:

(a) The inability of the government to regulate markets effectively

(b) The situation where the government has access to all relevant information

(c) The lack of information or asymmetric information in the market

(d) The government's interference in market pricing mechanisms

296. Asymmetric information occurs when:

(a) The government provides complete information to all market participants

(b) Market participants have equal knowledge about market prices

(c) One party in a transaction has more information than the other

(d) Buyers and sellers have equal knowledge about the quality of goods and services

297. Government intervention to correct information failure can involve:

(a) Imposing price controls to regulate market prices

(b) Providing subsidies to consumers to increase demand for goods

(c) Encouraging firms to engage in price discrimination

(d) Implementing regulations to ensure accurate and transparent information

298. Which of the following is an example of government intervention to correct information failure?

(a) The government setting a maximum price for a particular good

(b) The implementation of consumer protection laws to prevent deceptive advertising

(c) The government providing subsidies to a specific industry

(d) The enforcement of monopolistic practices by the government

299. The main goal of government intervention to correct information failure is to:

(a) Control market prices to ensure affordability for consumers

(b) Limit consumer choice and promote government-controlled markets

(c) Improve market transparency and protect consumers from fraud

(d) Increase government revenue by imposing higher taxes on businesses

300. How can government intervention help correct information failure in financial markets?

(a) By increasing taxes on financial transactions

(b) By imposing price controls on financial assets

(c) By requiring companies to disclose accurate financial information

(d) By limiting consumer access to financial products and services

301. One of the challenges of government intervention to correct information failure is

(a) The lack of willingness from firms to provide accurate information

(b) The potential for excessive competition and price wars

(c) The difficulty in identifying goods with positive externalities

(d) The need to eliminate all market inefficiencies

302. Correcting information failure is essential to:

(a) Ensure market prices are always at their equilibrium level

(b) Encourage firms to engage in price discrimination

(c) Achieve a more efficient allocation of resources in the market

(d) Allow market forces to completely determine prices and quantities

303. Equitable distribution refers to:

(a) The equal distribution of income and wealth among all individuals in society

(b) The distribution of resources based on merit and individual effort

(c) The concentration of wealth and income in the hands of a few individuals

(d) The government's interference in market pricing mechanisms

304. Government intervention for equitable distribution can involve:

(a) Implementing price controls to regulate market prices

(b) Providing subsidies to high-income individuals to support their lifestyles

(c) Imposing progressive taxation to redistribute wealth from the rich to the poor

(d) Encouraging firms to engage in price discrimination

305. Which of the following is an example of government intervention for equitable distribution?

(a) The government imposing a flat tax rate on all income levels

(b) The implementation of consumer protection laws to ensure fair prices for goods

(c) The government providing subsidies to wealthy individuals for luxury goods

(d) The enforcement of monopolistic practices by the government

306. The main goal of government intervention for equitable distribution is to:

(a) Control market prices to ensure affordability for consumers

(b) Limit consumer choice and promote government-controlled markets

(c) Achieve a more equal distribution of income and wealth in society

(d) Increase government revenue by imposing higher taxes on businesses

307. How can progressive taxation help achieve a more equitable distribution of income?

(a) By taxing low-income individuals at a higher rate than high-income individuals

(b) By taxing high-income individuals at a higher rate than low-income individuals

(c) By imposing a flat tax rate on all income levels

(d) By eliminating taxes on all sources of income

308. One of the challenges of government intervention for equitable distribution is:

(a) The potential for excessive competition and price wars

(b) The lack of willingness from individuals to pay taxes for redistribution

(c) The difficulty in identifying goods with positive externalities

(d) The need to eliminate all market inefficiencies

309. In the context of equitable distribution, what is a means-tested benefit?

(a) A benefit that is provided to all individuals regardless of their income level

(b) A benefit that is provided based on specific criteria, such as income or assets

(c) A benefit that is only available to high-income individuals

(d) A benefit that is provided without any eligibility requirements

310. Correcting information failure is essential to:

(a) Ensure market prices are always at their equilibrium level

(b) Encourage firms to engage in price discrimination

(c) Achieve a more efficient allocation of resources in the market

(d) Allow market forces to completely determine prices and quantities

CHAPTER 7 PUBLIC FINANCE

Unit:3 The Process of Budget Making: Sources of Revenue, Expenditure Management and Management of Public Debt

311. What is the primary purpose of the government budget?

(a) To maximize government revenue through taxes.

(b) To allocate resources efficiently in the economy.

(c) To manage public debt and reduce fiscal deficits.

(d) To outline the government's financial plans and policies for the fiscal year.

312. Which of the following is considered a source of government revenue?

(a) Issuing bonds and borrowing from international lenders.

(b) Providing subsidies to low-income individuals.

(c) Investing in infrastructure development.

(d) Collecting taxes from individuals and businesses .

313. What is revenue expenditure in the government budget?

(a) Investment in long-term assets like infrastructure.

(b) Day-to-day expenses like salaries and subsidies.

(c) Transferring funds to other levels of government.

(d) Borrowing money from foreign countries

314. How can the government manage public debt effectively?

(a) By reducing taxes to increase disposable income.

(b) By increasing government spending on social programs.

(c) By ensuring that debt remains sustainable with manageable interest payments.

(d) By borrowing more to fund large infrastructure projects.

315. Why is the government budget subject to public debate and scrutiny?

(a) To determine the profitability of government projects.

(b) To assess the performance of government employees.

(c) To evaluate the effectiveness of government policies.

(d) To promote competition among different government agencies

316. Which of the following is NOT a source of government revenue?

(a) Income tax

(b) Sales tax

(c) Government grants to businesses

(d) Corporate tax

317. What is the difference between capital expenditure and revenue expenditure?

(a) Capital expenditure relates to expenses on public infrastructure, while revenue expenditure relates to interest payments on public debt.

(b) Capital expenditure includes investments in long-term assets, while revenue expenditure includes day-to-day expenses like salaries and subsidies.

(c) Capital expenditure is funded through taxes, while revenue expenditure is funded through borrowing.

(d) Capital expenditure is decided by the central bank, while revenue expenditure is decided by the finance ministry.

318. Why is effective management of public debt important for the government?

(a) To maximize government profits.
(b) To reduce government spending.
(c) To ensure sustainable fiscal policy and debt repayment.
(d) To encourage private investment in the economy.

319. What is the ultimate goal of the budget-making process?

(a) To maximize government control over the economy.

(b) To minimize government interference in the market.

(c) To achieve economic growth and development.

(d) To promote fairness and social justice in resource distribution.

320. What is the first step in the process of budget making?

(a) Setting financial goals and objectives.

(b) Estimating government revenue for the fiscal year.

(c) Allocating funds to various ministries and departments.

(d) Presenting the budget to the public.

321. Which government agency is responsible for preparing the budget in most countries?

(a) The central bank.

(b) The finance ministry or treasury department.

(c) The department of taxation.

(d) The ministry of economic planning.

322. The fiscal year for most governments typically runs from:

(a) January 1st to December 31st.
(b) April 1st to March 31st.
(c) July 1st to June 30th.
(d) October 1st to September 30th.

323. During the budget making process, the estimation of government revenue includes:

(a) Only tax revenue and non-tax revenue.

(b) Tax revenue, non-tax revenue, and borrowing.

(c) Tax revenue, non-tax revenue, borrowing, and grants.

(d) Only borrowing and grants.

324. After the budget is prepared by the finance ministry, it is presented to:

(a) The president or prime minister.

(b) The central bank governor.

(c) The parliament or legislature.

(d) The ministry of economic planning.

325. The fiscal year in many countries typically runs from:

(a) January 1st to December 31^{st}.

(b) April 1st to March 31^{st}.

(c) July 1st to June 30^{th}.

(d) October 1st to September 30^{th}.

326. Which government official is responsible for presenting the budget to the parliament or legislature?

(a) The Prime Minister

(b) The Finance Minister

(c) The President

(d) The Governor of the Central Bank

327. The "Budget Speech" usually includes:

(a) A detailed breakdown of individual taxpayers' contributions.
(b) Economic statistics of the previous fiscal year.
(c) A list of government employees and their salaries.
(d) Policy recommendations from opposition parties.

328. After the budget is presented, it is usually sent to:

(a) The President for approval.

(b) The Supreme Court for review.

(c) The Central Bank for implementation.

(d) The Parliament or Legislature for approval and debate

329. Which of the following is a direct source of government revenue?

(a) Sales tax

(b) Corporate tax

(c) Excise duty

(d) Value Added Tax (VAT)

330. What is the primary source of revenue for the government in many countries?

(a) Personal income tax

(b) Goods and Services Tax (GST)

(c) Customs duties

(d) Corporate tax

331. Revenue from non-tax sources may include:

(a) Income tax from individuals.

(b) Sales tax on goods.

