

CHAPTER 6

DETERMINATION OF NATIONAL INCOME

UNIT 1 : NATIONAL INCOME ACCOUNTING

1. National Income is a Concept of _____.

- (a) Macro Economics
- (b) Micro Economics
- (c) Both (a) & (a)
- (d) None of above

2. Which of the following Ministry is responsible in India for the compilation of National Accounts Statics?

- (a) Ministry of Commerce & Industry
- (b) Ministry of Social Affairs
- (c) Ministry of Finance
- (d) Ministry of Central Statistical and program Implementation

3. National Income Accounting was pioneered by _____.

- (a) Simon Kuznets
- (b) Simon Kuznets and Richard Stone
- (c) Simon Kuznets, Richard Stone and Adam Smith
- (d) None of these

4. National Income accounts are extremely useful:

- (a) For analyzing and evaluating the performance of an economy.
- (b) For knowing the composition and structure of the national income, income distribution and economic forecasting.
- (c) For choosing economic policies and evaluating them.
- (d) All of the above.

5. _____ is a government bookkeeping system that measures a country's economic activity – offering in sight into how an economy is performing.

- (a) National Income Accounting
- (b) Economy Accounting
- (c) Notional Inflow Accounting
- (d) Net Income Accounting

6. National Income Statistics provide a _____ basis for macro economic modelling and analysis.

- (a) Quantitative
- (b) Qualitative
- (c) Descriptive
- (d) Analytical

7. Gross Domestic Product at market Price (GDP_{MP}) refers to the Gross Market Value of all _____ goods and services produced with in the domestic territory of a country during a given period.

- (a) intermediate
- (b) final
- (c) work-in-progress
- (d) None of the above

8. “Market Price” in GDP_{MP} Signifies that _____

- (a) It includes amount of indirect taxes paid.
- (b) It excludes amount of subsidy received.
- (c) The Net Indirect Tax (NIT) have been included.
- (d) All of the above

9. “Gross” in GDP_{MP} Signifies that _____

- (a) No provision has been made for depreciation
- (b) Only final goods and services have to be included.
- (c) Only domestic territory has been considered for goods/services

(d) Net Indirect Tax have been included.

10. _____ refers to net market value of all the final goods and services produced within the domestic territory of the country during a period of one year.

- (a) GDP_{MP}
- (b) GNP_{MP}
- (c) NDP_{MP}
- (d) NNP_{MP}

11. What is the relationship between GDP_{MP} and NDP_{MP} ?

- (a) $NDP_{MP} = GDP_{MP} - \text{Depreciation}$
- (b) $NDP_{MP} = GDP_{MP} + \text{Depreciation}$
- (c) $NDP_{MP} = GDP_{MP} - \text{Net Indirect Taxes}$
- (d) $NDP_{MP} = GDP_{MP} + \text{Net Indirect Taxes}$

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

- (a) A business enterprise which belongs to a citizen of India with the 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 interest solely in India
- (d) Households and business enterprise composed of citizens of India alone living in India during the accounting year.

13. GDP_{MP} may be regarded as _____

- (a) National GDP
- (b) Nominal GDP
- (c) Real GDP
- (d) Aggregate GDP

14. _____ is a price index which is calculated by dividing the nominal GDP in a given year by the real GDP for the same year and multiplying it by 100?

- (a) GDP Deflator
- (b) GDP Inflator
- (c) GDP Velocity
- (d) GDP Accelerator

15. The formula for computing Real GDP is _____

- (a) GDP for the Current year \times Base Year (100)
- (b) GDP for the Base year \times Current year Index
- (c)
$$\frac{\text{GDP for the Current year} \times \text{Base year (100)}}{\text{Current Year Index}}$$
- (d)
$$\frac{\text{GDP for the Current year} \times \text{Current year Index}}{\text{Base year (100)}}$$

16. GDP at Current Prices means _____.

- (a) Nominal GDP
- (b) Real GDP
- (c) GDP at constant prices
- (d) None of these

17. Which one of the following is the correct formula for computation of GDP Deflator?

- (a)
$$\frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$
- (b)
$$\frac{\text{Real GDP}}{\text{Nominal GDP}} \times 100$$
- (c)
$$\frac{\text{Nominal GDP} \times \text{Real GDP}}{100}$$
- (d) (Nominal GDP – Real GDP) \times 100

- 18. GDP Deflator is a price index to convert _____.**
- (a) Nominal GDP to Real GDP
 - (b) Nominal GDP to National GDP
 - (c) Real GDP to National GDP
 - (d) Nominal GDP into percentage
- 19. The GDP deflator measures the _____ level of prices relative to the level of prices in the _____ year.**
- (a) base, current
 - (b) current, base
 - (c) base, base
 - (d) current, current
- 20. What is Real GDP if Nominal GDP is 1150 Units and GDP Deflator is 143.75?**
- (a) 800
 - (b) 1,653.125
 - (c) 12.5
 - (d) None of these
- 21. Since nominal GDP and real GDP must be the same in base year, the deflator for the same year is _____.**
- (a) Always Zero
 - (b) Always 100
 - (c) Always Equal to Nominal GDP
 - (d) Always Equal to Real GDP
- 22. If the GDP deflator is greater than 100, then –**
- (a) Nominal GDP = Real GDP
 - (b) Nominal GDP > Real GDP
 - (c) Nominal GDP < Real GDP
 - (d) Nominal GDP \geq Real GDP

23. The GDP Deflator is calculated at 78.49. What conclusion can be drawn regarding level of prices of the year in comparison with the base year?

- (a) Price level has fallen
- (b) Price level has increase
- (c) Price level remained constant
- (d) No conclusion can be drawn

24. Find Nominal GDP if real GDP is 475 and price index is 118.

- (a) 402.54
- (b) 560.5
- (c) 24.84
- (d) None of these

25. The nominal GDP of a country in the base year is given at ₹ 600 crores. In the Current year, the nominal GDP increases to ₹ 1200 crores and price index rises to 110. What will be GDP Deflator in Current Year?

- (a) 100
- (b) 110
- (c) 120
- (d) None of these

26. What is the price index of the current Year if Nominal and Real GDP for Current Year?

- (a) 100
- (b) 120
- (c) 83.33
- (d) None of these

Instructions for Questions (27 to 31)

Consider the following data and answer the questions 27-31

Year	2019	2020	2021	2022	2023
GDP Deflator	100	119.15	141.08	135.71	129.75

27. Which Year is the base Year?

- (a) 2019
- (b) 2020
- (c) 2021
- (d) None of the above

28. In which year the Nominal GDP is greater than Real GDP?

- (a) 2020
- (b) 2020-21
- (c) 2020-22
- (d) 2020-23

29. In which year the Nominal GDP and Real GDP are the same?

- (a) 2019
- (b) 2020
- (c) 2021
- (d) None of these

30. From year 2020 to 2023, the price levels are higher than that of the base year 2019. In which year, it is highest?

- (a) 2019
- (b) 2021
- (c) 2023
- (d) 2020

31. In which year, the price level has fallen?

- (a) 2022
- (b) 2022-2023
- (c) 2020
- (d) 2020-2021

32. While computing various basic aggregates of national income, the basis of distinction between “Gross” and “Net” is:

- (a) Depreciation
- (b) Consumption of fixed capital
- (c) Both (a) and (b)
- (d) None of the above

33. 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

34. Gross National Product at market price GNP_{MP} is:

- (a) $GDP_{MP} + \text{Net Factor Income from Abroad}$
- (b) $GDP_{MP} - \text{Net Factor Income from Abroad}$
- (c) $GDP_{MP} - \text{Depreciation}$
- (d) $GDP_{MP} + \text{Net Indirect Taxes}$

35. What is the relationship between Net Domestic Product (NDP_{MP}) and Gross Domestic Product (GDP_{MP})?

- (a) $NDP_{MP} = GDP_{MP} - \text{Depreciation}$
- (b) $NDP_{MP} = GDP_{MP} + \text{Depreciation}$
- (c) $GDP_{MP} = NDP_{MP} - \text{Depreciation}$
- (d) None of these

36. Choose the correct statement.

- (a) GNP includes earnings of Indian corporation overseas and Indian residents working overseas; but GDP does not include these
- (b) $NNP_{FC} = \text{National Income} = \text{FID (factor income earned in domestic territory)} - \text{NFIA}$.
- (c) Capital goods and inventory investment are excluded from computation of GDP

(d) $NDP_{MP} = GDP_{MP} + \text{Depreciation}$

37. If Net factor income from abroad is positive, then _____

- (a) $GNP_{MP} = GDP_{MP}$
- (b) $GNP_{MP} > GDP_{MP}$
- (c) $GNP_{MP} < GDP_{MP}$
- (d) None of the above

38. Which of the following formula is correct for computation of GNP at market price?

- (a) $GNP_{MP} = GDP_{MP} + \text{Depreciation}$
- (b) $GNP_{MP} = GDP_{MP} + \text{Net factor Income from abroad}$
- (c) $GNP_{MP} = GDP_{MP} - \text{Depreciation}$
- (d) $GNP_{MP} = GDP_{MP} - \text{Net factor Income from abroad}$

39. Which is the distinction between “National” and “Domestic”?

- (a) National = Domestic + Net factor Income from abroad.
- (b) National = Domestic – Net factor Income from abroad.
- (c) Domestic = National + Net factor Income from abroad.
- (d) None of the above

40. Which of the following is correct?

- (a) $NNP_{MP} = GNP_{MP} - \text{Depreciation}$
- (b) $NNP_{MP} = NDP_{MP} + \text{Net factor Income from abroad}$
- (c) $NNP_{MP} = GDP_{MP} + \text{Net factor Income from abroad} - \text{Depreciation}$
- (d) All of the above

41. What is the basis of distinction between market price and factor cost?

- (a) Market Price = Factor Cost + Indirect Taxes – Subsidies
- (b) Market Price = Factor Cost + Net Indirect Taxes – Subsidies
- (c) Market Price = Factor Cost – Net Indirect Taxes
- (d) None of the above

42. 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)

43. 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

44. 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

45. The formula to calculate Net Domestic Product is:

- (a) Gross National product/Depreciation
- (b) Gross domestic product - Depreciation
- (c) Gross domestic product + Depreciation
- (d) Gross National product + Depreciation

46. Which of the following is alternatively known as the National Income?

- (a) Gross National Product at factor Cost
- (b) Net National Product at Market Price
- (c) Gross National Product at Market Price
- (d) Net National Product at Factor Cost

47. _____ is Gross Domestic Product (GDP) plus net factor income from abroad.

- (a) Net domestic product
- (b) Gross national product
- (c) Net national product
- (d) Gross domestic product

48. Consider the following statements.

(i) NNP (at market price) = GNP (at market price) - Depreciation

(ii) NNP (at factor cost) = NNP (at market price) + indirect taxes subjects.

Which of the following is CORRECT?

- (a) Both (i) and (ii) are TRUE
- (b) (i) is TRUE and (ii) is FALSE
- (c) (i) is FALSE and (ii) is TRUE
- (d) Both (i) and (ii) are FALSE

49. What is the formula to compute Operating Surplus?

- (a) Gross Value added at Factor Cost – Compensation of Employees – Depreciation
- (b) Gross Value added at Factor Cost + Compensation of Employees + Depreciation
- (c) Gross Value Added at Market Price – Compensation of Employees
- (d) Gross Value Added at Factor Cost – Compensation Employees + Depreciation

50. The formula to compute GDP at Factor Cost is:

- (a) GDP at Factor Cost – Indirect Taxes – Subsidies
- (b) GDP at Market Price – Indirect Taxes
- (c) GDP at Market Price – Indirect Taxes + Subsidies

51. Which of the following needs to be deducted to derive NDP from GDP?

- (a) Net sales
- (b) Depreciation
- (c) Net Profit
- (d) Net Loss

52. Normally, NNP at market prices is higher than NNP at factor cost because _____

- (a) Indirect taxes exceed government subsidies
- (b) Government subsidies exceed Indirect taxes
- (c) Indirect taxes equal to government subsidies
- (d) Depreciation is always Nil.

53. In a particular year, the value of nominal GNP of an economy was ₹ 9,000 crores. The value of GNP of that economy during the same year, evaluated at the price of the value of GNP deflator for that year in percentage terms was:

- (a) 110%
- (b) 111%
- (c) 90%
- (d) 10%

54. The value of NDP at FC will be _____, if the following information is given:-

GNP at MP	: ₹ 15,000
Depreciation	: ₹ 1,000
NFIA	: ₹ 800
Net Indirect Taxes	: ₹ 1,500

- (a) ₹11,700
- (b) ₹16,000
- (c) ₹16,800
- (d) None of these

55. Which of the following formula to be used for deriving GNP at Market Prices?

- (a) $\text{NNP at Market Prices} + \text{Depreciation}$
- (b) $\text{NNP at Market Prices} - \text{Depreciation}$
- (c) $\text{NNP at Factor Cost} + \text{Depreciation}$
- (d) $\text{GNP at Factor} - \text{Depreciation}$

56. Which of the following is the correct formula?

- (a) $\text{Net Domestic Product (at factor cost)} = \text{Gross Domestic Product (at Market Price)} - \text{Depreciation}$
- (b) $\text{Net Domestic Product (at Market Prices)} = \text{Gross Domestic Product (at Market Prices)} - \text{Depreciation}$
- (c) $\text{Net Domestic Product (at Market Prices)} = \text{Gross Domestic Product (at Market Prices)} + \text{Depreciation}$
- (d) $\text{Gross Domestic Product (at factor cost)} = \text{Net Domestic Product (at factor costs)} - \text{Depreciation}$

57. Which of the following represents National Income?

- (a) NNP at MP
- (b) NNP at FC
- (c) GNP at MP
- (d) GNP at FC

58. In which type of economy, domestic income is equal to national income?

- (a) Flexible Economy
- (b) Rigid Economy
- (c) Open Economy
- (d) Closed Economy

59. Which of the following is not a component of operating surplus?

- (a) Compensation of Employees
- (b) Interest
- (c) Royalty
- (d) Rent

60. What is the formula to compute Operating Surplus?

- (a) Gross Value Added at Factor Cost – Compensation of Employees + Depreciation
- (b) Gross Value Added at Factor Cost + Compensation of Employees + Depreciation
- (c) Gross Value Added at Factor Cost + Compensation of Employees – Depreciation
- (d) Gross Value Added at Market Price – Compensation of Employees

61. The ratio [(Nominal GDP)/(Real GDP)] is known as:

- (a) Wholesale Price Index
- (b) GNP deflator
- (c) Consumer price index
- (d) GDP deflator

62. Which of the following is not included in Domestic Income?

- (a) Wage & Salaries
- (b) Interest & Dividends
- (c) Income earned from abroad
- (d) None of the above

63. Which of the following will give Personal Income?

- (a) Private Income - Undistributed Corporates Profits - Profit Taxes

- (b) Private Income + Undistributed Corporates Profits - Profit Taxes
- (c) Private Income + Undistributed Corporates Profits + Profit Taxes
- (d) Private Income - Undistributed Corporates Profits - All Taxes

64.

Private Income	:	₹10,000
Undistributed Corporate Profits	:	₹2,000
Profit Taxes	:	₹500

What is Personal Income?

- (a) ₹7,500
 - (b) ₹8,000
 - (c) ₹8,500
 - (d) ₹10,000
- 65. When imports exceed exports, which of the following is incorrect?**
- (a) Net income earned from abroad is negative
 - (b) Domestic income will be different from national income
 - (c) Domestic income is greater than national income
 - (d) National income is more than domestic income
- 66. The GDP per capita 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

67. 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 of the above

68. 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

69. What is the relationship of Disposable Personal Income (DI) and Personal Income (PI)?

- (a) $DI = PI + \text{Personal Income Taxes} + \text{Non-Tax Payments}$
- (b) $DI = PI - \text{Personal Income Taxes} + \text{Non-Tax Payments}$
- (c) $DI = PI - \text{Personal Income Taxes} - \text{Non-Tax Payments}$
- (d) None of the above

70. Consider the following data:

Particulars	₹ in crores
GNP at MP	9500
Depreciation	540
Net Factor income from abroad	410
Net indirect Taxes	630

Calculate NDP at FC

- (a) ₹7,920
- (b) ₹8,550
- (c) ₹8,960

(d) None of these

71. The net domestic product at market price of an economy is ₹6,400 crores. The Capital Stock is worth ₹6,000 crores and it depreciates at the rate of 10% p.a. Indirect Taxes amounted to ₹290 crores, Subsidies amounted to ₹30 crores, Factor Income from the rest of the world is ₹500 crores & to rest of the world is ₹650 crores. What will be GNP_{FC} ?

- (a) ₹7,190
- (b) ₹6,590
- (c) ₹6,330
- (d) ₹6,180

72. Consider the following information:

Particulars	₹ In crores
GNP_{FC}	35,600
Consumption of fixed capital	3,900
Indirect Taxes	210
Factor Income from abroad	600
NDP_{MP}	32,000
Factor Income to Abroad	750

Calculate the amount of subsidies.

