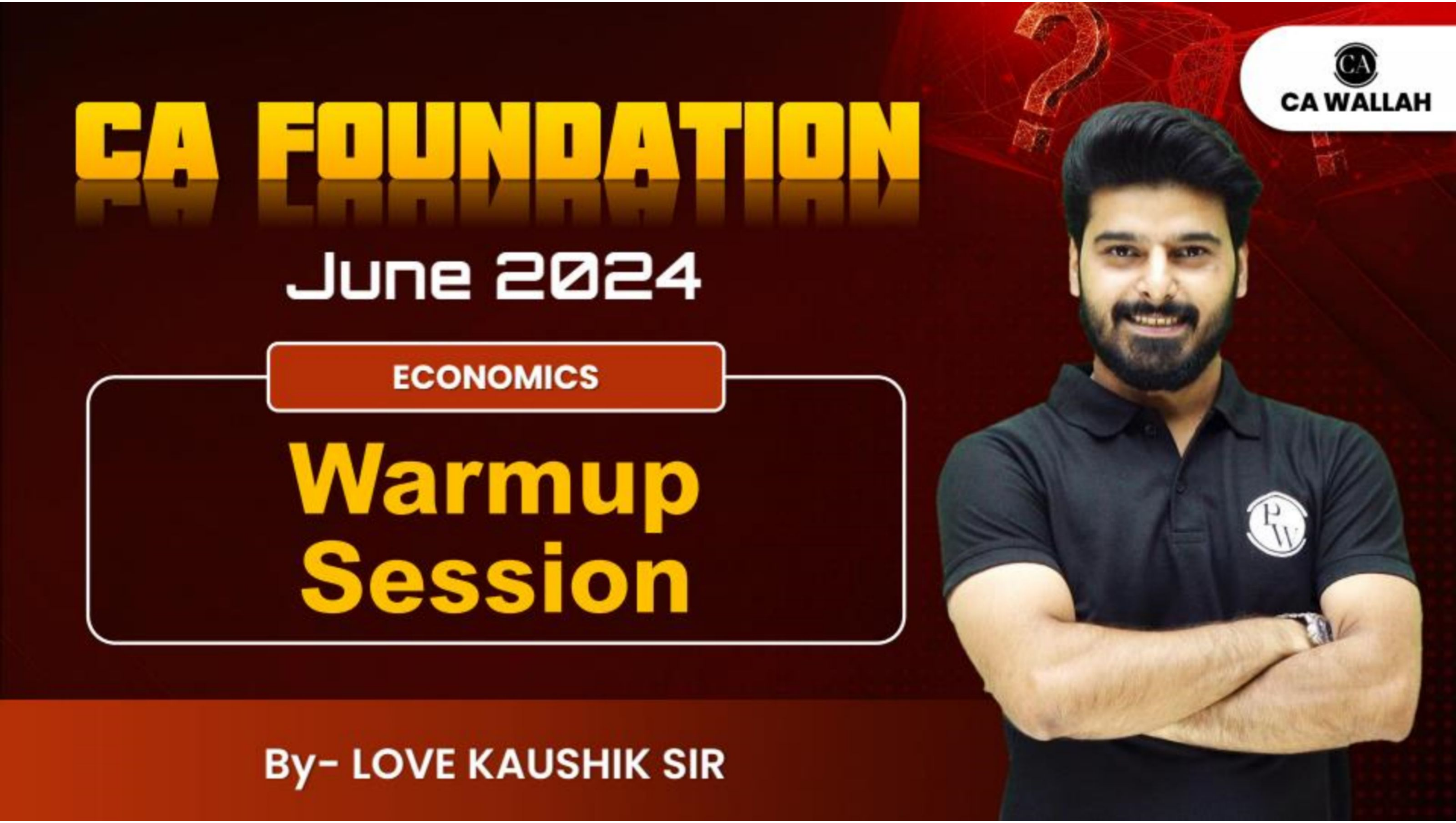
CA WALLAH
CA FOUNDATION
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ECONOMICS
Warmup
Session
By- LOVE KAUSHIK SIR

QUESTION

CA WALLAH

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

Money

A NITI Aayog

B central bank

C Finance Commission

Article 280

D Parliament

QUESTION

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#Q. Fiscal Federalism refers to ____________.