(c) Dividends from state-owned enterprises.

(d) Corporate tax from private companies .

332. Which of the following is an indirect source of government revenue?

(a) Property tax

(b) Goods and Services Tax (GST)

(c) Personal income tax

(d) Corporate tax

333. Revenue from external sources may include:

(a) Income tax from individuals and corporations.
(b) Sales tax on goods and services.
(c) Foreign aid and grants from other countries.
(d) Dividends from state-owned enterprises.

334. Which of the following is a direct tax?

(a) Goods and Services Tax (GST)

(b) Corporate Tax

(c) Excise Duty

(d) Customs Duty

335. Which of the following is an indirect tax?

(a) Income Tax

(b) Wealth Tax

(c) Sales Tax

(d) Property Tax

336. Which of the following sources of revenue is considered non-tax revenue?

(a) Income Tax

(b) Customs Duty

(c) Dividends from state-owned enterprises

(d) Goods and Services Tax (GST)

337. Which of the following taxes is levied on the value added at each stage of production or distribution?

(a) Income Tax

(b) Goods and Services Tax (GST)

(c) Excise Duty

(d) Property Tax

338. Which of the following is an example of an external source of revenue for the government?

(a) Income Tax

(b) Corporate Tax

(c) Foreign Aid

(d) Sales Tax

339. What is the main objective of public expenditure management?

(a) To increase government revenue through taxation.

(b) To maximize government spending on welfare programs.

(c) To ensure efficient allocation of resources for public goods and services.

(d) To reduce government involvement in the economy.

340. Which of the following is an example of capital expenditure?

(a) Payment of salaries to government employees.

(b) Investment in building new schools and hospitals.

(c) Subsidies provided to low-income families.

(d) Interest payments on public debt.

341. What is the difference between revenue expenditure and capital expenditure?

(a) Revenue expenditure relates to investments in long-term assets, while capital expenditure includes day-to-day expenses.

(b) Revenue expenditure includes day-to-day expenses, while capital expenditure relates to interest payments on public debt.

(c) Revenue expenditure is funded through borrowing, while capital expenditure is funded through taxes.

(d) Revenue expenditure is incurred on regular operations, while capital expenditure is incurred on long-term assets.

342. Which of the following is an example of transfer payments?

(a) Investment in infrastructure development.

(b) Payment of salaries to government employees.

(c) Subsidies provided to farmers.

(d) Interest payments on public debt.

343. Why is effective public expenditure management important for the government?

(a) To reduce government revenue through taxation.

(b) To increase government control over the economy.

(c) To ensure that public funds are used efficiently and effectively.

(d) To minimize government spending on welfare programs.

344. What is public expenditure management?

(a) The process of managing private sector spending in the economy

(b) The process of allocating and controlling government spending

(c) The process of managing public debt and borrowing

(d) The process of managing foreign aid and grants

345. Which of the following is not a primary objective of public expenditure management?

(a) Promoting economic growth and development

(b) Ensuring price stability in the economy

(c) Reducing income inequality and poverty

(d) Maximizing government revenue through taxation

346. Fiscal policy is closely related to public expenditure management because:

(a) Fiscal policy determines the level of government spending

(b) Public expenditure management is a part of fiscal policy

(c) Both involve controlling the money supply in the economy

(d) Fiscal policy focuses on regulating private sector spending only

347. What is the role of budgeting in public expenditure management?

(a) Budgeting helps the government increase taxes for revenue generation

(b) Budgeting ensures that government spending aligns with its policy priorities

(c) Budgeting allows the government to control private sector investments

(d) Budgeting helps the government manage international trade relations

348. One of the challenges in public expenditure management is:

(a) The inability of the government to borrow from international financial institutions

(b) The difficulty in increasing government spending to stimulate economic growth

(c) The lack of transparency and accountability in budget execution

(d) The lack of demand for public goods and services in the economy

349. What is the role of the legislature in public expenditure management?

(a) The legislature sets monetary policy to control government spending

(b) The legislature approves the national budget and oversees government spending

(c) The legislature controls the prices of public goods and services

(d) The legislature regulates international trade and tariffs

350. In public expenditure management, "virement" refers to:

(a) The process of raising government revenue through taxes

(b) The process of reallocating funds between different budget items

(c) The process of managing foreign aid and grants

(d) The process of controlling inflation through monetary policy

351. What is the purpose of conducting performance evaluations in public expenditure management?

(a) To increase government spending on all sectors equally

(b) To determine the effectiveness and efficiency of government programs

(c) To limit public spending to only essential goods and services

(d) To ensure that all public expenditure is focused on defense and security

352. What is a budget?

(a) A financial statement showing the revenue and expenses of a company

(b) The total income of an individual or household

(c) A plan that outlines expected income and expenses over a specific period

(d) The total assets and liabilities of a government

353. Which of the following budgets is used by businesses to plan and control day-to-day operations?

(a) Operating budget
(b) Cash budget
(c) Capital budget
(d) Flexible budget

354. A cash budget is essential for managing:

(a) Long-term investments and capital projects
(b) Short-term cash flow and liquidity
(c) Marketing and advertising expenses
(d) Employee salaries and benefits

355. Which type of budget is most suitable for capital-intensive projects like building infrastructure?

(a) Operating budget
(b) Cash budget
(c) Capital budget
(d) Flexible budget

356. A flexible budget is useful for:

(a) Controlling day-to-day expenses in a business
(b) Allocating funds for specific capital projects
(c) Adapting to changes in sales or production levels
(d) Forecasting long-term revenue and expenses

357. What is a master budget?

(a) A budget prepared by individuals for personal financial planning

(b) The total budget of a government for all its departments and agencies

(c) The comprehensive budget that includes all individual budgets of a company

(d) A budget prepared by businesses for short-term cash management

358. Zero-based budgeting requires:

(a) Using the previous year's budget as a starting point for the new budget

(b) Justifying every budgeted expense as if starting from scratch

(c) Increasing the budget by a fixed percentage every year

(d) Allocating funds based on the popularity of different programs

359. Incremental budgeting involves:

(a) Reducing the budget by a fixed percentage every year

(b) Increasing the budget by a fixed percentage every year

(c) Allocating funds based on the popularity of different programs

(d) Using the previous year's budget as a starting point for the new budget

360. Capital receipts refer to:

(a) Money received from selling goods and services
(b) Revenue earned from taxes and fines
(c) Funds raised through long-term borrowing or the sale of assets
(d) Money received from grants and subsidies

361. Which of the following is an example of a capital receipt for a government?

(a) Income tax collected from individuals

(b) Revenue generated from selling government services

(c) Proceeds from selling government-owned land

(d) Grants received from other countries

362. Non-debt capital receipts include:

(a) Borrowings and loans from financial institutions

(b) Revenue generated from taxes and fines

(c) Grants received from other countries

(d) Interest received on government loans

363. Why are capital receipts essential for a government’s financial planning?

(a) They help the government generate revenue from taxes

(b) They enable the government to finance day-to-day expenses

(c) They provide funds for development projects and infrastructure

(d) They ensure the government's financial stability during economic downturns

364. Which of the following represents a debt capital receipt for a government?

(a) Revenue earned from government services

(b) Proceeds from the sale of government assets

(c) Borrowing from the central bank

(d) Grants received from international organizations

365. How are capital receipts different from revenue receipts?

(a) Capital receipts are used to finance day-to-day expenses, while revenue receipts are used for long-term projects.

(b) Capital receipts represent funds raised through long-term borrowing or asset sales, while revenue receipts represent funds from regular income sources like taxes and fines.

(c) Capital receipts are non-tax revenue, while revenue receipts are tax revenue.

(d) Capital receipts are received from foreign countries, while revenue receipts are domestic receipts

366. Government bonds and securities issued to the public represent:

(a) Capital expenditure

(b) Capital receipts

(c) Revenue expenditure

(d) Revenue receipts

367. How do capital receipts impact the fiscal deficit of a government?

(a) Capital receipts decrease the fiscal deficit
(b) Capital receipts have no impact on the fiscal deficit
(c) Capital receipts increase the fiscal deficit
(d) Capital receipts eliminate the fiscal deficit

368. Revenue receipts refer to:

(a) Funds raised through long-term borrowing or the sale of assets

(b) Money received from selling goods and services

(c) Revenue earned from taxes, fines, and other regular income sources

(d) Grants and aids received from other countries

369. Which of the following is an example of a revenue receipt for a government?

(a) Proceeds from selling government-owned land

(b) Borrowings from financial institutions

(c) Income tax collected from individuals and businesses

(d) Grants received from international organizations

370. Non-tax revenue receipts include:

(a) Income tax collected from individuals and businesses
(b) Borrowings from financial institutions
(c) Grants received from other countries
(d) Revenue generated from government services and fines

371. Why are revenue receipts essential for a government's financial planning?

a) They provide funds for development projects and infrastructure

(b) They enable the government to finance long-term borrowing

(c) They ensure the government's financial stability during economic downturns

(d) They help the government generate revenue from asset sales

372. Which of the following represents a non-debt revenue receipt for a government?

(a) Proceeds from the sale of government assets

(b) Borrowing from the central bank

(c) Grants received from international organizations

(d) Revenue earned from government services

373. How are revenue receipts different from capital receipts?

(a) Revenue receipts are funds raised through long-term borrowing, while capital receipts represent regular income sources.