- (a) ₹ 40 crores
- (b) ₹ 50 crores
- (c) ₹ 60 crores
- (d) None of these

73. Calculate consumption of Fixed Capital from the following data:

Particulars	₹ in crores
NNP at Factor Cost	6250
GDP at Market Price	7000
Net Indirect Taxes	250
Net Factor Income from Abroad	150

- (a) ₹ 450 Crores
- (b) ₹ 550 Crores
- (c) ₹ 650 Crores
- (d) None of these

74. Consider the following data:

Particulars	₹ in crores
Compensation of Employees	1200
Operating Surplus	2400
Consumption of fixed capital	480
Mixed income of Self employed	1,320
Net Indirect Tax	540
Rent	660
Profit	960
Net factor Income from abroad	-60

Which of the following is incorrect?

- (a) GDP at MP = ₹ 5,940 Crores
- (b) GNP at MP = ₹ 5,880 Crores
- (c) NNP at MP = ₹ 5,400 Crores
- (d) NNP at FC = ₹ 5,940 Crores

75. $NNP_{MP} = ₹15,053$ Crores

Indirect Taxes = ₹335 Crores

$NNP_{FC} = ₹14,980$ Crores

What will be the amount of subsidies and Net Indirect Taxes?

- (a) ₹ 262 crores & ₹ 73 crores
- (b) ₹ 73 crores & ₹ 262 crore
- (c) ₹ 335 crores & ₹ 189 crore
- (d) ₹ 189 crores & ₹ 335 crores

76. The GDP at market price of a country in particular year was ₹1,900 crores. The National Income and Net factor Income from abroad were ₹1,671 crores and ₹107 crores. If the value of Net Indirect Taxes was ₹210 crores. What is aggregate value of Depreciation?

- (a) ₹ 126 Crores
- (b) ₹ 142 Crore
- (c) ₹ 336 Crores
- (d) None of these

77. $NNP_{MP} = ₹ 2,850$ Crores

Indirect Taxes = ₹ 209 Crores

Subsidies = ₹ 32 Crores

Net Indirect Taxes = ₹ 177 Crores.

Saving of Private Corporate Sector = ₹ 28 Crores

Personal Income = ₹ 2,215

What is the amount of National Income?

- (a) ₹ 3,059 Crores
- (b) ₹ 2,674 Crores
- (c) ₹ 2,645 Crores
- (d) None of these

78. $GNP_{MP} = ₹ 58,350$ Crores
Depreciation = ₹ 1,625 Crores
Subsidies = ₹ 1,540 Crores
Indirect Tax = ₹ 2,590 Crores
Net factor Income from abroad = ₹ 240 Crores

Calculate Domestic Income

- (a) ₹ 58,590 Crores
- (b) ₹ 56,965 Crores
- (c) ₹ 55,915 Crores
- (d) None of these

79. GNP_{FC} is equal to NNP_{FC} When:

- (a) Net factor income from abroad is zero
- (b) Net Indirect tax is zero
- (c) Consumption of Fixed Capital is zero
- (d) None of the above

80. Which of the following is a phase of circular flow of Income?

- (a) Generation Phase
- (b) Distribution Phase
- (c) Disposition Phase
- (d) All of the above

81. Which one of the following Statement is false as regards the concept of flow?

- (a) Flow variable refers to that variable, which is measured over a period of time
- (b) Flow has a time dimension as its magnitude can be measured over a period of time
- (c) Flow is a static concept
- (d) All of the above

82. There are 3 different phases in circular flow of income. Which one of the following phase is relation with generation of income?

- (a) Production Phase
- (b) Income Phase
- (c) Expenditure Phase
- (d) Any of the above

83. The expenditure phase of circular flow of income is related with _____.

- (a) Generation of Income
- (b) Distribution of Income
- (c) Disposition of Income
- (d) Production of Income

84. “Distribution of income” is related with which of the following phase of circular flow of income?

- (a) Production Phase
- (b) Income Phase
- (c) Expenditure Phase
- (d) None of the above

85. _____ is the flow of goods and services between firms and households.

- (a) Real Flow
- (b) Money Flow
- (c) Consumption Flow
- (d) Generation Flow

86. Which of the following is correct about Money Flow?

- (a) It is the flow of money between firms and households
- (b) It involves exchange of money
- (c) It is also known as Nominal Flow.

(d) All of the above

87. Real flow refers to the flow of factor services from _____.

- (a) Firms to households
- (b) Households to firms
- (c) Firms to government
- (d) Household to Government

88. Which one of the following is a Stock?

- (a) Wealth
- (b) Profits
- (c) Exports
- (d) Saving

89. Which one of the following is NOT a flow?

- (a) Income
- (b) Depreciation
- (c) Capital
- (d) Investment

90. Which of the following is included in Real Flow?

- (a) Flow of Services
- (b) Flow of Goods
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

91. Which of the following is Considered as a part of nominal flow in the circular flow of income?

- (a) Flow of factor Payments from firms of household
- (b) Flow of goods and Services from firms to households.
- (c) Flow of factor Services from household to firms.
- (d) All of these

92. Under which of the following methods of computing national income, the production value of following sectors are added up- Agriculture, Manufacturing, Construction, Transport and Communication, banking, administration and Defence.

- (a) Income Method
- (b) Expenditure Method
- (c) Value Added Method
- (d) Profit Method

93. Which of the following is one of the three commonly accepted methods for calculating a country's national Income?

- (a) Market Realisation method
- (b) Value Added Method
- (c) Import Substitution
- (d) Inflation Adjustment method

94. The ____ method of national income measures the contribution of each producing enterprise in the domestic territory of the country.

- (a) Income
- (b) Expenditure

- (c) Product
- (d) Turnover

95. Which of the following is not the method of measuring national income?

- (a) Product Method
- (b) Income Method
- (c) Profit Method
- (d) Expenditure Method

96. 'Estimating net value added by each producing enterprise as well as each industrial sector and adding up the net value added by all the sectors', is a step considered for calculating National Income under which of the following methods?

- (a) Profit Method
- (b) Income Method
- (c) Expenditure Method
- (d) Value Added Method

97. _____ if any, must be deducted from the value added while calculating national income as per the Product Method, as it does not result into real increase in output.

- (a) Stock Appreciation
- (b) Stock Depreciation
- (c) Stock Loss due to theft
- (d) Stock Insured

98. While adding up the value of output of various sectors for calculation of National Income under Product Method, care should be exercised to avoid the problem of _____

- (a) single Counting

- (b) triple Counting
- (c) quadruple Counting
- (d) double Counting

99. The production of goods for self-consumption is valued at _____ while calculating national income through Product Method

- (a) Historical Prices
- (b) Prevailing Market Prices
- (c) Prevailing Cost Prices
- (d) None of the above

100. The production value of transport and communication is taken into consideration for computation of National Income under which of the following methods?

- (a) Income Method
- (b) Profit Method
- (c) Expenditure Method
- (d) Product Method

101. The formula to compute Net National Product at Market Prices is:

- (a) GDP at Market Prices - Depreciation
- (b) GNP at Market Prices + Depreciation
- (c) GNP at Market Prices - Depreciation
- (d) None of these

102. The production value of transport and communication is taken into consideration for computation of National Income under which of the following methods?

- (a) Income Method
- (b) Expenditure Method
- (c) Product Method
- (d) Profit Method

103. "Identifying the producing enterprise and classifying them into individual sectors according to their activities", is a step

followed in which of the following methods of computing national income?

- (a) Product Method
- (b) Income Method
- (c) Expenditure Method
- (d) Profit Method

104. The Problem of Double Counting may arise in which of the following methods of calculating national income?

- (a) Profit Method
- (b) Product Method
- (c) Income Method
- (d) Expenditure Method

105. Which of the following is not a method of measurement of National Income?

- (a) Value Added Method
- (b) Income Method
- (c) Intermediate Consumption
- (d) Expenditure Method

106. Which of the following method gives highest value of National Income?

- (a) Value Added Method
- (b) Expenditure Method
- (c) Income Method
- (d) All the three methods given the same value

107. Who is entrusted with the task of estimating national income?

- (a) CSO
- (b) CSIR
- (c) MOF
- (d) NSDC

108. Value Added Method is also known as

- (a) Product Method
- (b) Inventory Method or Net Output
- (c) Industrial Origin Method
- (d) All of the above

109. Which of the following is one of the three accepted methods to calculate a country's national income?

- (a) Value Added Method
- (b) Inflation Adjustment Method
- (c) Import Substitution Method
- (d) Nominal Expense Method

110. _____ refers to the addition of value to the raw material (intermediate goods) by a firm, by virtue of its productive activities.

- (a) Value Added
- (b) Income Added
- (c) Inclusive Approach
- (d) Exclusive Approach

111. Value Added is calculated as the difference between the value of output and _____.

- (a) Value of Input
- (b) Intermediate consumption
- (c) Final Consumption
- (d) Basic Consumption

112. Value added by each producing enterprise is also known as _____.

- (a) GVA at market price
- (b) GVA at factor price
- (c) GDP at market price
- (d) GDP at factor price

113. From the following information calculate GDP at Market Price:

GDP at Factor Cost = INR 200 crore

Subsidies = INR 20 crore

- (a) INR 500 crore
- (b) INR 230 crore
- (c) INR 330 crore
- (d) INR 130 crore

114. The expenditure incurred by a production unit on purchasing those goods and services from other production units, which are meant for resale or for using up completely is known as _____.

- (a) Final Consumption
- (b) Intermediate Consumption
- (c) Basic Consumption
- (d) None of these

115. The expenditure on goods and services which is meant for final consumption and investment is called as _____.

- (a) Final Consumption
- (b) Intermediate Consumption
- (c) Basic Consumption
- (d) None of these

116. If purchase of raw material from domestic firm is given at ₹ 158 crore and imports are ₹8 crore, what will be the amount of intermediate consumption under value added method?

- (a) ₹8 crore
- (b) ₹150 crore
- (c) ₹ 158 crore
- (d) ₹ 166 crore

117. What is the value of output on the basis of following information?

Sales	: ₹ 40,000 Lakhs
Closing Stock	: ₹ 2,000 Lakhs
Opening Stock	: ₹ 500 Lakhs

- (a) ₹ 42,500 Lakhs
- (b) ₹ 42,000 Lakhs
- (c) ₹ 41,500 Lakhs
- (d) ₹ 38,500 Lakhs

118. Which of the following is not a part of Primary Sector?

- (a) Farming
- (b) Fishing
- (c) Transport
- (d) Mining

119. Which of the following is not a part of Tertiary Sector?

- (a) Transport
- (b) Education
- (c) Finance
- (d) Animal Husbandry

120. The industrial classification of producing enterprises does not include which of the following?

- (a) Primary Sector
- (b) Secondary Sector
- (c) Mixed Sector
- (d) Tertiary Sector

121. Under Value Added Method, the sum total of Gross Value Added at market price of each sector is called as:

- (a) GVA_{MP}
- (b) GDP_{MP}
- (c) GVA_{FC}
- (d) GDP_{FC}

122. As per Value Added method, the net domestic product at Factor Cost (NDP_{FC}) is calculated as per which of the following equation?

- (a) $GDP_{MP} - \text{Depreciation} + \text{Net Indirect Taxes}$
- (b) $GDP_{MP} - \text{Depreciation} - \text{Net Indirect Taxes}$
- (c) $GDP_{MP} + \text{Depreciation} + \text{Net Indirect Taxes}$

(d) $GDP_{MP} + \text{Depreciation} - \text{Net Indirect Taxes}$

123. Consider the following information:

GDP_{MP}	₹8,000 crore
Depreciation	₹400 crore
Net Indirect Taxes	₹300 crore
GVA_{MP} (Primary Sector)	₹4,000 crore
GVA_{MP} (Secondary Sector)	₹1,200 crore
GVA_{MP} (Tertiary Sector)	₹2,800 crore

What is the value of NDP at Factor Cost?

- (a) ₹ 7,300 crore
- (b) ₹ 8,400 crore
- (c) ₹ 8,700 crore
- (d) ₹ 16,400 crore

124. Which of the following equation is true?

- (a) $NNP_{FC} = NDP_{FC} + NFIA$
- (b) $NNP_{FC} = NDP_{MP} + NFIA$
- (c) $NNP_{FC} = NDP_{FC} - NFIA$
- (d) $NNP_{FC} = NDP_{MP} - NFIA$

125. Under value added method, which of the following will be included while computing National Income?

- (a) Sale and purchase of second hand goods
- (b) Intermediate goods
- (c) Production of goods for self consumption
- (d) Production of services for self consumption

126. For computation of National Income using value added method, which of the following shall not be included?

- (a) Change in store of goods
- (b) Imputed value of owner-occupied house
- (c) Production of goods for self-consumption
- (d) Intermediate goods

127. Consider the following data:

Sales	: 20,00,000
Closing Stock	: 40,000
Opening Stock	: 10,000
Indirect Taxes	: 1,00,000
Depreciation	: 60,000
Intermediate Consumption	: 3,20,000
Purchase of Raw Material	: 1,35,000
Rent	: 25,000

The amount of Net value added at market price is _____

- (a) ₹ 16,30,000
- (b) ₹ 16,50,000
- (c) ₹ 16,80,000
- (d) ₹ 16,90,000

128. What is the value of output in respect of following data?

	: Amount(₹)
Net value added at Factor Cost	: 70,000
Intermediate consumption	: 30,000
Goods and Services Tax	: 25,000
Subsidy	: 4,000
Depreciation	: 10,000

- (a) ₹ 1,10,000
- (b) ₹ 1,01,000
- (c) ₹ 89,000
- (d) None of these

129. Wages, Rents, Interest and Profits are variables considered for computing national income under which of the following methods?

- (a) Product Method
- (b) Expenditure Method
- (c) Income Method
- (d) Turnover Method

130. If GDP at Market Prices is INR 200 Cr. and Net Income from Abroad is INR 100 Cr., then what will be the value of GNP at Market Prices?

- (a) INR 100 Cr.
- (b) INR 400 Cr.
- (c) INR 300 Cr.
- (d) INR 500 Cr.

131. Consider the following information:

- A. NDP at market price 77,000**
- B. Net Factor Income from abroad (-) 700**
- C. Depreciation 1,700**
- D. Subsidies 6,600**
- E. Indirect Taxes 7,700**

The value of National Income is:

- (a) 75,000
- (b) 75,200
- (c) 75,400
- (d) 75,500

132. Which of the following is not covered under Income Method of computing Gross National Product?

- (a) Rents
- (b) Private consumption expenditure
- (c) wages and salaries
- (d) Interest

133. Windfall gains like, prizes won, lotteries, etc. should not be included in the estimation of national income is the precaution to be followed under which of the following methods of computing national income?

- (a) Profit Method

- (b) Product Method
- (c) Expenditure Method
- (d) Income Method

134. ___ is the total measure of the flow of goods and services at market value resulting from current production during a year in a country, including net income from abroad.

- (a) Gross Domestic Product
- (b) Gross National Product
- (c) Net Domestic Product
- (d) None of the above

135. The formula to compute GNP at Market Prices is:

- (a) $\text{GNP at Market-Prices} = \text{GDP at Market Prices} + \text{Depreciation}$
- (b) $\text{GNP at Market Prices} = \text{GDP at Market Prices} - \text{Net Income from Abroad}$
- (c) $\text{GNP at Market Prices} = \text{GDP at Market Prices} + \text{Net Income from Abroad}$
- (d) $\text{GNP at Market Prices} = \text{GNP at Market Prices} + \text{Depreciation}$

136. The formula to calculate Personal Income is:

- (a) $\text{National Income} - \text{Undistributed Corporate Profits} + \text{Profit Taxes} - \text{Social Security Contribution} - \text{Interest on Public Debt}$
- (b) $\text{National Income} + \text{Undistributed Corporate Profits} + \text{Profit Taxes} + \text{social security contribution}$
- (c) $\text{National Income} - \text{Undistribute Corporate Profits} - \text{Profit Taxes} - \text{Social Security Contribution} - \text{Transfer Payments} + \text{Interest on public debt}$
- (d) $\text{National Income} - \text{Undistributed Corporate Profits} + \text{Profit Taxes} - \text{Social Security Contribution} - \text{Transfer Payments}$

137. Which of the following formula would be used to calculate Disposable Income?

- (a) $\text{Private Income} - \text{Direct Taxes}$

- (b) Private Income + Direct Taxes
- (c) Personal Income - Direct Taxes
- (d) Personal Income + Direct Taxes

138. What is the formula to calculate GDP at Market Prices?

- (a) GNP at Market Prices + Net Indirect Taxes
- (b) GNP at Market Prices + Net Income from Abroad
- (c) GNP at Market Prices - Net Income from Abroad
- (d) GNP at Market Prices - Net Indirect Taxes

139. Transfer payments such as gifts, donations, scholarships etc. should not be included in the estimation of national income is the precaution to be followed under which of the following methods of computing national income?