(A) Organizing and implementing development plans ✗

(B) Sharing of political power between centers and states ✗

(C) The management of fiscal policy by a nation

(D) Division of economic functions & resources among different layers of the government ✓

QUESTION

CA WALLAH

#Q. 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

(B)

(1) Non- Excludable

(2) Non- Rival

QUESTION

CA WALLAH

#Q. 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 ✓ C

D general poverty and unemployment of people

QUESTION

CA WALLAH

#Q. 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

Incomplete

Adverse selection

QUESTION

CA WALLAH

#Q. '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

D

QUESTION

CA WALLAH

#Q. Short-term credit from the Reserve Bank to state governments to bridge temporary mismatches in cash flows is known as

(A) RBI credit to states

(B) Commercial credit of RBI

(C) Ways and Means Advances (WMA) C

(D) Short term facility

QUESTION

CA WALLAH

#Q. Fiscal deficit refers to

RE > RR

(A) the excess of government's revenue expenditure over revenue receipts

TE > TR (₹ˣ)

(B) The excess of total expenditure over total receipts excluding borrowings B

(C) Primary deficit-interest payments

(D) None of these

QUESTION

CA WALLAH

#Q. 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

i↑

(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

D

I↓ P↓

G↑

AD↑

QUESTION

CA WALLAH

#Q. ______________ 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

$\boxed{D}$

QUESTION

CA WALLAH

#Q. The nominal demand for money rises if

A. the opportunity costs of money holdings – i.e. bonds and stock returns, r_B and r_E, respectively – decline and vice versa

B. the opportunity costs of money holdings – i.e. bonds and stock returns, r_B and r_E, respectively – rises and vice versa

C. the opportunity costs of money holdings – i.e. bonds and stock returns, r_B and r_E, respectively remain constant

D. (B) and (C) above

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Money Supply $M = \frac{1+c}{r+e+c} \times H$

The money multiplier is a function of:

$$\boxed{m = \frac{1+c}{r+e+c}}$$

the currency ratio set by depositors c which depends on the behaviour of the public

Excess reserves ratio set by banks e, and

the required reserve ratio set by the central bank r, which depends on prescribed CRR and the balances necessary to meet settlement obligations

QUESTION

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#Q. 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 (B)

$$\frac{1+c}{r+\boxed{e}+c}$$

C) not related to the excess reserves ratio e

D) proportional to the excess reserves ratio e

QUESTION

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#Q. 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

QUESTION

CA WALLAH

#Q. 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

QUESTION

CA WALLAH

#Q. 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

QUESTION

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

(A) Market Stabilisation Scheme (MSS)

(B) The Marginal Standing Facility (MSF)

(C) Liquidity Adjustment Facility (LAF) ✓ [C]

(D) Statutory Liquidity Ratio (SLR)

QUESTION

CA WALLAH

#Q. 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 a 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

B

QUESTION

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#Q. 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

D

QUESTION

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#Q. Escalated tariff refers to

Technical Tariff

(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 (B)

(C) a tariff which is escalated to prohibit imports of a particular good to protect domestic industries

(D) none of the above

iphone

RIR

Buy

Charger

QUESTION

CA WALLAH

#Q. 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

D

QUESTION

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CUD

#Q. 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

D

QUESTION

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#Q. 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 ✓ B

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

QUESTION

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#Q. 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

QUESTION

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83 : (D)

#Q. Currency devaluation

$\boxed{84 : (D)} \rightarrow$

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 (B)

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

QUESTION

#Q. 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

C

Nitin

Anurag

80

DT

80 81

81.5

Kunal 83

84

QUESTION

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#Q. Which of the following types of FDI includes creation of fresh assets and production facilities in the host country?

A Brownfield investment

old

B Merger and acquisition

C Greenfield investment

C

D Strategic alliances

FDI

10%?

mann

FPI

10%

Speculation

QUESTION

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#Q. Which is the leading country in respect of inflow of FDI to India?

(A) Mauritius

(B) USA

(C) Japan

(D) USA

A

QUESTION

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#Q. Foreign investments are prohibited in

Ban

A. Power generation and distribution

B. Highways and waterways

C. Chit funds and Nidhi company $\boxed{C}$

D. Airports and air transport