(b) Revenue receipts represent funds raised through long-term borrowing or asset sales, while capital receipts represent funds from regular income sources like taxes and fines.

(c) Revenue receipts are used to finance day-to-day expenses, while capital receipts are used for long-term projects.

(d) Revenue receipts are non-tax revenue, while capital receipts are tax revenue.

374. Government revenue earned from import duties and taxes on goods and services represents:

(a) Revenue expenditure
(b) Revenue receipts
(c) Capital expenditure
(d) Capital receipts

375. How do revenue receipts impact the fiscal deficit of a government?

(a) Revenue receipts decrease the fiscal deficit

(b) Revenue receipts have no impact on the fiscal deficit

(c) Revenue receipts increase the fiscal deficit

(d) Revenue receipts eliminate the fiscal deficit

376. Revenue expenditure refers to:

(a) Funds spent on long-term investments and capital projects

(b) Money spent on acquiring assets and properties

(c) Expenditure incurred on day-to-day government operations and services

(d) Expenditure on repaying long-term loans and debts

377. Which of the following is an example of revenue expenditure for a government?

(a) Purchase of land for a new government office building
(b) Payment of interest on a government loan
(c) Construction of a new highway infrastructure
(d) Investment in a state-owned enterprise

378. Revenue expenditure can be classified into:

(a) Capital and non-capital expenditure

(b) Debt and equity expenditure

(c) Foreign and domestic expenditure

(d) Social and defense expenditure

379. Why is revenue expenditure important for a government's financial planning?

(a) It provides funds for long-term investments and development projects

(b) It helps the government repay long-term loans and debts

(c) It ensures efficient delivery of public services and day-to-day operations

(d) It enables the government to increase tax revenue

380. Which of the following represents a non-capital revenue expenditure for a government?

(a) Investment in building a new government office
(b) Purchase of vehicles for government officials
(c) Payment of salaries to government employees
(d) Investment in a state-owned enterprise

381. How are revenue expenditure and capital expenditure different?

(a) Revenue expenditure is incurred on day-to-day operations, while capital expenditure is incurred on long-term investments and projects.

(b) Revenue expenditure is funded through long-term borrowing, while capital expenditure is funded through regular income sources.

(c) Revenue expenditure is related to asset acquisition, while capital expenditure is related to regular expenses.

(d) Revenue expenditure is non-tax revenue, while capital expenditure is tax revenue.

382. Government spending on social welfare programs and public education represents:

(a) Capital expenditure
(b) Capital receipts
(c) Revenue expenditure
(d) Revenue receipts

383. How does revenue expenditure impact the fiscal deficit of a government?

(a) Revenue expenditure decreases the fiscal deficit
(b) Revenue expenditure has no impact on the fiscal deficit
(c) Revenue expenditure increases the fiscal deficit
(d) Revenue expenditure eliminates the fiscal deficit

384. Capital expenditure refers to:

(a) Money spent on day-to-day government operations and services

(b) Expenditure incurred on long-term investments and capital projects

(c) Funds received from the sale of government assets

(d) Expenditure on repaying long-term loans and debts

385. Which of the following is an example of capital expenditure for a government?

(a) Payment of salaries to government employees
(b) Construction of a new government office building
(c) Purchase of office supplies and equipment
(d) Investment in a state-owned enterprise

386. Capital expenditure can be classified into:

(a) Capital and non-capital expenditure
(b) Debt and equity expenditure
(c) Foreign and domestic expenditure
(d) Social and defense expenditure

387. Why is capital expenditure important for a government's financial planning?

(a) It provides funds for long-term investments and development projects

(b) It helps the government repay long-term loans and debts

(c) It ensures efficient delivery of public services and day-to-day operations

(d) It enables the government to increase tax revenue

388. Which of the following represents a non-capital expenditure for a government?

(a) Investment in building a new government office

(b) Purchase of vehicles for government officials

(c) Payment of salaries to government employees

(d) Investment in a state-owned enterprise

389. How are capital expenditure and revenue expenditure different?

(a) Capital expenditure is incurred on long-term investments and projects, while revenue expenditure is incurred on day-to-day operations.

(b) Capital expenditure is funded through long-term borrowing, while revenue expenditure is funded through regular income sources.

(c) Capital expenditure is related to asset acquisition, while revenue expenditure is related to regular expenses.

(d) Capital expenditure is non-tax revenue, while revenue expenditure is tax revenue.

390. Government spending on defense and military equipment represents:

(a) Capital expenditure

(b) Capital receipts

(c) Revenue expenditure

(d) Revenue receipts

391. How does capital expenditure impact the fiscal deficit of a government?

(a) Capital expenditure decreases the fiscal deficit

(b) Capital expenditure has no impact on the fiscal deficit

(c) Capital expenditure increases the fiscal deficit

(d) Capital expenditure eliminates the fiscal deficit

392. What is budgetary deficit?

(a) The difference between total revenue and total expenditure of the government

(b) The difference between capital receipts and capital expenditure of the government

(c) The difference between revenue receipts and revenue expenditure of the government

(d) The difference between government savings and investments

393. Budgetary deficit occurs when:

(a) Total revenue is greater than total expenditure
(b) Capital receipts are greater than capital expenditure
(c) Total revenue is less than total expenditure
(d) Capital receipts are less than capital expenditure

394.Which of the following is a measure of the overall deficit of a country?

(a) Fiscal deficit

(b) Budgetary deficit

(c) Current account deficit

(d) Trade deficit

395. Budgetary deficit is also known as:

(a) Revenue deficit
(b) Trade deficit i
(c) Fiscal deficit
(d) Capital deficit

396. Fiscal deficit includes:

(a) Only revenue deficit
(b) Only capital deficit
(c) Both revenue deficit and capital deficit
(d) Neither revenue deficit nor capital deficit

397. How does a budgetary deficit impact the overall financial health of a government?

(a) A budgetary deficit indicates financial stability and fiscal responsibility

(b) A budgetary deficit leads to an increase in government savings

(c) A budgetary deficit indicates that the government is spending more than its revenue

(d) A budgetary deficit has no impact on the overall financial health of a government

398. The formula to calculate budgetary deficit is:

(a) Budgetary Deficit = Total Revenue - Total Expenditure

(b) Budgetary Deficit = Revenue Receipts - Revenue Expenditure

(c) Budgetary Deficit = Capital Receipts - Capital Expenditure

(d) Budgetary Deficit = Fiscal Receipts - Fiscal Expenditure

399. If a government has a budgetary surplus, it means:

(a) Total revenue is less than total expenditure
(b) Total revenue is equal to total expenditure
(c) Total revenue is greater than total expenditure
(d) Total revenue is negative

400. What is revenue deficit?

(a) The difference between total revenue and total expenditure of the government

(b) The difference between capital receipts and capital expenditure of the government

(c) The difference between revenue receipts and revenue expenditure of the government

(d) The difference between government savings and investments

401. Revenue deficit occurs when:

(a) Total revenue is greater than total expenditure
(b) Capital receipts are greater than capital expenditure
(c) Total revenue is less than total expenditure
(d) Capital receipts are less than capital expenditure

402. The revenue deficit implies that the government's regular income (revenue) is insufficient to meet its:

(a) Long-term investments

(b) Short-term loans

(c) Day-to-day expenses

(d) Foreign debt obligations

403. How is revenue deficit different from fiscal deficit?

(a) Revenue deficit considers only revenue receipts and expenditure, while fiscal deficit considers both revenue and capital receipts and expenditure.

(b) Revenue deficit is calculated annually, while fiscal deficit is calculated monthly.

(c) Revenue deficit is the same as fiscal deficit.

(d) Revenue deficit is a type of fiscal deficit .

404. How does revenue deficit impact a government's borrowing?

(a) A revenue deficit reduces the need for government borrowing.

(b) A revenue deficit may lead to increased government borrowing to finance expenses.

(c) A revenue deficit has no impact on government borrowing.

(d) A revenue deficit eliminates the need for government borrowing.