- (a) Expenditure Method
- (b) Income Method
- (c) Profit Method
- (d) Product Method

140. Which of the following is not the component of calculating national income through expenditure method?

- (a) Government expenditure
- (b) Production for self consumption
- (c) Investment expenditure
- (d) Consumption expenditure

141. The sum total of all the factor incomes earned within the domestic territory of a country is known as:

- (a) NNP_{FC}
- (b) NDP_{FC}
- (c) NNP_{MP}
- (d) NDP_{MP}

142. Which one of the following is component of Income Method?

- (a) Compensation of Employees
- (b) Rent and Royalty
- (c) Profit and Interest

(d) All of the above

143. The reward to the entrepreneur for his contribution to the production of goods and services is called as

- (a) Corporate Tax
- (b) Dividend
- (c) Retained Earnings
- (d) Profit

144. Which of the following is not considered for computation of national income under Income Method?

- (a) Interests
- (b) Wages
- (c) Government Expenditure
- (d) Rents

145. A method of national income according is based on the principal that revenues earned by all the firms 1 put together must be distributed among the factors of production as salaries, wages, profits, rent and interest.

The method is known as:

- (a) Expenditure method
- (b) Product method
- (c) Income method
- (d) Consumption method

146. When factor incomes of all the sectors are summed up, the result is called as ____

- (a) NNP_{FC}
- (b) NDP_{FC}
- (c) NDP_{MP}
- (d) None of these

147. Which method of calculating GDP of a country gives the following? If there N firms in the economy, each assigned with a serial number from 1 to N. The $GDP = \sum_{i=1}^N GVA_i$, where i varies from 1 to N.

- (a) Estimation Method
- (b) Income Method
- (c) Product Method
- (d) Expenditure Method

148. Which as the following is included while estimating National Income under Income Method?

- (a) Income from sale of second-hand goods
- (b) Income from sale of shares, bonds and debentures
- (c) Windfall gains like income from lotteries, horse race, etc.
- (d) Imputed value of services provided by owners of production units

149. While estimating national income by income method, transfer incomes are not included as there are not connected with any productive activity and there is no value addition, which of the following is included in "Transfer Income"?

- (a) Scholarship
- (b) Donations & charity
- (c) Old age pensions
- (d) All of the above

150. Which of the following is not covered under Income Method of computing Gross National Product?

- (a) Rents
- (b) Private consumption expenditure
- (c) Wages and salaries
- (d) Interest

151. What is the value of NDP at Factor Cost?

Particulars	₹
Rent	9,000
Royalty	4,000
Mixed Income	3,500
Interest	11,000
Profit	8,700
Compensation of employees	20,000

- (a) ₹52,700
- (b) ₹56,200
- (c) ₹59,700
- (d) None of these

152. Consider the following data:

Particulars	₹
Value of Output	2,50,000
Purchase of Raw Material	58,000
Wages & Salaries	65,000
Net Indirect Tax	15,000

The value of operating surplus is _____

- (a) ₹1,12,000
- (b) ₹1,27,000
- (c) ₹1,92,000
- (d) None of these

153. What is the formula to compute operating surplus?

- (a) Gross Value Added at Factor Cost – Compensation of Employees + Depreciation
- (b) Gross Value Added at Factor Cost + Compensation of Employees + Depreciation
- (c) Gross Value Added at Factor Cost – Compensation of Employees – Depreciation
- (d) Gross Value Added at Market Price – Compensation of Employees

154. Which of the following method measures national income as the sum of all incomes, wages, rents, interest and profit paid to the four factors of production?

- (a) Value Added Method
- (b) Expenditure Method
- (c) Income Method
- (d) Product Method

155. The _____ measures national income as total spending on final goods and services produced within nation during a year.

- (a) Turnover Method

- (b) Product Method
- (c) Income Method
- (d) Expenditure Method

156. Under _____ comes the expenditure incurred by private enterprise on new investment and on replacement of old capital.

- (a) Gross Domestic Private Investment
- (b) Net Domestic Private Investment
- (c) Total Domestic Private Investment
- (d) Accumulated Domestic Private Investment

157. ABC limited incurred capital expenditure of INR 100 Crores in setting up of a new plant. The mentioned capital expenditure will be considered for computation of national income under which of the following methods?

- (a) Product Method
- (b) Expenditure Method
- (c) Income Method
- (d) Turnover Method

158. From the following information calculate national income.

Consumption expenditure = INR 1000 Crore

Investment Expenditure = INR 800 Crore

Government Expenditure = INR 1200 Crore

Net Exports = INR 400 Crore

- (a) INR 2200 Crore
- (b) INR 1800 Crore
- (c) INR 3000 Crore
- (d) INR 3400 Crore

159. From the following information, compute Gross National Product (GNP) according to the Expenditure Method

Private Consumption Expenditure = INR 200 Crores

Gross Domestic Private Investment = INR 80 Crores

Net Foreign Investment = INR 20 Crores

Rent = INR 60 Crores

Wages = INR 100 Crores

Mixed Income = INR 25 Crores

Government Expenditure on Goods and Services = INR 60 Crores

(a) INR 360 Crores

(b) INR 200 Crores

(c) INR 385 Crores

(d) INR 270 Crores

160. From the following information, compute Gross National Product (GNP) according to the Expenditure Method

Private consumption expenditure = INR 100 Crores

Gross Domestic Private Investment = INR 80 Crores

Net Foreign Investment = INR 20 Crores

Rent = INR 60 Crores

Wages = INR 100 Crores

Mixed Income - INR 25 Crores

Government Expenditure on Goods and Services = INR 70 Crores

(a) INR 360 Crores

(b) INR 200 Crores

(c) INR 385 Crores

(d) INR 270 Crores

161. Gifts, donations and scholar- ships are which form of payments?

(a) Factor Payments

(b) Explicit Payments

(c) Implicit Payments

(d) Transfer Payments

162. "The expenditure on second hand goods should not be included as they do not contribute to the cur- rent year's production of goods", is a precaution suggested under which of the following methods of computing national income?

(a) Profit Method

(b) Product Method

(c) Expenditure Method

(d) Income Method

163. ____ is expenditure incurred on by business firms on (a) new plants, (b) adding to the stock of inventories and (c) on newly constructed houses

- (a) Net exports
- (b) Investment expenditure
- (c) Consumption expenditure
- (d) None of the above

164. Which of the following is/are considered for calculating National Income according to the Expenditure Method?

- (a) Consumption Expenditure; Investment Expenditure; Gov- ernment Expenditure and Net Exports
- (b) Consumption Expenditure
- (c) Net Exports and Consumption Expenditure
- (d) Government Expenditure; Invest- ment Expenditure and Net Exports

165. Which of the following is not the component of calculating national income through expenditure method?

- (a) Government expenditure
- (b) Production for self consumption
- (c) Consumption expenditure
- (d) Investment expenditure

166. ____ is the largest component of national income under expenditure method.

- (a) Investment expenditure
- (b) Consumption expenditure
- (c) Government Expenditure
- (d) None of the above

167. The formula to compute Net National Product at Factor Cost is:

- (a) $NNP \text{ at Market Prices} + \text{Indirect Taxes} + \text{Subsidies}$
- (b) $NNP \text{ at Market Prices} - \text{Indirect Taxes} - \text{Subsidies}$

- (c) NNP at Market Prices - Indirect Taxes + Subsidies
- (d) NNP at Market Prices – Subsidies

168. In India, _____ is the apex banking institution that regulates the monetary policy in the country.

- (a) State Bank of India
- (b) Canara Bank
- (c) Reserve Bank of India
- (d) Oriental Bank of Commerce

169. Which of the following is not considered for computation of national income under Income Method?

- (a) Government Expenditure
- (b) Rents
- (c) Wages
- (d) Interests

170. Which of the following elements are considered for computing national income according to Expenditure Method?

- (a) Consumption Expenditure and Net Exports
- (b) Consumption Expenditure; Investment Expenditure and Government Expenditure
- (c) Consumption Expenditure and Investment Expenditure
- (d) Consumption Expenditure; Investment Expenditure; Government Expenditure and Net Exports

171. Which of the following is not covered under Income Method of computing Gross National Product?

- (a) Interest
- (b) Wages and salaries
- (c) Private consumption expenditure
- (d) Rents

172. The formula for calculating Private Final Consumption Expenditure (PFCE) is:

- (a) Household final consumption expenditure/private non-profit institutions serving households final consumption expenditure.

- (b) Household final consumption expenditure X private non-profit institutions serving households final consumption expenditure.
- (c) Household final consumption expenditure + private non-profit institution serving households final consumption expenditure.
- (d) Household final consumption expenditure - private non-profit institution serving households final consumption expenditure.

173. Under expenditure method, expenditure of which of the following sector is included for computing national income?

- (a) Households
- (b) Government and firms
- (c) Foreign Sector
- (d) All of the above

174. Which one of the following is part of expenditure on transfer payments by government?

- (a) Unemployment benefit
- (b) Old age pension
- (c) Interest on public debt
- (d) All of the above

175. Under expenditure method, the sum total of final expenditures incurred by households, business firms, government and foreigner is called as ____

- (a) National Income
- (b) GDP at market price
- (c) GDP at factor cost
- (d) NNP at factor cost

176. If Net Value Added at Factor Cost = INR 2 Cr. and Depreciation is INR 1 Cr., then GDP at Factor Cost will be:

- (a) INR 3 Cr.
- (b) INR 1 Cr.
- (c) INR 4 Cr.
- (d) INR 5 Cr.

177. The formula to compute GDP at Factor Cost is:

- (a) GDP at Factor Cost + Indirect Taxes - Subsidies
- (b) GDP at Market Price - Indirect Taxes
- (c) GDP at Factor Cost - Indirect Taxes - Subsidies
- (d) GDP at Market Price - Indirect Taxes + Subsidies

178. Which of the following elements are considered for computing national income according to Expenditure Method?

- (a) Consumption Expenditure; Investment Expenditure and Government Expenditure
- (b) Consumption Expenditure and Investment Expenditure
- (c) Consumption Expenditure and Net Exports
- (d) Consumption Expenditure; Investment Expenditure; Government Expenditure and Net Exports

179. "Private final consumption expenditure" refers to expenditure incurred by households and private non-profit institutions serving households on all types of consumer goods. Which of the following is not included in such computation?

- (a) Durable goods
- (b) Semi-durable goods
- (c) Non-durable goods and services
- (d) Construction of owner-occupier houses

180. Under expenditure method, the expenditure on purchase of old shares and bonds is not included as _____

- (a) These are not incurred in cash
- (b) These do not represent as currently produced goods and services
- (c) These represent current production
- (d) None of these

181. Which of the following is included in the national income?

- (a) Expenditure on intermediate goods
- (b) Transfer Payments
- (c) Expenditure on own account production
- (d) Purchase of financial assets

182. In respect of following data given in ₹. What will be national income using expenditure method?

Particulars	₹
Private final consumption	25,000
Government final consumption	12,000
Net Domestic capital formation	6,500
Net Export	5,000
Net factor income from Abroad	1,000
Net Indirect Taxes	1,500

- (a) ₹49,500
- (b) ₹48,000
- (c) ₹47,000
- (d) ₹45,500

183. The formula to calculate GDP at Factor Cost is:

- (a) $\text{GDP at Factor Cost} = \text{Net Value Added} \times \text{Depreciation}$
- (b) $\text{GDP at Factor Cost} = \text{Net Value Added} / \text{Depreciation}$
- (c) $\text{GDP at Factor Cost} = \text{Net Value Added} + \text{Depreciation}$
- (d) $\text{GDP at Factor Cost} = \text{Net Value Added} - \text{Depreciation}$

184. Which of the following is not the component of calculating national income through expenditure method?

- (a) Government expenditure
- (b) Production for self-consumption
- (c) Consumption expenditure
- (d) Investment expenditure

185. 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

186. 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

187. Which one of the following is a component of Triple Identity?

- (a) National Product
- (b) National Income
- (c) National Expenditure
- (d) All of the above

188. 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 the current year
- (d) (a) and (b) above

189. Consider the following data:

Particulars	₹ In Crores
Sales	1,050
Opening Stock	750
Intermediate Consumption	525
Closing Stock	600
Net factor Income from Abroad	45
Depreciation	225
Excise Tax	165
Subsidies	75

What is the amount of National Income by value Added method?

- (a) ₹ 900 crores
- (b) ₹ 375 crores
- (c) ₹ 105 crores
- (d) None of these

191. Which of the following is not used when National Income is calculated using expenditure method?

- (a) Operating Surplus
- (b) Private Final Consumption Expenditure
- (c) Net Export
- (d) Net Domestic Capital Formation

192. Calculate National Income with the help of Expenditure Method with the help of following data.

Particulars	₹ in crores
Net Factor Income from Abroad	15
Net Indirect Taxes	90
Private Final Consumption Expenditure	1,500
Consumption of Fixed Capital	98
Net Export	22
Govt. Final Consumption Expenditure	825

- (a) ₹ 1,139 Crores
- (b) ₹ 1,237 Crores
- (c) ₹ 2,039 Crores
- (d) ₹ 3,022 Crores

193. Consider the following Information:

Particulars	₹ in crores
Private Final Consumption Expenditure`	45
Gross Domestic Fixed Capital Formation	1,575
Subsidy	450
Net Import	90
Change in Stock	135
Net acquisition of Valuable	45
Public Final Consumption Expenditure	22
Income Paid to Abroad	90
Depreciation	135

What is the value of NNP_{FC} (by expenditure method)?

- (a) ₹ 1,957 crores
- (b) ₹ 1,507 crores
- (c) ₹1,462 crores
- (d) None of these

194. The following data is available:

Particulars	₹ in crores
Compensation of employees	2,250
Interest	675
GNP at Factor Cost	46,125
Profit	975
Net Domestic Capital Formation	600
Gross Domestic Capital Formation	(-) 38
Rent	600
Factor Income to Abroad	675

Net Indirect Taxes	225
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What are GDP_{FC} and GDP_{MP}?

- (a) ₹ 4,800 Crores & ₹ 4,575 Crores
- (b) ₹ 4,575 Crores & ₹ 4,800 Crores
- (c) ₹ 6,750 Crores & ₹ 6,825 Crores
- (d) ₹ 6,825 Crores & ₹ 6,750 Crores

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

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

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

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

196. 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 of the above

197. At present, ___ compute State Income estimates and district level estimates.

- (a) All the states only
- (b) All Union territories only
- (c) All The States and Union territories of India
- (d) Central Government

198. _____ is a measure in monetary terms of the volume of all goods and services produced in the State within a given period of time accounted without duplication.

- (a). Net State Domestic Product
- (b) Net State Disposition Product
- (c) Net State Generated Product
- (d) None of the above

199. What is the formula to calculate Per Capital State Income?

- (a) State Income \times Money Multiplier
- (b) State Income \times Money Multiplier/ Year end State Population
- (c) State Income/ Year end State Population
- (d) State Income/ Mid year projected Population of the State

200. The State level estimates are prepared by the State Income Unit of the respective state

- (a) Directorates of Commerce Wing
- (b) Directorates of Economic Affairs
- (c) Directorates of Economic and Statistics
- (d) Directorates of CSO

201. In the preparation of State Level estimates the advice on conceptual and Methodological problems is rendered by _____

- (a) State Statistical Organisation
- (b) State Directorates of Economics and Statistics.
- (c) State Economic Affairs Organisation
- (d) Central Statistical Organisation

202. Which of the following activities is not assigned to a particular State?

- (a) Railways
- (b) Communication
- (c) Banking and Insurance
- (d) All of these

203. Which of the following is part of "Supra-Regional Sectors" of the Economy?

- (a) Railways
- (b) Communications

- (c) Central Government Administration
- (d) All of the above

204. The estimates for "Supra-Regional Activities" are compiled for ____ and allocated to ____\on the basis of relevant indicators

- (a) the States, the Centre
- (b) the economy, the States
- (c) the economy, the Centre
- (d) the States, the States.

205. In the preparation of State Income estimates, certain activities cut across State boundaries and thus their economic contribution cannot be assigned to any one State directly. These sectors of the economy are known as _____

- (a) Super regional sectors
- (b) Supra regional sectors
- (c) State balancing sectors
- (d) Regional sectors

206. Which of the following aspects are excluded in GDP measures?

- (a) Income Distributions
- (b) Quality Improvement in Systems
- (c) Productions hidden from government authorities.
- (d) All of the above.

207. Which of the following is an example of conceptual difficulties related to measurement of National Income?

- (a) Issue of Transfer Payments
- (b) Valuation of Government Ser- vices
- (c) Lack of an agreed definition of National Income.
- (d) All of the above.