405. The formula to calculate revenue deficit is:

(a) Revenue Deficit = Total Revenue - Total Expenditure

(b) Revenue Deficit = Revenue Receipts - Revenue Expenditure

(c) Revenue Deficit = Capital Receipts - Capital Expenditure

(d) Revenue Deficit = Fiscal Receipts - Fiscal Expenditure

406. If a government has a revenue surplus, it means:

(a) Total revenue is less than total expenditure
(b) Total revenue is equal to total expenditure
(c) Total revenue is greater than total expenditure
(d) Total revenue is negative

407. The revenue deficit primarily arises due to:

(a) Capital investments in infrastructure projects
(b) Repayment of long-term loans and debts
(c) Day-to-day operational expenses and subsidies
(d) Foreign aid and grants received

408. What is fiscal deficit?

(a) The difference between total revenue and total expenditure of the government

(b) The difference between capital receipts and capital expenditure of the government

(c) The difference between revenue receipts and revenue expenditure of the government

(d) The difference between government savings and investments

409. Fiscal deficit occurs when:

(a) Total revenue is greater than total expenditure

(b) Capital receipts are greater than capital expenditure

410. The fiscal deficit primarily arises due to:

(a) Capital investments in infrastructure projects

(b) Repayment of long-term loans and debts

(c) Day-to-day operational expenses and subsidies

(d) Foreign aid and grants received

411. What is the primary deficit?

(a) The difference between total revenue and total expenditure of the government

(b) The difference between capital receipts and capital expenditure of the government

(c) The difference between revenue receipts and revenue expenditure of the government

(d) The difference between total revenue and total expenditure excluding interest payments on debt

412. The primary deficit takes into account which of the following items?

(a) Capital receipts and capital expenditure

(b) Revenue receipts and revenue expenditure

(c) Total revenue and total expenditure

(d) Interest payments on debt and government savings

413. How is the primary deficit different from the fiscal deficit?

(a) The primary deficit considers total revenue and total expenditure, while the fiscal deficit considers only revenue receipts and revenue expenditure.

(b) The primary deficit considers both revenue and capital receipts and expenditure, while the fiscal deficit considers only revenue receipts and revenue expenditure.

(c) The primary deficit is the same as the fiscal deficit.

(d) The primary deficit is a type of fiscal deficit.

414. Which of the following is true regarding the primary deficit?

(a) A primary deficit can only occur when total revenue is less than total expenditure.

(b) A primary deficit occurs when total revenue is greater than total expenditure.

(c) A primary deficit is unrelated to the government's borrowing.

(d) A primary deficit is always equal to the fiscal deficit.

415. The fiscal deficit implies that the government is' spending more than its:

(a) Long-term investments

(b) Short-term loans

(c) Day-to-day expenses

(d) Foreign debt obligations

416. How is fiscal deficit different from revenue deficit?

(a) Fiscal deficit considers only revenue receipts and expenditure, while revenue deficit considers both revenue and capital receipts and expenditure.

(b) Fiscal deficit is calculated annually, while revenue deficit is calculated monthly.

(c) Fiscal deficit is the same as revenue deficit.

(d) Fiscal deficit is a type of revenue deficit.

417. How does fiscal deficit impact a government's borrowing?

(a) A fiscal deficit reduces the need for government borrowing.

(b) A fiscal deficit may lead to increased government borrowing to finance expenses.

(c) A fiscal deficit has no impact on government borrowing.

(d) A fiscal deficit eliminates the need for government borrowing.

418 . The formula to calculate fiscal deficit is:

(a) Fiscal Deficit = Total Revenue - Total Expenditure

(b) Fiscal Deficit = Revenue Receipts - Revenue Expenditure

(c) Fiscal Deficit = Capital Receipts - Capital Expenditure

(d) Fiscal Deficit = Revenue Receipts + Capital Receipts – Revenue Expenditure - Capital Expenditure

419. If a government has a fiscal surplus, it means:

(a) Total revenue is less than total expenditure

(b) Total revenue is equal to total expenditure

(c) Total revenue is greater than total expenditure

(d) Total revenue is negative

420. The formula to calculate the primary deficit is:

(a) Primary Deficit = Total Revenue - Total Expenditure

(b) Primary Deficit = Revenue Receipts - Revenue Expenditure

(c) Primary Deficit = Capital Receipts - Capital Expenditure

(d) Primary Deficit = Fiscal Deficit - Interest Payments on Debt

421. What does a primary deficit imply about a government's finances?

(a) The government is managing its expenses efficiently without reliance on borrowings.

(b) The government is spending more than its total revenue, including interest payments on debt.

(c) The government is generating enough revenue to cover all its expenses, including interest payments on debt.

(d) The government is not engaged in any borrowing activities.

422. If a government has a primary surplus, it means:

(a) Total revenue is less than total expenditure

(b) Total revenue is equal to total expenditure

(c) Total revenue is greater than total expenditure, including interest payments on debt

(d) Total revenue is negative

423. The primary deficit is considered a more appropriate measure of a government's fiscal health because it focuses on:

(a) Long-term investments and capital projects

(b) Day-to-day operational expenses and subsidies

(c) Interest payments on debt

(d) Both revenue and capital receipts and expenditure

424. What is the Finance Bill?

(a) A bill introduced in the parliament to allocate funds for various government projects

(b) A bill introduced by the Ministry of Finance to propose new tax laws and make amendments to existing ones

(c) A bill introduced to regulate the financial sector and banking activities

(d) A bill introduced to control government expenditure and reduce fiscal deficit

425. The Finance Bill is presented every year during the presentation of:

(a) The Economic Survey

(b) The Union Budget

(c) The Annual Financial Statement

(d) The Fiscal Policy Statement

426. Which of the following is NOT included in the Finance Bill?

(a) Proposals related to direct and indirect taxes

(b) Amendments to the rates of existing taxes

(c) Allocation of funds for various government projects and schemes

(d) Measures to promote economic growth and development

427. The Finance Bill becomes an Act after it is:

(a) Approved by the President of the country

(b) Passed by the Lok Sabha and Rajya Sabha and receives the President’s assent

(c) Approved by the Ministry of Finance

(d) Passed by the State Assemblies and receives the Governor's approval

428. The provisions of the Finance Bill come into effect from:

(a) The date of its presentation in the parliament

(b) The beginning of the next financial year

(c) The date of approval by the Lok Sabha

(d) The date of approval by the Rajya Sabha.

429. Who introduces the Finance Bill in the parliament?

(a) The Prime Minister of the country
(b) The Finance Minister of the country
(c) The President of the country
(d) The Chief Justice of the Supreme Court

430. The Finance Bill is primarily concerned with which aspect of governance?

(a) Defense and security matters

(b) Social welfare and education programs

(c) Economic and financial matters

(d) Environmental protection and conservation

431. The Finance Bill is discussed and debated in which house of parliament?

(a) The Lok Sabha

(b) The Rajya Sabha

(c) Both the Lok Sabha and Rajya Sabha

(d) The State Assemblies

432. What is the Outcome Budget?

(a) A budget prepared by the Ministry of Finance to allocate funds for various government projects

(b) A budget presented in the parliament that includes proposals related to new taxes and financial matters

(c) A budget that focuses on the outcomes and results achieved by various government schemes and programs

(d) A budget that outlines the government's revenue and expenditure plans for the upcoming financial year

433. The Outcome Budget is presented every year by:

(a) The Ministry of Finance
(b) The Planning Commission
(c) The Ministry of Statistics and Program Implementation
(d) The Prime Minister of India

434. The Outcome Budget assesses the performance of government schemes based on:

(a) The total budget allocated to each scheme

(b) The number of government employees involved in the implementation of each scheme

(c) The outcomes and outputs achieved by each scheme

(d) The popularity of each scheme among the public

435. The primary focus of the Outcome Budget is to:

(a) Evaluate the financial health of the government

(b) Monitor the implementation progress of various government schemes

(c) Ensure compliance with fiscal responsibility and budget management rules

(d) Assess the impact and effectiveness of government policies and programs

436. The Outcome Budget is aimed at promoting:

(a) Fiscal discipline and reducing government expenditure

(b) Transparency and accountability in government spending

(c) Short-term goals and objectives of the government

(d) Public-private partnerships for effective governance

437. How does the Outcome Budget differ from the Regular Budget?

(a) The Regular Budget focuses on outcomes and results, while the Outcome Budget focuses on budget allocation.

(b) The Regular Budget includes new tax proposals, while the Outcome Budget includes fiscal deficit figures.

(c) The Regular Budget presents the government's revenue and expenditure plans, while the Outcome Budget assesses the impact of government schemes.

(d) The Regular Budget is presented by the Prime Minister, while the Outcome Budget is presented by the Finance Minister.

438. The Outcome Budget helps in identifying:

(a) The number of government employees in each department

(b) Areas of duplication in government schemes

(c) The popularity of government schemes among the public

(d) The total funds allocated to each government department

439. The Outcome Budget is presented along with which other budget document?

(a) The Regular Budget
(b) The Performance Budget
(c) The Zero-based Budget
(d) The Supplementary Budget

440. What is the Guillotine in the context of the parliamentary budget process?

(a) A device used for capital punishment in some countries

(b) A method to close debates and allocate time for discussions during the budget session

(c) A parliamentary committee responsible for reviewing the budget proposals

(d) A tool used by the finance minister to present the budget in the parliament

441. When is the Guillotine typically used in the parliament?

(a) During discussions on non-financial bills

(b) To extend the budget session beyond its scheduled time

(c) To end discussions on budget proposals and related bills

(d) To allow unlimited time for debates on budget matters

442. How does the Guillotine help in the efficient passage of the budget?

(a) It allows for unlimited time for debates on each budget proposal.

(b) It ensures that all non-financial bills are discussed thoroughly.

(c) It allows the finance minister to present the budget efficiently.

(d) It sets a deadline for discussions, thereby streamlining the process.

443. Who decides the allocation of time for discussions using the Guillotine?

(a) The Speaker of the Lok Sabha

(b) The Prime Minister

(c) The Finance Minister

(d) The President of India

444. What happens when the Guillotine is applied during the budget session?

(a) All budget proposals are automatically approved without any discussions.

(b) Remaining discussions on budget proposals are cut short, and votes are taken collectively.

(c) The budget session is extended to allow for more time for discussions.

(d) The finance minister presents the budget to the President for approval.

445. Which house of parliament uses the Guillotine during the budget session?

(a) Lok Sabha

(b) Rajya Sabha

(c) Both Lok Sabha and Rajya Sabha

(d) State Legislative Assemblies

446. How does the Guillotine impact the participation of members in budget discussions?

(a) It encourages active participation and thorough discussions on each proposal.

(b) It limits the participation of members and curtails the time for discussions.

(c) It allows members to extend the budget session for more detailed debates.

(d) It has no impact on the participation of members in budget discussions.

447. What are Cut Motions in the context of parliamentary procedures?

(a) Motions to cut short the duration of parliamentary sessions

(b) Motions to reduce the salaries of government officials

(c) Motions to reduce the amount of a demand for grant presented in the budget

(d) Motions to cut off funding for a specific government project

448. When are Cut Motions moved in the parliament?

(a) During discussions on non-financial bills
(b) Before the presentation of the budget
(c) During discussions on financial matters and demands for grants
(d) After the passage of the budget

449. What is the purpose of a Cut Motion?

(a)To propose a reduction in the total budget allocation f

(b)b) To criticize the functioning of the opposition parties

(c) To express disapproval of a specific policy or expenditure

(d) To delay the passage of the budget

450. Which of the following statements is true about Cut Motions?

(a) Cut Motions are moved after the budget is passed.

(b) Cut Motions can only be moved by the ruling party MPs.

(c) Cut Motions are meant to propose an increase in budget allocations.

(d) Cut Motions can be moved by any MP to seek a reduction in budget allocations.

451. How many types of Cut Motions are typically allowed in the parliament?

(a) One type

(b) Two types

(c) Three types

(d) Four types

452. Which type of Cut Motion aims at reducing the amount of a demand for grant to Re. 1 ?

(a) Policy Cut
(b) Economy Cut
(c) Token Cut
(d) Fiscal Cut

453. What is the consequence if a Cut Motion is accepted by the Speaker of the house?

(a) The demand for grant is withdrawn from the budget.

(b) The budget is rejected and needs to be presented again.

(c) The amount of the demand for grant is reduced as proposed in the motion.

(d) The budget is passed without any changes.

454. What is the purpose of allowing Cut Motions in the parliament?

(a) To delay the passage of the budget and stall government activities

(b) To give MPs an opportunity to express their grievances and concerns

(c) To increase the power of the opposition parties

(d) To provide additional time for parliamentary debates

455. What is the Consolidated Fund of India?

(a) A fund managed by the Reserve Bank of India for foreign exchange transactions

(b) A fund maintained by the government to finance development projects

(c) A fund that holds all revenues received and loans raised by the government

(d) A fund created to support the defense and security expenses of the country

456. Which article of the Indian Constitution deals with the Consolidated Fund of India?

(a) Article 110
(b) Article 280
(c) Article 266
(d) Article 360

457. All government revenues and receipts are credited to which fund?

(a) Public Account

(b) Contingency Fund

(c) Consolidated Fund of India

(d) Development Fund

458. The expenditure charged on the Consolidated Fund of India includes:

(a) Expenditure on foreign aid and grants

(b) Expenditure on salaries and allowances of the President and Governors

(c) Expenditure on defense and security

(d) Expenditure on welfare and social programs

459. How is the money from the Consolidated Fund of India withdrawn?

(a) By the President's order

(b) By the Governor's order

(c) By the Finance Minister's order

(d) Only through parliamentary approval

460. Which fund is audited by the Comptroller and Auditor General (CAG) of India?

(a) Public Account

(b) Contingency Fund

(c) Consolidated Fund of India

(d) Development Fund

461. If there is a need for additional funds during an emergency, from which fund can the government draw money?

(a) Public Account

(b) Contingency Fund

(c) Consolidated Fund of India

(d) Development Fund

462. Which of the following statements about the Consolidated Fund of India is correct?

(a) The President has complete control over the withdrawals from this fund.

(b) All government revenues are credited to this fund, but no expenditure is charged on it.

(c) The fund is maintained by the Reserve Bank of India.

(d) The fund is utilized for all government expenditure, except the expenditure charged on the Contingency Fund

463. What is the Contingency Fund of India?

(a) A fund managed by the Reserve Bank of India for foreign exchange transactions

(b) A fund maintained by the government to finance development projects

(c) A fund that holds all revenues received and loans raised by the government

(d) A fund created to meet urgent and unforeseen expenditure of the government

464. Which article of the Indian Constitution deals with the Contingency Fund of India?

(a) Article 110

(b) Article 266

(c) Article 360

(d) Article 280

465. How is the Contingency Fund of India financed?

(a) By the President from personal funds
(b) By voluntary contributions from the public
(c) By budgetary allocations from the Consolidated Fund of India
(d) By external borrowings from international agencies

466. What is the maximum amount that can be kept in the Contingency Fund of India?

(a) ₹ 10,000 crore

(b) ₹ 30,000 crore

(c) ₹ 50,000 crore

(d) There is no specified maximum limit.

467. Who has the authority to make withdrawals from the Contingency Fund of India?

(a) The President of India
(b) The Prime Minister of India
(c) The Finance Minister of India
(d) The Reserve Bank of India

468. How are withdrawals from the Contingency Fund of India made?

(a) By the President's order

(b) By the Prime Minister's order

(c) By the Finance Minister's order

(d) By the Reserve Bank of India's approval

469. What happens if the amount in the Contingency Fund of India is insufficient to meet the expenditure?

(a) The government can draw additional funds from the Consolidated Fund of India.

(b) The government can borrow from international financial institutions.

(c) The expenditure remains pending until the parliament approves additional funds.

(d) The President can use personal funds to cover the shortfall

470. The Contingency Fund of India is audited by:

(a) The President of India
(b) The Comptroller and Auditor General (CAG) of India
(c) The Finance Minister of India
(d) The Reserve Bank of India

471. What is the Public Account of India?

(a) A fund managed by the Reserve Bank of India for foreign exchange transactions

(b) A fund maintained by the government to finance development projects

472. 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

473. Macroeconomic stabilization may be achieved through

(a) Free market economy

(b) Fiscal policy

(c) Monetary policy

(d) (b) and (c) above

474. Which of the following policies of the government fulfils the redistribution function

(a) Parking the army on the northern borders of the country

(b) Supply of food grains at subsidized prices to the poor people

(c) Controlling the supply of money through monetary policy

(d) All of the above

475. Choose the correct statement

(a) Fiscal policy involves the use of changes in taxation and government spending; while monetary policy involves the use of price and profit controls.

(b) Fiscal policy involves the use of price and profit controls; while monetary policy involves the use of taxation and government spending.

(c) Fiscal policy involves the use of changes in taxation and government spending; while monetary policy involves the use of changes in the supply of money and interest rates.

(d) Fiscal policy involves the use of changes in the supply of money and interest rates; while monetary policy involves the use of changes in taxation and government spending.