208. In 1936, who published the masterpiece "The General Theory of Employment, Interest and Money"?

- (a) John Maynard Keynes
- (b) John Milton Keynes

- (c) Jean Maynard Keynes
- (d) Jean Milton Keynes

209. In which year, the western world had experienced the Great Depression?

- (a) 1928
- (b) 1929
- (c) 1930
- (d) None of these

210. The history of modern micro- economics was revolutionised in 1936 with the publication by John Maynard Kenes. What is the name of that masterpiece?

- (a) General Theory of Government Spending
- (b) General Theory of Employment, Interest and Money
- (c) General Theory of reducing un- employment.
- (d) None of these

211. Which one of following is not the model of Keynesian theory of income determination?

- (a) The one-sector model
- (b) The two-sector model
- (c) The three-sector model
- (d) The four-sector model

212. Which of the following is not a part of "The Three-sector model" of Keynesian theory of income determination?

- (a) Household
- (b) Business
- (c) Government
- (d) Foreign

213. The two-sector model consists of ____sectors.

- (a) Household and Business
- (b) Household and Government
- (c) Business and Government

(d) Government and Foreign

214. Which of the following Statements about Circular Flow is incorrect?

- (a) The circular Flow model demonstrates how money moves through society.
- (b) An economy is an endless circular flow of money
- (c) Money flows from producers to workers as wages and flows back to producers as payment for products.
- (d) All the Statements are correct

215. The two-sector model breaks the economy down into two primary players namely

- (a) Households and corporations
- (b) Corporation and Business
- (c) Business and Government
- (d) Government and Foreign

216. In two sector model, _____ own all factors of production and _____ sell their factor services to earn factor incomes.

- (a) Households, Households
- (b) Households, Corporations
- (c) Corporations, Households
- (d) Corporations, Corporations

217. In two sector model, what is the relationship between total Income produced (y) that accrues to the Households and the disposable personal income (Y_d) of households?

- (a) $Y > Y_d$
- (b) $Y < Y_d$
- (c) $Y = Y_d$
- (d) Either (a) or (b)

218. Which of the following is true is "Circular Flow in a two sector Economy"?

- (a) Factor Payment = Household Income
- (b) Household Income = Household Expenditure

- (c) Total Receipts of Firms = Value of Output
- (d) All of the above

219. As regards "Circular Flow in a Two Sector Economy", ____ refer to the flow of the actual goods or Services while ____ refer to the payment for the Services (wages) or consumption payments.

- (a) Real Flows, Money Flows
- (b) Money Flows, Real Flows
- (c) Real Flows, Circular Flows
- (d) Circular Flows, Money Flows.

220. In a simple two-sector economy, the ex ante aggregate demand (AD) for final goods or aggregate expenditure can be calculated as

- _____
- (a) $AD = C + I$
 - (b) $AD = C + G$
 - (c) $AD = I + G$
 - (d) $AD = C + I + G + (X - M)$

221. In a closed economy, AD is a function of Consumption Expenditure (C) and Investment Expenditure (I) of the two components, which accounts for the highest proportion of the GDP?

- (a) Consumption Expenditure
- (b) Investment Expenditure
- (c) Both have equal proportion
- (d) None of the above

222. Which of the following is the correct expression of the Short-run aggregate demand function?

- (a) $AD = C + I$
- (b) $AD = C + I$
- (c) $AD = C + I$
- (d) $AD = C + I$

223. Which of the following is NOT TRUE about AD in a two-sector economy?

- (a) $AD = \text{Consumption} + \text{Saving}$
- (b) $AD = \text{Consumption} + \text{Investment}$
- (c) AD = Curve has a positive Slope
- (d) AD = Curve Starts from same point about origin.

224. In the Keynesian model, equilibrium aggregate output is determined by

- (a) aggregate demand
- (b) consumption function
- (c) the national demand for labour
- (d) the price level

225. 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

226. Which function expresses the functional relationship between aggregate consumption expenditure and aggregate disposable income?

- (a) Saving Function
- (b) Consumption Function
- (c) Disposable Income Function
- (d) None of these

227. The consumption function is expressed as $C = F(y)$, where Y is disposable income. As per this function, when income is low, consumption expenditure of household will ___ their disposable income and households ____ to purchase consumption goods.

- (a) exceed, save
- (b) exceed, dissave
- (c) be less than, save
- (d) be less than, dissave

228. As per consumption function, if the disposable income increases, consumers will ___their planned expenditure but only by _____than the increase in income.

- (a) increase, less
- (b) increase, more
- (c) decrease, less
- (d) decrease, more

229. Which of the following is the specific form of consumption-Income relationship (termed as consumption Function) as proposed by Keynes?

- (a) $C = a + by$
- (b) $C = a - by$
- (c) $C = a + bl$
- (d) $C = a -bl$

230. The Keynesian assumption is that consumption increase with an increase in disposable income. If the increase in disposable income is 30%, then what may be the increase in consumption?

- (a) Less than 30%
- (b) Equal to 30%
- (c) More than 30%
- (d) Any of the above

231. In the Keynesian Consumption function $C = a + by$, what may be the value of b?

- (a) $b = 0$
- (b) $b = 1$
- (c) $b > 1$
- (d) $0 < b < 1$

232. _____refers to the ratio of consumption expenditure to the corresponding level of total income.

- (a) Average propensity of consume
- (b) Marginal propensity of consume
- (c) Overall propensity of consume

(d) Moderate propensity of consume

233. If 30% of income is not spent on consumption, then what will be the Average propensity to consume?

(a) 30%

(b) 70%

(c) 130%

(d) None of these

234. The ratio of change in consumption expenditure to change in total income is referred to as _____

(a) APC

(b) MPC

(c) Consumption function

(d) None of these

235. Which of the formula is correct to measure Marginal Propensity to consume (MPC)?

(a) C/I

(b) C/Y

(c) $\Delta C/\Delta I$

(d) $\Delta C/\Delta Y$

236. What is the graph of saving function called?

(a) Average Propensity to Save

(b) Marginal Propensity to Save

(c) Unitary Propensity to Save

(d) None of the above

237. Identify which one of the following is Correct?

(a) $MPC + MPS = 1$

(b) $MPC - MPS = 1$

(c) $MPS - MPC = 1$

(d) $MPS + MPS = 0$

238. What will be the value of Average Propensity to Save (APS) When $C = 300$ at $Y = 1,000$?

- (a) 0.3
- (b) 0.7
- (c) 1.3
- (d) 3.1

239. If APS and Y are 0.375 and 1800, then what will be the value of C?

- (a) 375
- (b) 675
- (c) 1,125
- (d) 1,425

240. 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

241. 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

242. 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

243. If the consumption function is expressed as $C = a + bY_d$ then a represents

- (a) autonomous consumer expenditure
- (b) the marginal propensity to consume
- (c) the consumption income relationship
- (d) Non- linear consumption function

244. If the consumption function is $C = 20 + 0.5 Y_d$, then an increase in disposable income by ₹ 100 will result in an increase in consumer expenditure by Rs _____

- (a) 25
- (b) 70
- (c) 50
- (d) 100

245. _____ is the total supply of goods and services which firms in a national economy plan on selling during a specific time period.

- (a) Ex ante Aggregate Supply
- (b) Planned Aggregate Supply
- (c) Projected Aggregate Supply
- (d) Both (a) and (b)

246. Which of the following is correct about Aggregate Supply (AS) ?

- (a) $AS = C + S$
- (b) $AS = C - S$
- (c) $AS = C + I + G$
- (d) $AS = C - I + G$

247. When income rises from 1,000 to 1,100, saving rises by ₹ 40. What are MPS and MPC?

- (a) 0.40 and 0.60
- (b) 0.60 and 0.40
- (c) 1.40 and 1.60
- (d) 1.60 and 1.40

248. The consumption expenditure and investment demand are ₹800 Crores and ₹350 Crores respectively, when income is ₹1,250 Crores. What will be the value of AD, AS and Saving?

- (a) ₹1,250, ₹1150 and ₹450
- (b) ₹1,150, ₹1,250 and ₹450
- (c) ₹1,700, ₹ 2050 and ₹350
- (d) None of these

249. The Saving curve of an economy makes a negative intercept of ₹60 Crores and 30% of additional income is saved. As regards this data, which of the following is correct?

- (a) $C = -60 + 0.3 (y)$
- (b) $C = 60 + 0.7 (y)$
- (c) $S = 60 + 0.3 (y)$
- (d) None of the above

250. If $S = -30 + 0.25 (y)$, then what will be the Consumption Function (c)?

- (a) $C = 30 + 0.25 (y)$
- (b) $C = -30 + 0.75 (y)$
- (c) $C = 30 + 0.75 (y)$
- (d) $C = -30 + 0.25 (y)$

251. If MPC is one third of MPS and consumption income at zero level of national is 38 Crores then which of the following option is correct?

- (a) $C = 38 + 0.25 (y)$
- (b) $C = 38 + 0.75 (y)$
- (c) $S = 38 + 0.25 (y)$
- (d) $S = 38 + 0.75 (y)$

252. Which of the following reflects the equilibrium level of income and output in the Keynesian frame work (under two sector model)?

- (a) Aggregate Demand = Aggregate Supply
- (b) $C+I = C+S$
- (c) $I = S$
- (d) All of the above

253. 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 Rs ____

- (a) 8,000
- (b) 6,000
- (c) 10,000
- (d) None of the above

254. 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 employment level of income

255. 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.

256. 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

257. In determination of equilibrium income under two sector model, the aggregate demand curve is linear and positively sloped indicating that as the level of national income __, the aggregate demand (or aggregate spending) in the economy _____

- (a) rises, falls
- (b) falls, rises
- (c) rises, also rises
- (d) falls, remains constant.

258. According to Keynes, aggregate demand will not always be equal to aggregate supply. Aggregate demand depends on ___ whereas Aggregate supply depends on _____

- (a) Household's plan to consume and to save; producer's plan to produce goods and services.
- (b) Household's plan to produce; producer's Plan to consume.
- (c) Producer's Plan to produce good and services; Household's plan to consume and to save.
- (d) Producer's plan to consume, Household's plan to produce.

259. As per Keynesian model of macro economy, if the aggregate demand is for an amount of output less than the full employment level of output, then we say there is definitely demand. This deficient demand gives rise to

- (a) Deflationary Gap
- (b) Recessionary Gap
- (c) Contractionary Gap
- (d) All of the above.

260. Under Keynesian Theory, _____ is the amount by which actual aggregate demand exceeds the level of aggregate demand required to establish the full employment equilibrium.

- (a) Inflationary Gap
- (b) Deflationary Gap
- (c) Contractionary Gap
- (d) None of these

261. Consider the following data relating to an economy in equilibrium:

Autonomous Consumption = 500

MPS = 0.3

Investment Expenditure = 1000 What is national income?

- (a) 1,500
- (b) 5,000
- (c) 150
- (d) 5,650

262. Given the empirical consumption function $C = 100 + 0.75Y$ and $I = 1000$, what will be the equilibrium level of national income and also the consumption expenditure at this equilibrium level of national income?

- (a) 4400; 3400
- (b) 1100; 850
- (c) 3300; 2150
- (d) None of these

263. The Investment multiplier explains how many times the equilibrium ___ increases as a result of ____

- (a) aggregate expenditure; an increase in autonomous investment
- (b) aggregate income; an increase in Autonomous investment.
- (c) aggregate expenditure; a decrease in investment
- (d) aggregate income; a decrease in investment.

264. The process behind the investment multiplier can be compared to the ___-of water.

- (a) Triple effect
- (b) Ripple effect
- (c) Initial effect
- (d) Double effect

265. Which of the following is the determinant of the value of the investment multiplier?

- (a) MPC
- (b) APC
- (c) TPC
- (d) None of these

266. Higher the _____ more will be the value of multiplier, whereas, higher the _____ lower will be the value of multiplier.

- (a) MPS, MPC
- (b) MPC, MPS
- (c) APS, APC
- (d) APC, APS

267. The value of investment multiplier is the reciprocal of

- (a) APC
- (b) APS
- (c) MPS
- (d) MPC

268. In an economy investment expenditure is increased by ₹ 600 crores and Marginal Propensity to Consume (MPC) is 0.8. What will be the total increase in saving?

- (a) 3000
- (b) 4000
- (c) 600
- (d) 500

269. Suppose in a country investment increases by 320 Crores and consumption is given by $C = 45 + 0.6Y$ (Where C = Consumption and Y = income). How much increases will there take place in income?

- (a) ₹192
- (b) ₹365
- (c) ₹640
- (d) ₹800

270. An increase in investment by Rs 1000 Crores leads to increase in national income by ₹2500 Crore. What will be Marginal Propensity to Consume (MPC)?

- (a) 2.5
- (b) 0.6
- (c) 0.4
- (d) None of these

271. Which of the following formula can be used to find the value of Multiplier (K)?

- (a) $K = \Delta Y / \Delta I$
- (b) $K = 1 / 1 - MPC$
- (c) $K = 1 / MPS$
- (d) Any of the above

272. In an economy, income generated is four times the increase in investment expenditure. The values of MPC and MPS are ___ and ___ respectively.

- (a) 0.75; 0.25
- (b) 0.25; 0.75
- (c) 1.75; 1.25
- (d) None of the above

273. In an economy, the entire increase in income is spent on consumption. What will be the value of multiplier?

- (a) 0
- (b) 1
- (c) Infinity (∞)
- (d) -1

274. In an economy, the actual level of income is 500 crores, whereas, the full employment level of income is 800 crores. If one-fourth of additional income is saved, what should be increase in investment required to achieve full employment level of income.

- (a) 0.25
- (b) 300 crores

- (c) 75 crores
- (d) None of these

275. Consider the following data relating to an economy:

- (a) increase in investment = ₹3,500 Crores**
- (b) 80% of the increase in income is spent on consumption.**

What will be the total increase in income?

- (a) ₹2,800
- (b) ₹7,000
- (c) ₹17,500
- (d) None of these

276. According to the Keynesian theory, the equilibrium level of income in an economy is determined when:

- (a) Aggregate Demand = Aggregate Supply
- (b) Saving = Investment
- (c) Both (a) and (b)
- (d) None of these

277. Which of the following is not considered in three sector model of closed economy?

- (a) Household Consumption
- (b) Desired Business Investment Demand
- (c) Government Sector's Demand for goods and Services
- (d) Foreign Trade

278. In three sector model, there is no foreign trade. Which of the following option is correct in this regard?

- (a) $GDP = \text{National Income}$
- (b) $GDP > \text{National Income}$
- (c) $GDP < \text{National Income}$
- (d) None of these

279. Which of the following is correct as regards the determination of equilibrium national income?

- (a) $AD = AS$
- (b) $AD = Y = AS$
- (c) $C + I + G = C + S + T$
- (d) All are correct

280. $C = 25 + 0.75 Y$, when C is consumption and Y_d is disposable income. What is the size of the multiplier?

- (a) 5
- (b) 4
- (c) 2
- (d) Cannot be determined

281. Consider the following data about a simple economy:

$C = 50 + 0.8Y_d$

$I = 250$ (Investment)

$G = 100$ (Government - Expenditure)

$T = 100$ (Tax)

What will be the equilibrium level of National Income?

- (a) 1200
- (b) 1400
- (c) 1600
- (d) None of these

282. The following Information is available regarding structure model of an economy:

$C = 40 + 0.8Y_d$

$I = 80$

$G = T = 40$

$TR = 15$

Where C = Consumption function

I = Investment

G = Government Expenditure

T = Lump Sum Tax

TR = Autonomous Transfer Payment.

What will be the equilibrium level of income?

- (a) 700
- (b) 610

- (c) 175
- (d) None of these

283. In an economy, the tax has been levied as a function of income with Government expenditure and transfer payments. The following data is available:

Consumption function (C) = 400 + 0.75 (Y-T + TR)

Investment (I) = 750

Government Expenditure (G) = 380

Tax (T) = 84 + 0.2Y Autonomous Transfer Payment (TR) = 200

What is the equilibrium level of income?

- (a) 4002.50
- (b) 4042.50
- (c) 4152.50
- (d) 4582.50

284. In the four sector model, which of the following additional flow is considered as compared with three sector model?

- (a) Exports
- (b) Imports
- (c) Net Capital Inflow
- (d) All of the above

285. Which of the following indicates the aggregate demand or the total planned expenditure of consumers, investors, governments and foreigners (Net exports) at each income level?

- (a) $C + Y + G + (X + M)$
- (b) $C + I + \text{Tax} + \text{TR}$
- (c) $C + I + G + (X - M)$
- (d) None of these

286. In the determination of equilibrium level nation income, which of the following is correct?

- (a) $Y = C + I + G + (X - M)$
- (b) $C = a + b (Y - T)$
- (c) $M = \bar{M} + mY$
- (d) All of the above

287. In four sector model, which of the following formula is used to calculate Foreign trade Multiplier, if b & m refer to marginal propensity to consume and Marginal propensity to import?