476. 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

477. Read the following statements:

1. The market-generated allocation of resources is usually imperfect and leads to inefficient allocation of resources in the economy
2. Market failures can at all times be corrected through government intervention
3. Public goods will not be produced in sufficient quantities in a market economy Of the three statements above:

(a) 1,2 and 3 are correct

(b) 1 and 3 are correct

(c) 2 and 3 are correct

(d) 3 alone is correct

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

(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

479. 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

480. Which function does the government perform when it provides transfer payments to offer support to the underprivileged

(a) Allocation

(b) Efficiency

(c) Distribution

(d) None of the above

481. Which of the following is true in respect of centre and state government finances?

(a) The centre can tax agricultural income and mineral rights

(b) Finance commission recommends distribution of taxes between the centre and states

(c) GST subsumes majority of direct taxes and a few indirect taxes

(d) IGST is collected by the state governments

482. 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

483. Which of the following is true in respect of the role of Finance Commissions in India?

I. The distribution between the union and the states of the net proceeds of taxes
II. Allocation between the states of the respective shares of such proceeds.
III. Make Recommendations on integrated GST on inter-state movement of goods and services
IV. To recommend expenditure decentralization among different states

(a) I and II are correct

(b) II and III are correct

(c) I, II and III are correct

(d) All the above are correct

484. In a federal set up, the stabilization function can be effectively performed by

(a) Respective state governments

(b) Ministry of taxes

(c) The government at the centre

(d) None of the above

485. 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

486. Fiscal Federalism refers to

(a) Organizing and implementing development plans

(b) Sharing of political power between centres and states

(c) The management of fiscal policy by a nation

(d) Division of economic functions and resources among different layers of the government

487. Which one of the following taxes is levied by the state government only?

(a) Corporation tax

(b) Wealth tax

(c) Income tax

(d) None of the above

488. 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

489. Which of the following is not a criterion for determining distribution of central taxes among states for 2021-26 period

(a) Demographic performance

(b) Forest and ecology

(c) Infrastructure performance

(d) Tax and fiscal efforts

490. As per the supreme court verdict in May 2022

(a) The union has greater powers than the states for enacting GST laws

(b) The union and state legislature have “equal, simultaneous powers“to make laws on Goods and Services Tax

(c) The union legislature’s enactments will prevail in case of a conflict between those of union and states

(d) The state legislatures can make rules only with the permission of central government

491. 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

492. ‘Market failure’ is a situation which occurs when

(a) private goods are not sufficiently provided by the market

(b) public goods are not sufficiently provided by public sector

(c) The market fail to form or they allocate resources efficiently

(d) (b) and (c) above

493. 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

494. 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

495. 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

496. Which of the following is the right argument for provision of public good by government?

(a) Governments have huge resources at their disposal

(b) Public goods will never cause any type of externality

(c) Markets are unlikely to produce sufficient quantity of public goods

(d) Provision of public goods are very profitable for any government

497. 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

498. 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

499. A chemical factory has full information regarding the risks of a product, but continues to sell it. This is possible because of

(a) asymmetric information

(b) moral hazard

(c) free riding

(d) (a) and (c) above

500. 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

501. Smoking in public is a case of

(a) Negative consumption externality

(b) Negative production externality

(c) Internalising externality

(d) None of the above

502. 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 is 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

503. 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

504. 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

505. 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

506. 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

507. 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

508. 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

509. 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.

510. 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

511. 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

512. The production and consumption of demerit goods are

(a) likely to be more than optimal under free markets.

(b) likely to be less than optimal under free markets

(c) likely to be subjected to price intervention by government

(d) a) and c) above

513. The argument for education subsidy is based on

(a) Education is costly

(b) the ground that education is merit good

(c) education creates positive externalities

(d) b) and c) above

514. Read the following statements

I. Social costs are the total costs incurred by the society when a good is consumed or produced.

II The external costs are not included in firms' income statements or consumers' decisions

III. Each firm's cost which is considered for determining output would be only private cost or direct cost of production which does not include external costs

IV. Production and consumption decisions are efficient only when private costs are Considered Of the above

(a) Statements I and III are correct

(b) Statements I,II and III are correct

(c) Statement I only is correct

(d) All the above are correct

515. Government failure occurs when

(a) Government fails to implement its election promises on policies

(b) A government is unable to get re-elected

(c) Government intervention is ineffective and produces fresh and more serious problems

(d) None of the above.

516. The difference between the budget deficit of a government and its debt service payments is

a) Fiscal deficit
b) Budget deficit
c) Primary deficit
d) None of the above

The following hypothetical figures relate to country A

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

517. The revenue deficit for country A is

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

518. Fiscal deficit of country A is

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

519. Primary deficit of Country A is

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

520. In NITI Aayog, NITI stands for

(a) National Initiative for Transforming India

(b) National Institution for Transforming India

(c) National Institute for Technology and Innovation

(d) None of the above

521. The Appropriation Bill is intended to

(a) reduce unnecessary expenditure on the part of the government

(b) give authority to government to incur expenditure from and out of the Consolidated Fund of India

(c) give authority to government to incur expenditure from the revenue receipts only

(d) be passed before the budget is taken for discussion

522. 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

523. 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

524. 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 disbursals

(d) shares information about public policies and programmes under the budget.

525 . 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

526. 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**

527. The capital receipts are

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

528. Revenue deficit is

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

529. The non–debt capital receipts of this country is

(a) 45.1

(b) 16.7

(c) 15.8

(d) None of the above

530. 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 of budget deficit occurs

(d) All the above

531. 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

532. Budget of the government generally impacts

(a) the resource allocation in the economy

(b) redistribution of income and enhance equity

(c) stability in the economy by measures to control price fluctuations

(d) all the above

533. Which of the following is a statement submitted along with the budget as a requirement of FRBM Act

(a) Annual Financial Statement

(b) Macro -Economic Framework Statement

(c) Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement

(d) (b) and (c) above

534. 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

535. ‘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

536. Non-debt capital receipts

(a) do not add to the assets of the government and therefore not treated as capital receipts
(b) are those that do not create any future repayment burden for the government
(c) are those that create future liabilities for the government
(d) facilitate capital investments at low cost

537. Which of the following is a capital receipt?

(a) License fee received

(b) Sale proceeds from disinvestment

(c) Assistance from Japan for covid vaccine

(d) Dividend from a public sector enterprise

538. 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.

539. **RBI** provides the Ways and Means Advances to ______.

(a) RBI credit to states

(b) Commercial credit of RBI

(c) Ways and Means Advances (WMA)

(d) Short term facility

540. Fiscal policy refers to the

(a) use of government spending, taxation and borrowing to influence the level of economic activity

(b) government activities related to use of government spending for supply of essential goods

(c) use of government spending, taxation and borrowing for reducing the fiscal deficits

(d) and (b) above

541. If real GDP is continuously declining and the rate of unemployment in the economy is increasing, the appropriate policy should be to

(a) Increase taxes and decrease government spending

(b) Decrease both taxes and government spending

(c) Decrease taxes and increase government spending

(d) Either (a) or (c)

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

(A) Rising unemployment rate

(B) Falling unemployment rate

(C) Rising inflation rate

(D) Deflation

(E) Falling or stagnant wage for workers

(F) Increasing tax revenue

(G) 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

543. 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

544. 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

545. 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

546. 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

547. 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

548. 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

549. 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

550. 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

551. 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

552. Which of the following policies is likely to shift an economy's aggregate demand curve to the right?

(a) Increase in government spending

(b) Decrease in taxes

(c) A tax cut along with increase in public expenditure

(d) All the above

553. Identify the incorrect statement

(a) A progressive direct tax system ensures economic growth with stability because it distributes the burden of taxes unequally

(b) A carefully planned policy of public expenditure helps in redistributing income from the rich to the poorer sections of the society.

(c) There are possible conflicts between different objectives of fiscal policy such that a policy designed to achieve one goal may adversely affect another

(d) An increase in the size of government spending during recessions may possibly

'crowd-out' private spending in an economy.

554. Read the following statements

I. Fiscal policy is said to be contractionary when revenue is higher than spending i.e., the government budget is in surplus

II. Other things constant, a fiscal expansion will raise interest rates and “crowd out some private investment

III. During inflation new taxes can be levied and the rates of existing taxes are raised to reduce disposable incomes

IV. Classical economists advocated contractionary fiscal policy to solve the problem of inflation Of the above statements

(a) I and II are correct

(b) I, II and III are correct

(c) Only III is correct

(d) All are correct

555. While resorting to expansionary fiscal policy

(a) the government may possibly have a budget surplus as increased expenditure will bring more output and more tax revenue

(b) the government may run into budget deficits because tax cuts reduce government income and the government expenditures exceed tax revenues in a given year

(c) it is important to have a balanced budget to avoid inflation and bring in stability

(d) None of the above will happen

556. 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

557. When government spending is deliberately reduced to bring in stability

(a) the government is resorting to contractionary fiscal policy

(b) the government is resorting to expansionary fiscal policy

(c) trying to limit aggregate demand to sustainable levels

(d) (a) and c) above

558. An increase in personal income taxes

(a) reduces disposable incomes leading to fall in consumption spending and aggregate demand

(b) is desirable during inflation or when there is excessive levels of aggregate demand

(c) is to compensate the deficiency in effective demand by boosting aggregate spending

(d) both a) and b) are correct

559. While the government resorts to deliberate fiscal policy it may not attempt to manipulate

(a) Government expenditures on public works

(b) The rates of personal income taxes and corporate taxes

(c) Government expenditures on goods and services purchased by government

(d) The rate of interest prevailing in the economy

560. Which of the following fiscal remedy would you advice when an economy is facing recession

(a) the government may cut interest rates to encourage consumption and invest

(b) the government may cut taxes to increase aggregate demand

(c) the government may follow a policy of balanced the budget.