- a) $1/1-b-m$
- b) $1/1+b-m$
- c) $1/1-b+m$
- d) $1/1+b+m$

288. Consider the following:

Consumption function (C) = $40 + 0.8Y(d)$

T = $0.1Y$

I = 60 crores

G = 40 Crores

X = 58

M = $0.05Y$

What will be the equilibrium level of income?

- (a) 800 crores
- (b) 603 crores.
- (c) 545 crores
- (d) None of these

289. $C = 60 + 0.9Y(d)$

I = 10

M = $10 + 0.05Y$

What is Foreign Trade Multiplier?

- (a) 0.98
- (b) 3.97
- (c) 6.66
- (d) None of these

290. Equilibrium income (Y) = 600

Exports (x) = 20

Imports (M) = $10 + 0.05Y$

Calculate Trade Balance.

(a) Surplus (20)

(b) Deficit (20)

(c) Surplus (30)

(d) Deficit (30)

1	a	2	d	3	b	4	d	5	a	6	a	7	b
8	d	9	a	10	c	11	a	12	b	13	b	14	a
15	c	16	a	17	a	18	a	19	b	20	a	21	b
22	b	23	a	24	b	25	b	26	b	27	a	28	d
29	a	30	b	31	b	32	c	33	b	34	a	35	a
36	a	37	b	38	b	39	a	40	d	41	a	42	b
43	c	44	a	45	b	46	d	47	b	48	a	49	a
50	c	51	b	52	a	53	c	54	a	55	a	56	a
57	b	58	d	59	a	60	c	61	d	62	c	63	a
64	a	65	d	66	d	67	d	68	a	69	c	70	a
71	b	72	c	73	c	74	d	75	a	76	a	77	b
78	c	79	c	80	d	81	c	82	a	83	c	84	b
85	a	86	d	87	b	88	a	89	c	90	c	91	a
92	c	93	b	94	c	95	c	96	d	97	a	98	d
99	b	100	d	101	c	102	c	103	a	104	b	105	c
106	d	107	a	108	d	109	a	110	a	111	b	112	a
113	b	114	b	115	a	116	d	117	c	118	c	119	d
120	c	121	b	122	b	123	a	124	a	125	c	126	d
127	b	128	c	129	c	130	c	131	b	132	b	133	d
134	b	135	c	136	c	137	c	138	b	139	b	140	b
141	b	142	d	143	d	144	c	145	c	146	b	147	b
148	d	149	d	150	b	151	b	152	a	153	c	154	c
155	d	156	a	157	b	158	d	159	a	160	d	161	d
162	d	163	b	164	a	165	b	166	b	167	c	168	c
169	a	170	d	171	c	172	c	173	d	174	d	175	b
176	a	177	b	178	d	179	d	180	b	181	c	182	b
183	c	184	b	185	b	186	b	187	d	188	d	189	c
190	c	191	a	192	c	193	a	194	b	195	b	196	d
197	c	198	a	199	d	200	c	201	d	202	d	203	d
204	b	205	b	206	d	207	d	208	a	209	c	210	b
211	a	212	d	213	a	214	d	215	a	216	a	217	c
218	d	219	a	220	a	221	a	222	c	223	a	224	a
225	b	226	b	227	b	228	a	229	a	230	a	231	d
232	a	233	b	234	b	235	d	236	b	237	a	238	b
239	c	240	c	241	a	242	b	243	a	244	c	245	d
246	a	247	a	248	b	249	b	250	c	251	a	252	d
253	c	254	c	255	b	256	c	257	c	258	a	259	d
260	a	261	b	262	a	263	b	264	b	265	a	266	b
267	c	268	c	269	d	270	b	271	d	272	a	273	c
274	c	275	c	276	c	277	d	278	a	279	d	280	b
281	c	282	a	283	b	284	d	285	c	286	d	287	c
288	b	289	c	290	b								

Chapter 7: Public Finance

1) Which of the following is covered under the scope of public finance?

- a) Public Revenue & Public Expenditure
- b) Public Debt
- c) Financial Administration (To Control) processes and operations of public revenue, public expenditure and public debt
- d) All of the above

2) Which of the following is not correct about public finance ?

- a) Public Finance aims at increasing social welfare along with economic gains
- b) Public Budgets are always prepared for a year
- c) A public authority can use corrective method to realize its revenue
- d) All of the above

3) Macroeconomic stabilization may be achieved through

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

4) Which one of the following is the main macroeconomic goals of any nation?

- a) Economic growth
- b) High Levels of Employment
- c) Stable prices
- d) All of the above

5) Which of the following is not an economic system?

- a) Oligopoly
- b) Capitalism
- c) Socialism
- d) Mixed Economy

6) Who is often regarded as bold advocate of free markets and minimal government activity?

- a) Marshall
- b) Adam Smith
- c) Both
- d) None

7) Who has introduced three branch taxonomy of the role of government in a market economy in the book " The Theory Of Public Finance"?

- a) Adam Smith
- b) J.B Say
- c) J.M Keynes
- d) Richard Musgrav

8) Which of the following is primarily a macroeconomic function?

- a) Allocation Function
- b) Income Re-distribution
- c) Stabilization
- d) All of the above

9) In Public Finance, which one of the following is related with the function to ensure price stability?

- a) Resource Allocation
- b) Income Re-distribution
- c) Macroeconomic Stabilization
- d) All of the above

10) The function of the government "to ensure efficiency" is executed through_____

- a) Resource Allocation
- b) Income Re-distribution
- c) Macroeconomic Stabilization
- d) None of the above

11) Which of the following is not correct as regards the allocation function?

- a) It refers to the way in which the available resources are allocated among the various users to which they might be put
- b) It determines how much of the various kinds of goods and services will actually be produced in an economy
- c) It is a critical problem as resources are limited in supply and have alternate uses
- d) All of the above are correct

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

- a) Resource Allocation
- b) Income Re-distribution
- c) Macroeconomic Stabilization
- d) None of the above

13) The justification of government intervention is best described by:

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

14) The allocative function in budgeting determines_____

- a) Who and what will be taxed?
- b) The process by which the total resources of the economy are divided among various uses
- c) The level of involvement of the public sector in the national economy
- d) All of the above

- 15) Which of the following is not allocation instruments by which government can influence resource allocation in the economy?**
- a) The government can directly produce an economic good (like electricity, public transport etc)
 - b) The government may direct resource allocation through incentives and disincentives.
 - c) The government may influence allocation through legislation and force (like ban of single use plastic goods)
 - d) Employment reservation and preferences to protect certain segments of the population
- 16) Redistribution policies are likely to have efficiency costs because Market**
- 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
- 17) 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
- 18) 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
- 19) 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
- 20) The redistribution measures should be accomplished with ____ efficiency costs by care- fully balancing ____ objectives.**
- a) minimal, equity and efficiency
 - b) minimal, equity and taxation
 - c) maximizing, equity and efficiency
 - d) maximizing equity and taxation
- 21) The distributive function of budget is related to which of the following basic questions**
- a) "For whom" should an economy produce
 - b) "By whom" should an economy produce
 - c) Both (a) & (b)
 - d) Neither (a) nor (b)

22) The Government can redistribute income and wealth through

- a) Expenditure side of the budget
- b) Revenue side of the budget
- c) Either (a) or (b)
- d) None of these

23) When the redistribution function is done by Government through revenue side, then which of the following method is adopted?

- a) Free or subsidized education
- b) Healthcare
- c) Progressive Taxation
- d) Flat rate of Taxation

24) Which of the following is not adopted when redistribution function is done on the expenditure side?

- a) Progressive Taxation
- b) Subsidized Education
- c) Subsidized healthcare
- d) Free basic goods to deserving people

25) In exercising the redistributive function, there would be a conflict between _____ and _____

- a) Efficiency and effectiveness
- b) Equity and effectiveness
- c) Efficiency and equity
- d) None of the above

26) Effective demand is determined by the level of income of the households and this, in turn determines the distribution of _____ among-people.

- a) Real Output
- b) Nominal Output
- c) Total Output
- d) None of the above

27) The distributive function also relates to the manner in which the _____ over _____ is divided among the various individual and family spending unit of the society.

- a) National Demand, economic goods
- b) Effective demand. Economic goods
- c) National Demand, non-economic goods
- d) Effective Demand, non-economic goods

28) Which of the following is an objective of distribution function?

- a) Redistribution of income to achieve an equitable distribution of societal output among households
- b) Advancing the well-being of those members of the society who suffer from deprivations of different types
- c) Providing equality of income, wealth and opportunities
- d) All of the above

29) Which of the following is not an example of redistribution function?

- a) Progressive taxation of the rich along with subsidy to poor
- b) Special schemes for backward regions
- c) Unemployment-benefits and transfer payments to provide support to underprivileged people
- d) Production of goods like electricity by the Government

30) 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 center
- d) None of the above

31) Macroeconomic stability is said to exist when an economy's:

- a) Output matches its production capacity
- b) Total Spending matches its total output
- c) Labour resources are fully employed and inflation is low & stable
- d) All of the above

32) The theoretical rationale for the stabilization function is that a market economy does not automatically generate full employment and price stability. Who has given this proposition?

- a) Keynesian
- b) Hicksian
- c) Marshallian
- d) None of these

33) The government and the country's central bank promote full employment and price stability through which of the following policy?

- a) Fiscal policy
- b) Monetary Policy
- c) Both (a) & (b)
- d) Neither (a) nor (b)

34) The stabilization issue also becomes more complex due to _____

- a) Contagion effect
- b) Contraction effect
- c) Expansion effect
- d) Recession effect

35) The increased international interdependence and financial integration causes forces of instability to get easily transmitted from one country to other countries. What is this called?

- a) Contagion effect
- b) Contraction effect
- c) Expansion Effect
- d) Recession Effect

36) The stabilization function is concerned with the performance of the aggregate economy in terms of

- a) labour employment and capacity utilization
- b) general price levels
- c) the rate of economic growth
- d) all of the above

37) The government stabilization intervention may be through which of the following?

- a) Monetary Policy
- b) Fiscal policy
- c) Monetary Policy as well as fiscal policy
- d) None of these

38) 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

39) 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.

40) Which of the following fiscal policy is adopted to alleviate recession?

- a) Expansionary
- b) Contractionary
- c) Both (a) & (b)
- d) Neither (a) nor (b)

41) The Contractionary fiscal policy is resorted to _____

- a) Alleviate recession
- b) For controlling high inflation
- c) For increasing general price level
- d) None of these

42) If there is high inflation, then which of the following action is taken by the government?

- a) Decrease government spending
- b) Raise taxes
- c) Reduce money supply
- d) Any one/more of the above

- 43) As a part of its policy the government has increased its spending, reduced the taxes and also increased the money supply. This fiscal policy is adopted in which of the following situations:**
- a) Very high inflation
 - b) High employment
 - c) High unemployment
 - d) High inflation
- 44) The Monetary policy works through controlling _____**
- a) The size of money supply
 - b) The interest rate in economy
 - c) Both (a) and (b)
 - d) None of these
- 45) Fiscal Federalism refers to**
- a) Organizing and implementing development plans
 - b) Sharing of political power between centers and states
 - c) The management of fiscal policy by a nation
 - d) Division of economic functions and resources among different layers of the government
- 46) 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
- 47) Who has introduced the term "Fiscal Federalism"?**
- a) Richard Musgrave
 - b) Robin Musgrave
 - c) Starlin Musgrave
 - d) None of the above
- 48) India is a federation of ____ States and ____ union territories.**
- a) 29,9
 - b) 28,9
 - c) 29,8
 - d) 28,8
- 49) In terms of fiscal federalism, introduced by Musgrave _____ functions should be the responsibility of Central Government and State government & local govt. should be responsible for _____**
- a) Allocation of resources, Economic Stabilization
 - b) Economic Stabilization & income distribution, allocation of resources
 - c) Stabilization & allocation, income distribution
 - d) None of these
- 50) Which of the following Article of the constitution demarcates the powers of the union and the state by classifying their powers into three lists?**
- a) Article 244
 - b) Article 245
 - c) Article 246
 - d) Article 247

51) Which of the following items are contained in the contained in the concurrent list?

- a) Items on which the union parliament alone can legislate
- b) Items on which the State legislative assemblies alone can legislate
- c) Items on which both the parliament and the legislative assemblies can legislate
- d) None of the above

52) In India, Taxes are levied by the:

- a) Centre only
- b) States only
- c) Centre as well as States
- d) Parliament only

53) On which of the following items, the State Government cannot levy taxes?

- a) Lands and Buildings
- b) Electricity
- c) Vehicles
- d) Capital Value of assets

54) Which of the following is not a subject matter of levy of tax by the Union Government?

- a) Taxes on income (Others than agricultural Income)
- b) Corporate Tax
- c) Toll Tax
- d) Security Transaction Tax

55) Which Article provides for an institutional mechanism, namely the Finance commission, for recommending the sharing of taxes?

- a) Article 277
- b) Article 278
- c) Article 279
- d) Article 280

56) 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

57) 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 de- centralization among different states**

- a) I and II are correct
- b) II and III are correct
- c) I, II and III are correct
- d) All of the above are correct

- 58) 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
- 59) The percentage of share of states in central taxes for the period 2021-26 recommended by the Fifteenth Finance Commission is:**
- a) 38 per cent
 - b) 41 per cent
 - c) 42 per cent
 - d) The commission has not submitted its report
- 60) 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
- 61) On which date, the GST was rolled out across the country?**
- a) 1st April, 2017
 - b) 1st July, 2017
 - c) 1st January, 2018
 - d) 1st July, 2018
- 62) For any particular good or service or a combination of the two, what is the ratio of SGST and CGST?**
- a) Equal
 - b) 60% CGST & 40% SGST
 - c) 40% CGST & 60% SGST
 - d) None of the above
- 63) 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
- 64) GST compensation is given:**
- 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
- 65) 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 legislatures 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

- 66) Which of the following government is/are entrusted with the responsibility of providing public utility services such as water supply and sanitation, local roads, electricity, etc.?**
- a) Central Government
 - b) State Government
 - c) Local Self government (Municipalities and Panchayats)
 - d) All of the above
- 67) Which one of the following is not the responsibility of Central Government?**
- a) Defense
 - b) Foreign Affairs
 - c) Money and Banking
 - d) Health and Education
- 68) '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
- 69) 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
- 70) Which of the following State of allocation of resources in an economy is described as market failure?**
- a) Inefficient allocation
 - b) Efficient allocation
 - c) No allocation
 - d) None of the above
- 71) Which of the following is incorrect as regards Market failure?**
- a) Inefficient allocation of resources
 - b) Market is not working at all
 - c) Free market leads to overproduction or underproduction of particular goods or services
 - d) All of the above
- 72) What is the type of market failure when the market does not supply products at all despite the fact that such products and services are wanted by people?**
- a) Complete market failure
 - b) Partial Market failure
 - c) Appropriate Market failure
 - d) Misappropriate Market failure
- 73) Which of the following is not a type of market failure?**
- a) Complete market failure
 - b) Partial Market failure
 - c) Both (a) and (b)
 - d) Systematic market failure

74) Which of the following is true about partial market failure?

- a) Market does actually function
- b) Market produces either wrong quantity of product or at wrong price.
- c) There is loss of economic welfare
- d) All of the above

75) Which of the following is not a part of major reasons for market failure?

- a) Market power & Externalities
- b) Public Goods
- c) Incomplete Information
- d) Non-functioning of market at all

76) 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

77) 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

78) Market power or monopoly power is the ability of a firm to profitably raise the _____ of a good or service over its _____

- a) Marginal price, market cost
- b) Market price, marginal cost
- c) Production, Capacity to produce
- d) Marginal production, actual capacity

79) In a particular type of market failure, the single producer or a small number of producers restrict output and change price higher than what would prevail under perfect competition. This situation is caused due to _____

- a) Market power
- b) Externalities
- c) Public goods
- d) Incomplete information

80) As a reason of market failure, the externalities will have effect.

- a) Positive
- b) Negative
- c) Either (a) or (b)
- d) No

81) When a consumption or production activity has an indirect effect (either positive or negative) on consumption or production activities of other and such effects are not reflected directly in market prices, then what is this called?

- a) Internality
- b) Externality
- c) Market power
- d) All of the above

82) Which of the following is synonymous to the term "Externalities"?

- a) Spillover Effects
- b) Neighborhood Effects
- c) Third party or side effects
- d) All of the above

83) Which of the following happens in negative externalities?

- a) When the action of one party imposes costs on another party
- b) When the action of one party Confers benefits on another party
- c) When sale of entire industry increases due to single party
- d) None of these

84) Which one of the following is incorrect about the term "externalities" in relation to market failure?

- a) Externalities are costs which are reflected in free market prices
- b) Externalities are also referred to as third party effects
- c) Negative externalities occur when the action of one party imposes costs on another party
- d) Positive externalities occur when the action of one party confers benefits on another party

85) A factory, which produces aluminum, discharges untreated waste water into a nearby river and pollutes the water causing health hazards for people who use the water for drinking and bathing. What type of externality is this?

- a) A negative production externality in consumption
- b) A negative production externality in production
- c) A positive production externality in consumption
- d) Negative production externalities

86) Smoking in public is a case of:

- a) Negative consumption externality
- b) Negative production extend
- c) Internalizing externality
- d) None of the above

87) Which of the following statement 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 underproduced and under consumed through the market mechanism

88) 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

89) 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

90) Which of the following is not the instance of negative consumption externalities affecting production?

- a) Act of undisciplined students creating disturbance in the class
- b) Excessive consumption of alcohol causing impairment in efficiency for work
- c) Playing radio loudly obstructing one from enjoying a concert
- d) None of the above

91) Which of the following is part of private cost incurred by the firm?

- a) Wages
- b) Raw Materials
- c) Heating and Lighting
- d) All of these

92) What is the correct relationship between social cost and private cost?

- a) Social cost = Private cost – External Cost
- b) Social cost = Private cost + External Cost
- c) Private cost = Social Cost + External Cost
- d) External Cost = Social Cost + Private Cost

93) 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

94) 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

95) Which economist developed the theory of public goods?

- a) Paul A. Samuelson
- b) Jean Baptist Say
- c) J.R. Hicks
- d) None of these

96) A public good is also called as _____

- a) Collective Consumption goods
- b) Social goods
- c) Both (a) and (b)
- d) None of above

97) Which of the following is the right argument for provision of public good by government?

- a) Governments have 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

98) 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

99) What is the name of the paper in which Paul A. Samuelson introduced the concept of "collective consumption good"?

- a) The pure theory of public expenditure
- b) The Abstract theory of public Expenditure
- c) The applied theory of public Expenditure
- d) The Empirical theory of public Expenditure

100) 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

101) 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.

102) Which of the following is NOT an example of public goods?

- a) Food items
- b) Clothing
- c) Movie Ticket
- d) All of the above

103) When it is possible to prevent consumers who have not paid for them for consuming them, then these are called as:

- a) Excludable Goods
- b) Non-Excludable Goods
- c) Preventive Goods
- d) Includable Goods

104) By which of the following issues, Public goods are generally more vulnerable?

- a) Externalities
- b) Inadequate property rights
- c) Free rider problems
- d) All of the above

105) In case of which goods, "free-riding" mostly occurs?

- a) Private goods
- b) Public goods
- c) Personal goods
- d) Secret goods

106) In case of which goods, market failure occurs?

- a) Private goods
- b) Public goods
- c) Personal goods
- d) Secret goods

107) The purchase and consumption of a private goods by one individual prevents another individual from consuming it. Therefore consumption of private goods is known as _____

- a) Rivalrous
- b) Non-Competitive
- c) Demonstrative
- d) Non-Rivalrous

108) In case of pure public goods, which of the following statement is correct?

- a) Payment is made by consumer
- b) No direct payment by consumer is involved
- c) All consumers have to pay individually
- d) None of the above

109) Which of the following is not an example of public good?

- a) National Defense
- b) Highway
- c) Public Education
- d) Clothing

110) Which of the following leads to problem of free-riding?

- a) The absence of excludability in the case of public goods
- b) The tendency of people to act in their own self interest
- c) Both (a) & (b)
- d) None of these

111) Complete information is an important element of a competitive market. Perfect information implies that ____ have complete information about anything that may influence their decision making.

- a) Buyers
- b) Sellers
- c) Both Buyers & sellers
- d) Government

112) Why the assumption of perfect information to buyers and sellers is not fully satisfied in real markets?

- a) Complexity of products and services
- b) Difficulty of getting correct information
- c) Deliberate misinformation by interested parties
- d) All of the above

113) 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

114) There may be an imbalance in information between the buyer and the seller i.e. when the buyer knows more than the seller or the seller knows more than the buyer. This situation may be referred to as

- a) Symmetric Information
- b) Asymmetric Information
- c) Adequate information
- d) Improper information

115) Which of the following is an example of Asymmetric information?

- a) The landlords know more about their properties than the tenants
- b) Health insurance buyers know more about their state of health than the insurance companies
- c) A used-car seller knows more about the vehicle quality than the buyer
- d) All of the above

116) Which of the following is a central concept related to the problem of information gaps in many markets?

- a) Adverse selection
- b) Moral Hazard
- c) Both (a) & (b)
- d) None of these

117) Who has developed "lemons problem" in relation to the used car market?

- a) George Martin
- b) George Akerlof
- c) George Akin
- d) None of these

118) 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

119) 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

120) The Government has intervention mechanism for combating market failure so as to ensure greater welfare to the society. How does the Government insure a well functioning market?

- a) By creating the necessary physical infrastructure
- b) By provision of institutional infrastructure
- c) By ensuring an appropriately framed competition and consumer law framework that regulates the activities of firms and individuals in their market exchanges
- d) All of the above

121) 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

122) To minimise market Power, the government intervenes through which of the following measures?

- a) Controls on mergers and acquisitions
- b) Price capping, price regulation, Profit or rate of return regulation and nationalisation
- c) Patronage to consumer associations, tough investigations into cartelisation and unfair practices and reduction in import controls
- d) All of the above

123) The most commonly referred negative externality is:

- a) Pollution
- b) Air Pollution
- c) Water Pollution
- d) Noise Pollution

124) Which of the following is the Government initiative towards negative externalities through direct controls?

- a) Licensing and Production quotas
- b) Complete ban on smoking at public places
- c) Mandatory to install pollution abatement mechanism by the polluting firms
- d) All of the above

125) What are Pigouvian taxes?

- a) Pollution Taxes
- b) Corruption Levy Tax
- c) Penalty an over/under production
- d) Anti-profiteering tax

126) What is the problem in administrating an efficient pollution tax?

- a) Requirement of complex and costly administrative procedure
- b) Insignificant effect in case of in elastic goods
- c) Negative consequences on employment and investments
- d) All of the above

127) When positive externalities are present, government may attempt to solve the problem through which of the following subsidy?

- a) Corrective subsidies to the PRODUCERS aimed at increasing the supply of the good
- b) Corrective subsidies to CONSUMERS aimed at increasing the demand for the good.
- c) Both (a) and (b)
- d) None of the above

128) In the case of products and ser- vices whose externalities are vastly positive, the government enters the market directly as an entrepreneur to produce and provide them. Which of the following is an example in this regard?

- a) Public Education
- b) Health Care
- c) Fundamental Research
- d) None of the above

129) Which of the following cannot be regarded as merit goods?

- a) Education
- b) Health care
- c) Welfare services
- d) Intoxicating drugs

130) Identify the Incorrect statement.

- a) Merit goods have substantial positive externalities
- b) Merit goods are socially undesirable
- c) Merit goods have direct relation with social welfare
- d) Public libraries, museum and public parks are the examples of merit goods

131) Which of the following is an example of Government intervention in case of merit goods?

- a) Compulsory use of Helmets & Seat belts
- b) Mandatory to avail insurance protection
- c) Compulsory Immunization
- d) All of the above

132) 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 of the above

133) 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

134) 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

135) If governments make it compulsory to avail insurance protection, it is because

- a) Insurance companies need to be running profitable
- 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

136) 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

137) Which of the following is not an example of Demerit goods?

- a) Cigarettes
- b) Alcohol
- c) Medical use of Alcohol
- d) Intoxicating drugs

138) Demerit goods are goods which are believed to be:

- a) Socially desirable
- b) Socially Undesirable
- c) Having positive externalities
- d) None of above

139) Which of the following can be used by the Government to correct market failure resulting from demerit goods?

- a) Complete ban on demerit goods
- b) Prohibit the advertising or promotion of demerit goods
- c) Regulatory controls in the form of spatial restrictions
- d) Fixation of maximum price for demerit goods

140) Direct provision of a _____ by the government can help to overcome the free-rider problem which leads to market failure.

- a) Public goods
- b) Private goods
- c) Demerit goods
- d) Goods with negative externalities

141) Which of the following are PUBLIC goods that is invariably provided by the government?

- a) Fire protection
- b) Disease prevention
- c) Defense
- d) All of the above

142) There are some goods which are produced and consumed as public goods and services despite the fact that they can be produced or consumed as private goods. Which of the following is not an example of such goods?

- a) Scientific approval of drugs
- b) Production of strategic products such as atomic energy
- c) Provision of securities at airport
- d) Maintenance of Public Parks

143) Which of the following is Not a price intervention in the form of price controls by the Government?

- a) Fixation of minimum wages
- b) Rent controls
- c) Price floor or price ceiling
- d) Pollution taxes

144) With the objective to provide guaranteed steady and assured incomes to farmers, which scheme has been initiated by the Government in this regard?

- a) MSP
- b) MPS
- c) VSP
- d) TSP

145) With the objective of ensuring stability in prices and distribution, governments often intervene in grain markets through:

- a) Building and maintenance of Buffer stocks
- b) Price ceilings
- c) Price floor
- d) None of the above

146) Which of the following cannot be regarded as example of government's intervention for correcting information failure?

- a) Mandatory price tag on products indicating maximum, retail price
- b) Mandatory to have accurate labelling and content disclosures
- c) Regulation of advertising and setting of advertising standards
- d) Public dissemination of information to improve knowledge

147) Which of the following is common policy intervention by the government to redistribute incomes?

- a) Progressive Income Tax
- b) Targeted budgetary allocations
- c) Unemployment compensation
- d) All of the above

148) Government failure occurs when

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

149) In Order to bring equity and fair-ness in the society, the government intervenes to redistribute incomes. Which one of the following is NOT an example of such policy?

- a) Social Security Schemes
- b) Job reservations
- c) Unemployment Compensation
- d) Setting advertising standards to make advertising more responsible, information and less persuasive

150) Who among the following presented the first Indian Union Budget on February 18, 1869 after Indian Budget was introduced on April 7, 1860 by the East India Company?

- a) Mr. Lord Dalhousie
- b) Mr. William Bentick
- c) Mr. James Wilson
- d) None of these

151) Who is honored as Father of Indian Budget?

- a) R. K. Shanmukham Chethy
- b) Mr. Hugh Dalton
- c) Mr. John Mathai
- d) Mr. P.C. Mahalanobis

152) Which Article of the Constitution of India requires the Government to present Union budget?

- a) Article 111
- b) Article 112
- c) Article 113
- d) Article 114

153) Who has presented the budget for the maximum number of times?

- a) Morarji Desai
- b) P. Chidambaram
- c) Pranab Mukherjee
- d) Yashwant Sinha

154) _____ of the Indian Constitution defines the Finance Bill as a Money Bill.

- a) Article 108
- b) Article 109
- c) Article 110
- d) Article 111

155) Who is the first woman to hold the post of the finance minister of India?

- a) Indira Gandhi
- b) Sucheta Kriplani
- c) Nandini Satpathy
- d) Anwara Taimur

156) The Finances of the government of India have traditionally been controlled by:

- a) Ministry of Finance
- b) Home Ministry
- c) President of India
- d) Prime Minister of India

157) The budget is the prepared by Ministry of Finance in consultation with_

- a) Finance commission
- b) Niti Aayog
- c) Relevant Ministry
- d) Both (b) & (c)

158) The Budget must be presented and approved by _____ before the beginning of the fiscal year (April to March 31).

- a) Lok Sabha
- b) Rajya Sabha
- c) State legislative
- d) Both houses of parliament

159) Which Article of the Constitution provides that in respect of every financial year. The "President" shall cause to be laid before both the houses of parliament an annual financial Statement?

- a) Article 111
- b) Article 112
- c) Article 113
- d) None of these

159) Which Article of the Constitution provides that in respect of every financial year. The "President" shall cause to be laid before both the houses of parliament an annual financial Statement?

- a) Article 111
- b) Article 112
- c) Article 113
- d) None of these

160) Which of the following is not considered as a part of the Budgetary procedures:

- a) Preparation of Budget
- b) Presentation and enactment of the budget
- c) Execution of the budget
- d) Collection of taxes & other revenue.

161) 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

162) The union budget is usually presented on:

- a) 1st January
- b) 31st January
- c) 1st February
- d) 28th February

163) Although the budget is presented on 1st February but the process of budget preparation commenced in _____ of the previous year.

- a) August - September
- b) September - October
- c) October - November
- d) November - December

164) The budget division of which ministry prepares a comprehensive schedule for carrying out the budget preparation activities?

- a) Ministry of Industry
- b) Ministry of Finance
- c) PMO
- d) None of the above

165) Broadly, the budget documents depict information relationships as to receipts and expenditure for _____ years.

- a) Strictly one year
- b) Usually one year
- c) Two Years
- d) More than two years

166) Who makes a detailed budget speech at the time of presenting the budget before the Lok Sabha?

- a) Prime Minister
- b) President
- c) Finance Minister
- d) Governor (RBI)

167) The budget speech reveals the details of the proposals for the new financial year regarding of the government.

- a) Taxation
- b) Borrowings
- c) Expenditure plans
- d) All of the above

168) Traditionally, the finance ministers carried the budget in a leather briefcase. Who broke this tradition by carrying the budget in a Bahi khata?

- a) Morarji Desai
- b) P. Chidambaram
- c) Nirmala Sitharaman
- d) None of these

169) Which of the following is a part of Annual Financial Statement?

- a) Consolidated fund
- b) Contingency fund
- c) Public Account
- d) All of the above

170) Which of the following is/are charged on the consolidated fund of India but are not subject to the vote of parliament?

- a) Emoluments and allowances of the President of India
- b) Emoluments of Judges of Supreme Court
- c) Emoluments of High Ranking personnel of Constitutional bodies across India
- d) All of the above

171) By convention in an election, year the budget may be presented:

- a) Once as a full fledged budget
- b) First to secure a vote on account for few months followed by the full fledged budget
- c) First full budget is presented for few months followed by vote on account for period after election
- d) No Budget is presented till the new Government takes charge

172) Which of the following is a statement submitted along with the bud. get 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

173) The union budget is laid on the table of the Rajya Sabha soon after presentment in Lok Sabha. Which of the following is true about Rajya Sabha?

- a) Rajya Sabha does not vote on the demand for grants
- b) In Rajya Sabha there is general discussion on the budget
- c) In Rajya Sabha, same Procedure is followed as that of Lok Sabha
- d) Both (a) & (b)

174) In how many days of its intro- duction, pass the parliament has to pass the finance Bill?

- a) Within 50 days
- b) Within 60 days
- c) Within 75 days
- d) Within 80 days

175) On the last day of the days allot- ted for discussion on the demands for grants, the speaker put all the outstanding demands for grants to the vote of the house. What is this process called?

- a) Budgeting
- b) Appropriation
- c) Guillotine
- d) None of these

176) After the finance bill has been passed by the lok Sabha:

- a) It is transmitted to Rajya Sabha for its APPROVAL
- b) It is transmitted to Rajya Sabha for its RECOMMENDATIONS
- c) It is transmitted to office of PM for APPROVAL
- d) It is transmitted to office of president for Recommendations

177) From which year, the date of presentation of budget has been advanced of 1st February?

- a) 2015-16
- b) 2016-17
- c) 2017-18
- d) 2018-19

178) As a part of Budgetary reform, the railway budget was merged with the general budget. It has been implemented from the budget for financial year:

- a) 2016-17
- b) 2017-18
- c) 2018-19
- d) None of these

179) 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

180) The Department of Revenue of the Ministry of Finance exercises control in respect of the revenue matters relating to

- a) Direct taxes
- b) Indirect taxes
- c) Both (a) & (b)
- d) Direct and Indirect Union Taxes

181) What is the statutory board through which the Department of Revenue exercises control in respect of Matters relating to all the direct and indirect union taxes?

- a) CBDT
- b) CBEC
- c) CBDT & CBEC
- d) CBDT & CBIC

182) As regards levy and collection, which of the following taxes fall with in the purview of CBIC?

- a) GST
- b) GST and Customs
- c) GST, Customs & Centre excise Duties
- d) All direct taxes

183) 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

184) Which of the following is NOT a part of revenue receipts of the Government?

- a) Tax Revenue
- b) Non-Tax revenue
- c) Debt receipts
- d) All of the above

185) Which of the following is NOT a part of non-tax revenues of the Government?

- a) Interest receipts
- b) Dividends and profits from public sector enterprises
- c) Receipts of Union Territories
- d) Recovery of loans and advances

186) 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

187) 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

188) 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

189) 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

Instruction: Read the following and answer the questions 190 to 192

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)	Payment towards subsidies	3.2
(f)	Other receipts (mainly from disinvestment)	11.6
(g)	Tax revenue (net of states' shares)	26.3
(h)	Non-tax revenue	12.3
(i)	Borrowings and other liabilities	6.8
(j)	States' share in tax revenue	11.9

190) The capital receipts are:

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

191) Revenue deficit is:

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

192) The non-debt capital receipts of this country is:

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

193) Receipts from disinvestments will be covered under which of the following categories of receipts?