(d) None of the above will work

561 .While if governments compete with the private sector to borrow money for securing resources for expansionary fiscal policy

(a) it is likely that interest rates will go up and firms may not be willing to invest

(b) it is likely that interest rates will go up and the individuals too may be reluctant to borrow and spend

(c) it is likely that interest rates will go up and the desired increase in aggregate demand may not be realized

(d) All the above are possible.

Que	Ans	Que	Ans	Que	Ans	Que	Ans	Que	Ans	Que	Ans
1	**A**	49	**C**	97	**A**	145	**C**	193	**C**	241	
2	**C**	50	**C**	98	**C**	146	**B**	194	**C**	242	
3	**C**	51	**A**	99	**D**	147	**D**	195	**A**	243	
4	**D**	52	**C**	100	**C**	148	**C**	196	**D**	244	
5	**C**	53	**A**	101	**B**	149	**C**	197	**C**	245	
6	**B**	54	**B**	102	**B**	150	**B**	198	**C**	246	
7	**D**	55	**C**	103	**A**	151	**B**	199	**B**	247	
8	**C**	56	**B**	104	**D**	152	**A**	200	**B**	248	
9	**C**	57	**C**	105	**C**	153	**A**	201	**C**	249	
10	**B**	58	**A**	106	**B**	154	**C**	202	**A**	250	
11	**D**	59	**B**	107	**C**	155	**C**	203	**D**	251	
12	**B**	60	**C**	108	**B**	156	**B**	204	**C**	252	
13	**C**	61	**B**	109	**A**	157	**B**	205	**A**	253	
14	**C**	62	**B**	110	**A**	158	**C**	206	**C**	254	
15	**D**	63	**C**	111	**D**	159	**C**	207	**D**	255	
16	**C**	64	**C**	112	**D**	160	**C**	208	**B**	256	**A**
17	**D**	65	**C**	113	**A**	161	**C**	209	**D**	257	**D**
18	**B**	66	**C**	114	**C**	162	**C**	210	**A**	258	**C**
19	**C**	67	**B**	115	**A**	163	**C**	211	**B**	259	**B**
20	**C**	68	**D**	116	**B**	164	**C**	212	**D**	260	**D**
21	**B**	69	**A**	117	**C**	165	**B**	213	**D**	261	**B**
22	**B**	70	**B**	118	**D**	166	**B**	214	**C**	262	**D**
23	**D**	71	**C**	119	**D**	167	**C**	215	**C**	263	**C**
24	**C**	72	**B**	120	**A**	168	**B**	216	**C**	264	**C**
25	**A**	73	**C**	121	**C**	169	**B**	217	**C**	265	**C**
26	**B**	74	**B**	122	**D**	170	**D**	218	**B**	266	**C**
27	**C**	75	**C**	123	**C**	171	**D**	219	**C**	267	**B**
28	**D**	76	**A**	124	**C**	172	**A**	220	**D**	268	**C**
29	**D**	77	**C**	125	**C**	173	**D**	221	**C**	269	**B**
30	**B**	78	**C**	126	**D**	174	**A**	222	**C**	270	**D**
31	**C**	79	**A**	127	**D**	175	**D**	223		271	**A**
32	**C**	80	**B**	128	**C**	176	**C**	224		272	**C**
33	**C**	81	**B**	129	**B**	177	**B**	225		273	**B**
34	**C**	82	**D**	130	**C**	178	**B**	226		274	**C**
35	**A**	83	**B**	131	**D**	179	**B**	227		275	**A**
36	**C**	84	**C**	132	**D**	180	**C**	228		276	**C**
37	**B**	85	**C**	133	**D**	181	**D**	229		277	**B**
38	**C**	86	**B**	134	**B**	182	**D**	230		278	**D**
39	**C**	87	**C**	135	**A**	183	**B**	231		279	**B**
40	**D**	88	**B**	136	**C**	184	**C**	232		280	**D**
41	**B**	89	**B**	137	**A**	185	**C**	233		281	**B**
42	**C**	90	**D**	138	**D**	186	**C**	234		282	**C**
43	**B**	91	**D**	139	**B**	187	**A**	235		283	**C**
44	**B**	92	**B**	140	**C**	188	**C**	236		284	**A**
45	**C**	93	**C**	141	**D**	189	**B**	237		285	**C**
46	**A**	94	**B**	142	**A**	190	**C**	238		286	**C**
47	**D**	95	**D**	143	**C**	191	**C**	239		287	**C**
48	**B**	96	B	144	B	192	C	240		288	**B**

Que	Ans	Que	Ans	Que	Ans	Que	Ans	Que	Ans	Que	Ans
289	B	334	C	379	A	424	B	469	B	514	D
290	C	335	B	380	C	425	B	470	A	515	b
291	B	336	C	381	C	426	B	471	B	516	c
292	D	337	C	382	A	427	C	472		517	c
293	B	338	B	383	C	428	B	473	B	518	c
294	C	339	C	384	C	429	B	474	D	519	B
295	B	340	C	385	B	430	B	475	B	520	C
296	C	341	B	386	B	431	C	476	C	521	B
297	C	342	D	387	A	432	C	477	D	522	B
298	D	343	C	388	A	433	C	478	B	523	C
299	B	344	C	389	C	434	C	479	B	524	B
300	C	345	B	390	A	435	C	480	D	525	B
301	C	346	D	391	A	436	D	481	C	526	D
302	A	347	A	392	C	437	B	482	B	527	A
303	C	348	D	393	C	438	C	483	C	528	A
304	A	349	C	394	C	439	B	484	A	529	C
305	C	350	B	395	C	440	B	485	c	530	B
306	A	351	B	396	A	441	B	486	C	531	D
307	C	352	B	397	C	442	C	487	D	532	D
308	B	353	C	398	C	443	D	488	D	533	D
309	B	354	A	399	B	444	A	489	D	534	D
310	B	355	B	400	C	445	B	490	C	535	B
311	C	356	C	401	C	446	C	491	B	536	D
312	D	357	C	402	C	447	B	492	B	537	B
313	D	358	C	403	C	448	C	493	C	538	B
314	B	359	B	404	A	449	C	494	B	539	B
315	C	360	D	405	B	450	C	495	C	540	C
316	C	361	C	406	B	451	D	496	B	541	A
317	C	362	C	407	C	452	C	497	C	542	C
318	B	363	C	408	C	453	C	498	A	543	B
319	C	364	C	409	A	454	C	499	C	544	B
320	D	365	C	410		455	B	500	A	545	C
321	A	366	B	411	C	456	C	501	B	546	D
322	B	367	B	412	D	457	C	502	A	547	A
323	B	368	A	413	B	458	C	503	D	548	C
324	C	369	C	414	B	459	D	504	C	549	D
325	C	370	C	415	C	460	D	505	C	550	C
326	B	371	D	416	C	461	C	506	D	551	A
327	B	372	A	417	A	462	B	507	C	552	C
328	B	373	D	418	B	463	D	508	B	553	B
329	D	374	C	419	A	464	D	509	C	554	A
330	B	375	B	420	C	465	C	510	C	555	B
331	A	376	C	421	D	466	C	511	C	556	B
332	C	377	C	422	B	467	D	512	D	557	D
333	B	378	B	423	C	468	A	513	D	558	D
										559	D
										560	D
										561	B

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, rB and rE , respectively- decline and vice versa

(b) the opportunity costs of money holdings – i.e. bonds and stock returns, rB and rE , respectively- rises and vice versa

(c) the opportunity costs of money holdings – i.e. bonds and stock returns, rB and rE , respectively remain constant

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

(a) required reserve ratio.

(b) money multiplier.

(c) deposit ratio.

(d) discount rate

32. For a given level of the monetary base, an increase in the required reserve ratio will denote

(a) a decrease in the money supply.

(b) an increase in the money supply.

(c) an increase in demand deposits.

(d) Nothing precise can be said

33. For a given level of the monetary base, an increase in the currency ratio causes the money multiplier to _ and the money supply to _.

(a) decrease; increase

(b) increase; decrease

(c) decrease; decrease

(d) increase; increase

34. If commercial banks reduce their holdings of excess reserves

(a) the monetary base increases.

(b) the monetary base falls.

(c) the money supply increases.

(d) the money supply falls.