- a) Capital receipts
- b) Revenue receipts
- c) Cash receipts
- d) Accrued income receipts

194) _____are receipts of the government which create liabilities or reduce finance assets, e.g., market borrowing, recovery of loans, etc.

- a) Revenue Receipts
- b) Capital Receipts
- c) Donations to Government
- d) Revenue from export

195) The Government receipts which neither create asset nor reduce any liability are called as

- a) Revenue Receipts
- b) Capital Receipts
- c) Deferred Receipts
- d) Progressive Receipts

196) Which of the following is a non- tax revenue of the government?

- a) Income tax
- b) Dividend Income
- c) Corporation tax
- d) None of these

197) 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

198) Salaries, subsidies and interest payments are part of _____ in union budget.

- a) Indirect Expenditure
- b) Revenue Expenditure
- c) Direct Expenditure
- d) Capital Expenditure

199) If an expenditure by the Government of India results in either creation of physical assets or reduction in financial liabilities, then what is the expenditure called?

- a) Union Expenditure
- b) National Expenditure
- c) Revenue Expenditure
- d) Capital Expenditure

200) Which of the following denotes short-term cost related assets that are not capitalized?

- a) Revenue Expenditure
- b) Planned Expenditure
- c) Capital Expenditure
- d) None of these

201) Which of the following will NOT be the effect of unproductive public expenditure?

- a) Larger deficits
- b) Higher economic growth
- c) Higher level of taxation
- d) Greater debt burden in the future

202) Which department of the minis. e is the nodal department for overseeing the public financial management system in the Central Government?

- a) Department of Revenue
- b) Department of Taxation
- c) Department of Expenditure
- d) Department of Revenue and Expenditure

203) Which of the following comes under the responsibility of the Department of Expenditure?

- a) Implementation of recommendation of finance commission
- b) Monitoring of audit comments/ observations
- c) Controlling the costs and prices of public services
- d) All of the above

204) 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

205) What is the appropriate term for Government debts from internal and external sources contracted in the consolidated fund of India?

- a) General Debt
- b) Public Debt
- c) Government Revenue
- d) None of these

206) Which of the following institution is responsible for public debt management?

- a) Reserve Bank of India
- b) Ministry of Finance
- c) Both (a) & (b)
- d) None of the above

207) 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)
- d) Short-term facility

208) Which department of RBI has the responsibility of managing the domestic debt of the Central Government and of State Governments?

- a) Internal Debt management Department
- b) External Debt Management Department
- c) Central Debt Management Department
- d) None of these

209) In which year, the Fiscal Responsibility and Budget Management (FRBM) Act was passed?

- a) 2001
- b) 2002
- c) 2003
- d) 2004

210) Which one of the following is the objective of FRBM Act?

- a) Inter-generational equity in fiscal management
- b) Long run macro economic stability
- c) Better coordination between fiscal and monetary policy
- d) None of the above

211) '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

212) In which Year, The Public Debt Management Cell (PDMC) was created under the Department of Economic Affairs?

- a) 2003
- b) 2015
- c) 2016
- d) None of these

213) A budget is said to be unbalanced when:

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

214) 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

215) Which of the following is NOT correct about balanced budget?

- a) Revenues are equal to expenditures
- b) It is not a surplus budget
- c) It is not a deficit budget
- d) Revenues fall short of expenditure

216) Which of the following is TRUE about deficit budgetary?

- a) Estimated government receipts are less than the government expenditures.
- b) It increase the liabilities of the Government
- c) It decreases the reserves of the Government
- d) All of the above

217) Loan obtained from the Reserve Bank of India by the Government of India will be covered under which of the following budget?

- a) Capital Budget
- b) Revenue Budget
- c) Cash Budget
- d) Defense Budget

218) _____refers to the estimated expenditure of the government during a given financial year.

- a) Expenditure Budget
- b) Demand for Grants
- c) Revenue Expenditure
- d) None of these

219) Which part of the Union Budget has accounts for capital payment and receipts of the Government?

- a) Revenue Budget
- b) Capital Budget
- c) Expenditure Budget
- d) All of the above

220) Budgetary Deficit may be calculated as

- a) Revenue Expenditure - Revenue Receipts
- b) Capital Expenditure - Capital Receipts
- c) Total Estimated Expenditure (capital & Revenue) - Total Estimated Revenue (capital & Revenue)
- d) Excess of estimated revenue over estimated expenditure

221) 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?

	Rs Crores
Revenue receipts	20,000
Borrowings	1,500
Borrowings	15,000
Other Receipts	5,000
Expenditure on revenue account	24,500
Expenditure on capital account	26,000
Interest PAYMENT	2,000

222) The revenue deficit for country A is:

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

223) Fiscal deficit of country A is:

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

224) Primary deficit of Country A is:

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

225) Fiscal deficit of a government must be financed by:

- a) Lending by the government
- b) Borrowing by the government
- c) Spending by the government
- d) Government subsidies and grants

226) Net borrowing at home = * 800 Crore.

Borrowing from RBI = *600 Crore

Borrowing from abroad = 300 Crore

What is the value of gross fiscal deficit?

- a) ₹1100 Crore
- b) ₹100 Crore
- c) ₹1700 Crore
- d) ₹500 Crore

227) When fiscal deficit is financed by borrowing from _____ it is called deficit financing or money creation.

- a) Reserve Bank of India
- b) Regional Rural Banks
- c) Public Sector Banks
- d) Private Sector Banks

228) Fiscal Deficit is calculated as a percentage of:

- a) NNP
- b) GDP
- c) NDP
- d) None of these

229) 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

230) Finance Bill is the bill introduced immediately after the presentation of the union budget detailing the ___ of taxes proposed in the budget

- a) Imposition
- b) Abolition & Alteration
- c) Regulation
- d) All of the above

231) How the primary deficit is determined?

- a) Fiscal Deficit-Net interest liabilities
- b) Fiscal Deficit - Interest Payments
- c) Fiscal Deficit - Interest Receipts
- d) None of these

232) Outcome budgeting:

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

233) 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

234) All revenues raised by the government, money borrowed and receipts from loans given by the government flow into the _____

- a) State Government fund of India
- b) Consolidated Fund of India
- c) Contingency fund of India
- d) Public Account

235) Which of the following is NOT an item of inflow into the consolidated fund of India?

- a) Revenue raised by the Government
- b) Money borrowed
- c) Receipts from loans given by Government
- d) Provident fund and small savings

236) Which of the following gives power to the government to withdraw funds from the consolidated fund of India?

- a) Finance bill
- b) Appropriation Bill
- c) Demand for Grants
- d) None of these

237) The Appropriation bill is introduced in:

- a) Lok Sabha
- b) Rajya Sabha
- c) Either (a) or (b)
- d) Neither (a) nor (b)

238) Which of the following is the key to the Budget?

- a) Consolidated Fund
- b) Contingency Fund
- c) Public Account
- d) DD for Grants

239) Which of the following is the flows for those transactions were the government merely acts as a banker?

- a) Contingency Fund
- b) Profit and Loss A/c
- c) Consolidated Fund
- d) Public Account

240) The expenditure from which of the following funds do not require the approval of the parliament?

- a) DD for Grants
- b) Public Account
- c) Contingency fund
- d) Consolidated Fund

241) Expenditure incurred from contingency fund _____

- a) Is at the disposal of finance minister
- b) For routine expenditure
- c) Which is a Rs 1500 crore fund
- d) Requires a subsequent approval from the parliament

242) Which of the following fund is placed at the disposal of the president to enable him/her to make advances to the executive /Government to meet urgent unforeseen expenditure?

- a) Consolidated fund of India
- b) Contingency fund of India
- c) Public Account
- d) None of the above

243) 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 of the above

244) 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) (a) and (b) above

245) Policies related to ____ is/are collectively known as fiscal policy through which the government manages the economy.

- a) Public Revenue
- b) Public Revenue and Public Expenditure
- c) Public Revenue, public expenditure and public borrowings
- d) None of the above

246) Fiscal policy is in the nature of:

- a) Demand-side Policy
- b) Cost- Side policy
- c) Taxation policy strictly
- d) State Policy

247) An economy which is _____ does not require government action in the form of fiscal policy.

- a) Producing at partial employment level
- b) Producing at full employment level
- c) Producing at excess employment level
- d) None of these

248) Which of the following held the belief that the government should not intervene in the economy because the market mechanism makes the economy self adjusting.

- a) Classical economists
- b) Modern economists
- c) British economists J.M. Keynes
- d) None of the above

249) 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

250) 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

251) In 1936, J.M. Keynes advocated increase in government spending:

- a) To combat the recessionary forces in the economy
- b) To solve the problem of unemployment
- c) Both (a) and (b)
- d) None of these

252) In the period of great depression (1930), there was _____

- a) Very low aggregate demand
- b) High levels of unemployment
- c) Both (a) & (b)
- d) None of these

253) Which of the following is/are the most common objectives of fiscal policy?

- a) Achievement and maintenance of full employment
- b) Maintenance of price stability and acceleration of the rate of economic development
- c) Equitable distribution of income and wealth
- d) All of the above

254) What may be the priorities of developing nations as regards objectives of fiscal policy?

- a) Stability
- b) Stability & Growth
- c) Equity
- d) Employment & Equity

255) Which one of the following is NOT in higher priority in developing countries as regards objectives of fiscal policy?

- a) Economic Growth
- b) Employment
- c) Stability
- d) Equity

256) 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

257) Which of the following is NOT a type of Fiscal policy?

- a) Expansionary Fiscal policy
- b) Contractionary Fiscal policy
- c) Progressive fiscal policy
- d) All of the above

258) 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

259) 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

260) 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

261) 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

262) 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

263) 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

264) Contractionary Fiscal policy works through:

- a) Decrease in Government Spending
- b) Increase in personal income tax / Business taxes
- c) Combination of (a) & (b)
- d) Increase in Government Spending and decrease in personal income tax.

265) Which of the following is included in Government Expenditure?

- a) Current expenditures to meet the day-to-day running of the government
- b) Capital Expenditures
- c) Transfer Payments
- d) All of the above

266) Which of the following CANNOT be considered as an instrument of fiscal policy?

- a) Government Expenditure
- b) Taxes and Public Debt
- c) Budget
- d) RBI Policy

267) Which of the following is an indirect effect of increase in Government expenditure?

- a) Generation of Incomes to labour
- b) Generation of Incomes to suppliers of material
- c) Both (a) and (b)
- d) Spending by people on consumer goods

268) 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 investment
- 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

269) 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)

270) 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

271) 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

272) 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

273) 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

274) 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

275) 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

276) 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

277) Which of the following is INCORRECT about public Debt?

- a) When the government borrows from its own people in the country, it is called internal debt.
- b) When the government borrows from outside sources, the debt is called external debt
- c) Public debt takes two forms namely, market loans and small savings
- d) Public debt cannot be used to fight inflation

278) When the environment taxes are increased by the government, then

- a) Cost of firms increases
- b) The Output of firms reduces
- c) Income of individual increases
- d) Both (a) and (b)

279) Which of the following is INCORRECT as regards Fiscal Policy as an instrument for long run economic growth?

- a) Fiscal policies such as those involving infrastructure spending generally have positive supply side effects
- b) Taxes can have either positive or negative impact on economic growth depending on whether it encourages or discourages saving and investment
- c) Subsidies on inputs and support prices to producers (e.g. farmers) generate higher output
- d) None of the above

280) Fiscal policy is a chief instrument available for governments:

- a) To influence income distribution
- b) In reducing inequality
- c) In achieving equity and social justice
- d) All of above are correct

281) Which of the following is Not effective in redistribution of income from rich to the poorer sections of the society?

- a) Poverty alleviation programmes
- b) Free or subsidized medical care, education, housing, etc.
- c) Social security schemes
- d) A regressive tax systems

282) 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

283) Which of the following is NOT a type of lags involved in fiscal-policy action?

- a) Recognition Lag
- b) Decision Lag
- c) Implementation Lag
- d) Progressive Lag

284) Which of the following lag occurs when the outcomes of a policy are not visible for sometime?

- a) Impact Lag
- b) Decision Lag
- c) Recognition Lag
- d) Artificial Lag

285) Which one of the following lags is involved in fiscal -policy action under a democratic setup?

- a) Recognition Lag
- b) Implementation Lag
- c) Decision Lag
- d) Impact Lag

286) 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

287) During deep recessions crowding-out is less likely to happen as private sector investment is already minimal. Therefore, there is ___ to crowd out.

- a) Only insignificant private spending
- b) Only insignificant public spending
- c) Only significant private spending
- d) Only significant public spending

288) During a recession phase, the government would be able to borrow from the market _____ interest rates.

- a) By increasing
- b) By decreasing
- c) Without increasing
- d) None of these

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Chapter 8 Money Market

Chapter – 8

MONEY MARKET

1. Barter exchange refers to exchange of goods/services for goods/ services. Which of the following is the limitation of Barter exchange?
 - (a) Lack of Double coincidence of wants
 - (b) Lack of store of value
 - (c) Lack of common measure of value
 - (d) All of the above

2. Which of the following is the primary function of money?
 - (a) Medium of exchange
 - (b) Standard of Deferred Payments
 - (c) Store of value
 - (d) All of the above

3. Which function of money is also known by the name of “Unit of Account”?
 - (a) Medium of exchange
 - (b) Standard of deferred Payments
 - (c) Measure of value
 - (d) Store of value

4. The advent of the Europeans and the rule of British from _____ brought about a marked shift in the economic history of India.
 - (a) Non-Monetary Economy
 - (b) Barter Economy
 - (c) Monetary Economy
 - (d) None of the above

5. Fiat money is materially _____ but has _____ simply because a nation collectively agreed to ascribe a value to it.
 - (a) Worthless, value
 - (b) Valuable, worthless
 - (c) Transparent, liquid
 - (d) Liquid, exchangeability

6. Which of the following is Not a Part of general characteristics that money should possess in order to make it serve its function as money.
 - (a) Generally Acceptable & possessing uniformity
 - (b) Durable or long-lasting
 - (c) Portable & effortlessly recognizable
 - (d) Easily counterfeitable

7. Any unit of money, whose face value and intrinsic value are equal is known as _____.
 - (a) Full-Bodied Money
 - (b) Representative full-bodied money
 - (c) Credit money
 - (d) All of the above

8. Which one of the following form of legal tender money can be paid in discharge of a debt up to a certain limit only?
 - (a) Coins
 - (b) Paper Notes
 - (c) Cheques

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Chapter 8 Money Market

- (d) Bank Draft
9. 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
10. 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
11. Demand for money is:
- (a) Derived demand
 - (b) Direct demand
 - (c) Real income demand
 - (d) Inverse demand
12. 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
13. The money is demanded for its purchasing power. Therefore, the demand for money is in the nature of _____.
- (a) Purchasing power demand
 - (b) Real power demand
 - (c) Direct demand.
 - (d) Derived demand
14. The demand for money is actually
- (a) Demand for liquidity
 - (b) Demand to store value
 - (c) Both (a) and (b)
 - (d) None of the above
15. The decision about how much of one's given stock of wealth should be held in the form of money rather than as other assets (like bonds) is called as _____.
- (a) Demand for money
 - (b) Decision for money
 - (c) Supply of money
 - (d) None of above
16. The individuals, households as well as firms hold money which gives little or no return. This is because _____.
- (a) Money is liquid
 - (b) Money has demonstration effect
 - (c) Money gives authority

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Chapter 8 Money Market

- (d) None of these
17. The quantity of nominal money or how much money people would like to hold in liquid form depends on many factors. Which of the following is the variable on which this demand for money depends?
- (a) Income
 - (b) General level of prices & rate of interest
 - (c) Real GDP and the degree of financial innovation
 - (d) All of the above
18. The quantity which people desire to hold is _____ proportional to the income.
- (a) Directly
 - (b) Inversely
 - (c) Regressive
 - (d) None of these
19. The Demand for money depends upon prevailing price level, _____ the prices, _____ should be the holding of money.
- (a) Lower, Higher
 - (b) Higher, Lower
 - (c) Higher, Higher
 - (d) Lower, Lower
20. Which of the following innovations has reduced the need for holding liquid money?
- (a) Internet Banking
 - (b) Application based transfer
 - (c) Automated Teller Machines
 - (d) All of the above
21. The rate of interest is a crucial factor on which demand for money depends. The demand for money is _____ proportional to the interest rate.
- (a) Directly
 - (b) Inversely
 - (c) Progressively
 - (d) None of the above
22. Which one of the following is not a theory of Demand for money?
- (a) The quantity theory of money
 - (b) Hicksian theory of Demand
 - (c) Cash Balance Approach
 - (d) Keynesian theory of Demand for money
23. 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 a 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 of the above
24. Which theory was propounded in the book "The Purchasing power of money"?
- (a) Quantity theory of money
 - (b) Cash Balance Approach
 - (c) Keynesian theory of Demand for money
 - (d) None of these