35. 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

36. The main objective of monetary policy in India is :

(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

37. The monetary transmission mechanism refers to

(a) how money gets circulated in different sectors of the economy post monetary policy
(b) the ratio of nominal interest and real interest rates consequent on a monetary policy
(c) the process or channels through which the evolution of monetary aggregates affects the level of product and prices
(d) none of the above

38. A contractionary monetary policy-induced increase in interest rates

(a) increases the cost of capital and the real cost of borrowing for firms
(b) increases the cost of capital and the real cost of borrowing for firms and households
(c) decreases the cost of capital and the real cost of borrowing for firms
(d) has no interest rate effect on firms and households

39. During deflation

(a) the RBI reduces the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy
(b) the RBI increases the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy
(c) the RBI reduces the CRR in order to enable the banks to contract credit and increase the supply of money available in the economy
(d) the RBI reduces the CRR but increase SLR in order to enable the banks to contract credit and increase the supply of money available in the economy

40. 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

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

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

42. is a money market instrument, which enables collateralised short term borrowing and lending through sale/purchase operations in debt instruments.

(a) OMO
(b) CRR
(c) SLR
(d) Repo

43. In India, the term 'Policy rate' refers to

(a) The bank rate prescribed by the RBI in its half yearly monetary policy statement
(b) The CRR and SLR prescribed by RBI in its monetary policy statement
(c) the fixed repo rate quoted for sovereign securities in the overnight segment of Liquidity Adjustment Facility (LAF)
(d) the fixed repo rate quoted for sovereign securities in the overnight segment of Marginal Standing Facility (MSF)

44. Reverse repo operation takes place when

(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

45. 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

46. An open market operation is an instrument of monetary policy which involves buying or selling of from or to the public and banks

(a) bonds and bills of exchange
(b) debentures and shares
(c) government securities
(d) none of these

47. Which statement (s) is (are) true about Monetary PolicyCommittee?

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.

Chapter 8 – Money Market Answers

1)	**A**	11)	**C**	21)	**B**	31)	**B**	41)	**C**
2)	**C**	12)	**A**	22)	**B**	32)	**A**	42)	**D**
3)	**A**	13)	**D**	23)	**C**	33)	**C**	43)	**C**
4)	**D**	14)	**D**	24)	**A**	34)	**C**	44)	**A**
5)	**D**	15)	**A**	25)	**A**	35)	**D**	45)	**B**
6)	**A**	16)	**D**	26)	**B**	36)	**B**	46)	**C**
7)	**C**	17)	**C**	27)	**C**	37)	**C**	47)	**B**
8)	**A**	18)	**B**	28)	**D**	38)	**B**		
9)	**A**	19)	**A**	29)	**C**	39)	**A**		
10)	**C**	20)	**B**	30)	**C**	40)	**B**		

Chapter - 9

International Trade

1. 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

2. 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

3. Which of the following theories advocates that countries should produce those goods for which it has the greatest relative advantage?

(a) Modern theory of international trade
(b) The factor endowment theory
(c) The Heckscher-Ohlin Theory
(d) None of the above

4. 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

5. Given the number of labour hours to produce cloth produce grain?

Labour cost (hours) for production of one unitand grain in two countries, which country should

	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

6. 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

7. Given the number of labour hours to produce wheat and rice in two countries and that these countries specialise and engage in trade at a relative price of 1:1 what will be the gain of country X?

Labour cost (hours) for production of one unit

	Wheat	Rice
Country X	10	20
Country Y	20	10

(a) 20 labour hours
(b) 10 labour hours
(c) 30 labour hours
(d) Does not gain anything

8. 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
Tables	3	8
Mats	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

9. Comparative advantage refers to

a) a country's ability to produce some good or service at the lowest possible cost compared to other countries
b) country's ability to produce some good or service at a lower opportunity cost than other countries.
c) Choosing a productive method which uses minimum of the abundant factor
d) (a) and (b) above

10. 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

11. 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

12. 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

13. 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

14. 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

15. 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.

16. 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

17. 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

18. 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

19. 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

20. 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

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. 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

32. 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

33. 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

34. 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

35. 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

36. ‘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

a) Match the following by choosing the term which has the same meaning

floating exchange rate

fixed exchange rate

pegged exchange rate

devaluation

appreciation

a) Deprecation

b) Revolution

c) 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)

38. 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

39. 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

40. 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

41. Currency devaluation

(a) may increase the price of imported commodities and, therefore, reduce the international competitiveness of domestic industries

(b) may reduce export prices and increase the international competitiveness of domestic industries

(c) may cause a fall in the volume of exports and promote consumer welfare through increased availability of goods and services

(d) (a) and (c) above

42. At any point of time, all markets tend to have the same exchange rate for a given currency due to

(a) Hedging
(b) Speculation
(c) Arbitrage
(d) Currency futures

43. 'Vehicle Currency' refers to

(a) a currency that is widely used to denominate international contracts made by parties because it is the national currency of either of the parties
(b) a currency that is traded internationally and, therefore, is in high demand
(c) a type of currency used in euro area for synchronization of exchange rates
(d) a currency that is widely used to denominate international contracts made by parties even when it is not the national currency of either of the parties.

44. Which of the following statements is incorrect?

a) Direct investments are real investments in factories, assets, land, inventories etc. and involve foreign ownership of production facilities.

b) Foreign portfolio investments involve flow of 'financial capital'.

C) Foreign direct investment (FDI) is not concerned with either manufacture of goods or with provision of services.

D) Portfolio capital moves to a recipient country which has revealed its potential for higher returns and profitability.

45. 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

46. Which of the following would be an example of foreign direct investment from Country X?

a. A firm in Country X buys bonds issued by a Chinese computer manufacturer.
b. A computer firm in Country X enters into a contract with a Malaysian firm for the latter to make and sell to it processors
c. Mr. Z a citizen of Country X buys a controlling share in an Italian electronics firm
d. None of the above

47. Which of the following types of FDI includes creation of fresh assets and production facilities in the host country?

(a) Brownfield investment
(b) Merger and acquisition
(c) Greenfield investment
(d) Strategic alliances

48. Which is the leading country in respect of inflow of FDI to India?

a. Mauritius
b. USA
c. Japan
d. USA

49. An argument in favour of direct foreign investment is that it tends to

a. promote rural development
b. increase access to modern technology
c. protect domestic industries
d. keep inflation under control

50. 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

51. A foreign direct investor

a. May enter India only through automatic route
b. May enter India only through government route
c. May enter India only through equity in domestic enterprises
d. Any of the above

52. Foreign investment are prohibited in

a. Power generation and distribution
b. Highways and waterways
c. Chit funds and Nidhi company
d. Airports and air transport

53. Which of the following statement is false in respect of FPI?

a. portfolio capital in general, moves to investment in financial stocks, bonds and other financial instruments
b. is effected largely by individuals and institutions through the mechanism of capital market
c. is difficult to recover as it involves purely long-term investments and the investors have controlling interest
d. investors also do not have any intention of exercising voting power or controlling or managing the affairs of the company.

Chapter 9 – International trade Answers

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

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

(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

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 -

(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

19. In the Keynesian model, equilibrium aggregate output is determined by

(a) aggregate demand

(b) consumption function

(c) the national demand for labor

(d) the price level

20. Keynes believed that an economy may attain equilibrium level of output

(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

21. According to Keynes, consumption expenditure is determined by

(a) the level of interest rates

(b) extent of government taxes and subsidies

(c) disposable income

(d) autonomous investment expenditure

22. The marginal propensity to consume (MPC) can be defined as

(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.

23. If the consumption function is expressed as C = a + bY then b represents

(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

24. If the consumption function is expressed as $C = a + bY$ then a represents

(a) autonomous consumer expenditure.

(b) the marginal propensity to consume.

(c) the consumption income relationship

(d) Non- linear consumption function

25. If the consumption function is $C = 20 + 0.5Yd$, then an increase in disposable income by 100 will result in an increase in consumer expenditure by -----------

(a) 25

(b) 70

(c) 50

(d) 100

26. 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 ₹ _____

(a) 8,000

(b) 6,000

(c) 10,000

(d) None of the above

27. In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the

(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 employmentlevel of income

28. In a closed economy, aggregate demand is the sum of

(a) consumer expenditure, demand for exports and government spending.

(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.

29. 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

Chapter 10- Indian Economy

1)	**C**	11)	**B**	21)	**C**
2)	**B**	12)	**B**	22)	**A**
3)	**C**	13)	**D**	23)	**B**
4)	**A**	14)	**C**	24)	**A**
5)	**B**	15)	**B**	25)	**C**
6)	**B**	16)	**C**	26)	**C**
7)	**A**	17)	**B**	27)	**C**
8)	**D**	18)	**B**	28)	**B**
9)	**A**	19)	**A**	29)	**C**
10)	**C**	20)	**B**		