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Chapter 8 Money Market

25. As regards Fisher's quantity of money, which of the following is incorrect?
(a) There is direct relationship between money supply and inflation
(b) There is indirect relationship between money supply and value of money
(c) Price is a passive factor
(d) The economy is not at full employment
26. Both the versions of the quantity theory of money demonstrate that there is a _____ relationship between money and price level and the quantity of money is the _____ determinant of the price level or value of money.
(a) Weak, main
(b) Strong, main
(c) Weak, very passive
(d) Strong, very passive
27. Which one of following is the criticism of Quantity theory of money?
(a) Velocity of money (V) and total number of transactions (T) are constant
(b) There is full employment in economy
(c) Money is only used as medium of exchange
(d) All of the above
28. Fisher's version is formally stated as $MV = PT$. In this equation of exchange.
(a) M and V are constant
(b) P and T are constant
(c) M and P are constant
(d) V and T are constant
29. Which are of the following is the expanded form of Fisher's equation of exchange?
(a) $MV = PT$
(b) $MV + M'V' = P'T'$
(c) $MV = PT + PT$
(d) $MV + M'V' = PT + P'T'$
30. As per fisher's expanded quantity theory of money, the total value of transactions made is equal to _____ and the value of money flow is equal to _____. (a) MV; PT (b) PT; MV (c) PT;MV+M'V' (d) MV + M',V';PT
31. 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
32. 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

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Chapter 8 Money Market

33. The Cambridge equation is: $M = K.P.Y$. In above equation, _____ is exogenous.
- (a) M^d
 - (b) K
 - (c) P
 - (d) Y
34. The Cambridge equation focuses on _____ instead of _____.
- (a) Money demand; money supply
 - (b) Money supply; money demand
 - (c) Money demand; money movement
 - (d) Money supply; money movement
35. The cash balance approach was put forward by Cambridge economists. The economists associated with this approach are:
- (i) Alfred Marshall
 - (ii) A.C. Pigou
 - (iii) D.H. Robertson
 - (iv) John Maynard Keynes
- (a) (i) only
 - (b) (i) and (ii)
 - (c) (i), (ii) and (iii)
 - (d) (i), (ii), (iii) and (iv)
36. The Cambridge money demand function is stated as follows : $M_d = KPY$. In this equation, PY stands for :
- (a) National Income
 - (b) Real National Income
 - (c) Nominal Income
 - (d) Real Income.
37. In Cambridge money demand function, _____ is a parameter reflecting the proportion of national income (PY) that people want to hold as cash balance:
- (a) M_d
 - (b) K
 - (c) P
 - (d) Y
38. 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
39. With reference to Cambridge theory, the product of the price level (P) and the real Income (Y) is known as _____.
- (a) Nominal Income
 - (b) National Income
 - (c) Real Income
 - (d) Equilibrium Income
40. The Keynesian Theory of Demand for money is also called as:
- (a) Demand Preference Theory
 - (b) Liquidity Preference Theory
 - (c) Preference Demand Theory

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Chapter 8 Money Market

- (d) Preference Liquidity Theory
41. The people hold their resources in liquid form when they can get interest by lending money or buying bonds or stocks. According to Keynes, by which motive the desire to hold money arises?
- (a) Transaction motive
 - (b) Precautionary motive
 - (c) Speculative motive
 - (d) All of the above
42. The receipt of money and payments do not coincide. So, a certain amount of cash is kept in hand to make current payments. Which motive is this, according to the Keynesian Theory?
- (a) Transaction motive
 - (b) Precautionary motive
 - (c) Speculative motive
 - (d) Unforeseen motive
43. According to John Maynard Keynes, the transactions demand for money depends only on the _____ and not influenced by the _____.
- (a) Rate of Interest, level of Income
 - (b) Level of Income, Rate of Interest
 - (c) Psychology of individual, Real Income
 - (d) Psychology of individual, Rate of Interest
44. As per liquidity preference theory, the transactions demand for money is a _____ proportional and _____ function of the level of income.
- (a) Direct, positive
 - (b) Indirect, positive
 - (c) Direct, negative
 - (d) Indirect, negative
45. Under Keynesian theory, the aggregate transaction demand for money is a function of (a) Specific Income
- (b) Individual Income
 - (c) Notional Income
 - (d) National Income
46. The precautionary money balances people want to hold _____.
- (a) As income elastic and not very sensitive to rate of interest Business Economics CAFC
 - (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
47. Under _____ motive, people hold money in cash form or liquid form for unforeseen contingencies such as sickness, accident, danger of unemployment and other uncertain perils.
- (a) Transaction
 - (b) Speculative
 - (c) Precautionary
 - (d) Non-contingency
48. Prof. J.M. Keynes regarded the Precautionary balances as income _____ and by itself not very sensitive to _____.
- (a) Elastic, rate of interest

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Chapter 8 Money Market

- (b) Inelastic, rate of interest
 - (c) Elastic, level of income
 - (d) Inelastic, level of income
49. The amount of money demanded under the precautionary motive depends on _____.
- (a) Size of income
 - (b) Prevailing economic/political conditions
 - (c) Personal characteristics of individual
 - (d) All of the above
50. 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
51. Which one the following motive reflects people's, desire to hold cash in order to be equipped to exploit any attractive investment opportunity requiring cash expenditure? (a) Transaction motive
- (b) Precautionary motive
 - (c) Speculative motive
 - (d) Non-speculative motive
52. Under liquidity preference theory, Keynes assumed that the expected return on money is _____ while the expected return on bonds are _____ and _____.
- (a) Zero, interest payment, expected rate of capital gain
 - (b) One, interest payment, expected rate of capital gain
 - (c) Zero, fixed interest, fixed loss
 - (d) None of the above
53. With reference to speculative demand for money, the market value of bonds and the market rate of interest are _____ related.
- (a) Positively
 - (b) Inversely
 - (c) Directly
 - (d) Not
54. 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
55. Under liquidity preference theory, if the current rate of interest is lower than the critical rate of interest, his asset portfolio would consist _____.
- (a) Only government bonds
 - (b) Wholly of cash
 - (c) Both cash and bonds equally
 - (d) Either cash or bonds
56. _____ is an adverse economic situation that can occur when consumers and investors hoard cash rather than spending or investing it even when interest rates are low.
- (a) Liquidity trap
 - (b) Monetary trap
 - (c) Precautionary trap
 - (d) Stimulus trap
57. There is a liquidity trap at short term _____ per cent interest rate.
- (a) 10
 - (b) 7.5
 - (c) 5
 - (d) Zero

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Chapter 8 Money Market

58. Which of the following statement is correct, in the situation of liquidity trap?
(a) Investors would maintain cash savings rather than hold bonds
(b) The speculative demand becomes perfectly elastic with respect to interest rate
(c) The speculative money demand curve becomes parallel to the X- axis
(d) All of the above
59. In the situation of liquidity trap, the monetary authority is _____ to stimulate the economy with monetary policy.
(a) Unable (b) Able (c) Perfectly able (d) Very effective
60. 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
61. In which approach, the money or real cash balance was essentially viewed as an inventory held for transaction purposes.
(a) Inventory explicit Approach (b) Inventory implicit Approach
(c) Inventory theoretic Approach (d) Inventory regressive Approach
62. Who has developed deterministic theory of transaction demand for money known as Inventory Theoretic approach?
(a) Baumol and Tobin (b) Baumol and Fisher
(c) Tobin and Fisher (d) Baumol and Marshall
63. According to Baumol which of the following formula can be used to calculate the average amount of cash withdrawal which minimises cost?
(a) $C = \frac{2}{3} \sqrt{\frac{C}{r}}$ (b) $2 \sqrt{\frac{C}{r}}$ (c) $2 \sqrt{\frac{C}{r}}$ (d) $2 \sqrt{\frac{C}{r}}$
64. in accordance with the Inventory Theoretic Approach, an individual combines his asset portfolio of _____ and _____ in such proportions that his _____ of holding the assets is minimized.
(a) Cash; bonds; overall cost (b) Shares; bonds; overall cost
(c) Cash; bond; bond cost (d) Cash; bond; Cash cost
65. 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
66. _____ 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
67. As Per Milton Friedman's restatement of the quantity Theory, the nominal demand for money is a function of which is represented by permanent income divided by the _____ rates, defined as the average return on the _____ asset classes in the monetarist theory world.
(a) Total wealth, discount, five

Piyush Tutorials
Chapter 8 Money Market

- (b) Total wealth, Interest, five
(c) Permanent wealth, Interest, six
(d) None of these
68. As per Friedman's theory, the nominal demand for money is influenced by inflation, a positive inflation rate _____ the real value of money balances, there by _____ the opportunity costs of money holdings.
(a) Increases, reduces (b) Reduces, increasing
(c) Stimulates, reduces (d) None of these
69. The present expected value of all future income is Friedman's measure of wealth. Friedman's regarded this as _____.
(a) Permanent income (b) Current income
(c) Temporary income (d) Flexible income
70. Under Friedman's Quantity theory, the nominal demand for money is related to the price level.
(a) Negatively (b) Positively (c) Regressively (d) Not
71. According to James Tobin's theory, an individual's behavior shows risk aversion, which means they prefer _____ risk to _____ risk at a given rate of return.
(a) Less, more (b) More, less (c) Less, positive (d) More, negative
72. Tobin's theory holds that people prefer _____ portfolio of money, bonds and shares, with each person opting for a little different balance between risk and return.
(a) Mixed (b) Diversified (c) Mixed or diversified (d) non-diversified
73. In Tobin's portfolio approach, the demand function for money as an asset slopes downwards, where horizontal axis shows _____ and vertical axis shows _____.
(a) Demand for money, rate of interest
(b) Rate of interest, demand for money
(c) Supply for money, rate of interest
(d) Demand for money, supply for money
74. The demand for money as behaviour towards "aversion to risk" was propounded by :
(a) Fisher (b) Marshall (c) Friedman (d) Tobin
75. Which of the following statement holds true with reference to Tobin's Demand for money theory involving individual's behaviour towards risk?
(a) Money is a safe asset
(b) Investor will be willing to exercise a trade-off
(c) Investor sacrifice to some extent, the higher return from bonds for a reduction in risk
(d) All of the above
76. 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 ii
(d) All the above
77. The total stock of money held by the _____ in an economy at a particular point of time is called Money Supply.
(a) Public (b) Government (c) Banks (d) Corporate Entities

Piyush Tutorials
Chapter 8 Money Market

78. Money Supply is a _____ variable
(a) Flow (b) Stock (c) Both (a) & (b) (d) None of the above
79. Money Supply does not include Stock of money held by the _____ as well as _____ of country.
(a) Public, government (b) Public, banking system
(c) Government, banking system (d) Public, banks
80. Which one of the following is the feature of money supply?
(a) Money includes money held by public only
(b) Money does not include money-creating sector (suppliers of money)
(c) Money is a stock concept, as it is concerned with a particular point of time
(d) All of the above
81. 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
82. Which one of the following is not the producers of money?
(a) Government (b) Banking System
(c) Household & Firms (d) All of the above
83. In the definition of money supply, the term public includes economic unit:
(a) Households (b) Firms (c) Institutions (d) All of the above
84. While discussing the definition of "Supply of Money" and the Standard measures of money, _____ is/are not included.
(a) Inter bank Deposits (b) Money held by the Government
(c) Banking System (d) All of the above
85. In the definition of money supply, the word "public" includes:
(a) All Local Authorities (b) Non-Banking Financial Institutions
(c) Foreign Central Banks (d) All of the above
86. The Central Banks all over the World adopt monetary policy which depends to a large extent on the controllability of the:
(a) Monetary base
(b) Money Supply
(c) Monetary base & the money Supply
(d) Money Supply & money demand
87. The empirical analysis of the _____ facilitates analysis of monetary developments in order to provide a deeper Understanding of the causes of money growth.
(a) Money Supply (b) Money Demand
(c) Money supplied by households (d) Money demanded by Governments
88. The supply of money in the economy depends on the decision of:
(a) Commercial Banks (b) Central Bank
(c) Ministry of Finance (d) Central Government

Piyush Tutorials
Chapter 8 Money Market

89. Paper currency is a:
(a) Representative Money (b) Full-bodied Money
(c) Metallic Money (d) None of the above
90. 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
91. 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
92. 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 Rs. 350 crores
93. The Money is a liability of the _____ and an asset of the _____.
(a) Issuing central bank, holding public
(b) Public, central bank
(c) Issuing central bank, central government
(d) Central government, issuing central bank
94. The currency issued by the Central Bank is "FIAT MONEY" and is backed by supporting _____ and its value is guaranteed by the _____.
(a) Currency, central Bank (b) Currency, government
(c) Reserves, government (d) Reserves, central bank
95. Banks create money supply in the process of borrowing and lending transactions with the public. Money so created by the commercial Banks is called:
(a) Credit Money (b) Artificial Money
(c) Debit Money (d) None of these
96. Which of the following is a type of money?
(a) Metallic Currency (b) Paper Currency
(c) Digital Currency (d) All of the above
97. With the advent of cutting edge technologies and advancement in technology has made it possible for the development of new form of money viz. CBDC. What is the full form of CBDC?
(a) Central Bank Digital Certificate (b) Central Bank Dynamic Certificate
(c) Central Bank Digital Currency (d) Central Bank Dynamic Currency
98. At present, which of the following Statement is true about the crypto currencies?
(a) These face Significant Legislative Uncertainties
(b) These are not legally recognized in India as currency

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Chapter 8 Money Market

- (c) These are not categorized as money
(d) All of the above
99. 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
100. "Money" consists of currency and _____, while "High Powered Money". Consists of currency and _____.
- (a) Demand deposits, cash reserves with banks
 - (b) Cash reserves with Banks, demand Deposits
 - (c) Public money, paper money
 - (d) Paper money, public money
101. Till 1967-68, the RBI used to publish _____ measure of money supply.
- (a) M1
 - (b) M1 and M2
 - (c) M1, M2 and M3
 - (d) M1, M2, M3 and M4
102. In India, who releases data on money supply?
- (a) RBI
 - (b) Central Government
 - (c) Ministry of Finance
 - (d) Commercial Banks
103. M1 and M2 are generally known as _____ supply concepts, whereas, M3 and M4 are known as supply concepts.
- (a) Narrow Money, Broad Money
 - (b) Broad Money, Narrow Money
 - (c) Least Liquid Money, Narrow Money
 - (d) Broad Money, Most liquid money
104. The four measures of money supply represent different degrees of liquidity. In this regard, _____ is the most liquid and _____ is least liquid.
- (a) M4, M1
 - (b) M1, M4
 - (c) M2, M3
 - (d) M3, M2
105. Reserve money is also known as.
- (a) Central bank money
 - (b) Base money
 - (c) High powered money
 - (d) All of the above
106. 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
107. 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
108. The empirical definition of measure M3 is _____.
- (a) $M3 = M1 + M2$
 - (b) $M3 = M1 + \text{Saving deposits with post office saving banks}$
 - (c) $M3 = M1 + \text{Time deposits with the banking system}$

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Chapter 8 Money Market

(d) $M3 = M2 + \text{Saving deposit with post office saving banks}$

Consider the following data and answer the following questions 109-111.

Currency with Public	₹ 45,000 crores
Demand Deposit with Banking System	₹ 1,00,000 crores
Time Deposits with Banking System	₹ 1,10,000 crores
Other deposit with RBI	₹ 1,40,000 crores
Saving Deposits of Post Office Saving Banks	₹ 30,000 crores

109. What is the amount of Narrow Money (M1)?

- (a) ₹ 2,85,000 crores (b) ₹ 3,15,000 crores
(c) ₹ 3,95,000 crores (d) None of the above

110. The calculated value of M2 is _____.

- (a) ₹ 2,85,000 crores (b) ₹ 3,95,000 crores
(c) ₹ 3,15,000 crores (d) None of the above

111. The value of M3 will be _____

- (a) ₹ 2,85,000 crores (b) ₹ 3,95,000 crores
(c) ₹ 3,15,000 crores (d) None of the above

112. Consider the following data (₹ crore)?

Notes in circulation	26,09,005
Circulation of Rupee Coin	40,715
Circulation of Small Coins	1,080
Cash on hand and Bank	99,200

What is the currency with the Public?

- (a) ₹ 26,09,005 crores (b) ₹ 26,49,720 crores
(c) ₹ 26,50,800 crores (d) ₹ 25,51,600 crores

113. Consider the following data: M1 ₹ 42,90,550 crores M2 ₹ 44,42,695 crores Calculate the value of Post Office Saving Bank Deposits. (a) ₹ 87,33,245 (b) ₹ 1,52,145 (c) ₹ 3,04,290 (d) None of these Read the following data and answer the questions 114 to 116. Mr. X has calculated following four alternative measures of money supply: M1 ₹ 4,85,000 crores M2 ₹ 5,50,000 crores M3 ₹ 5,90,000 crores M4 ₹ 6,24,000 crores 114. What is the amount of "Time Deposits with the Banking System"? (a) ₹ 74,000 crores (b) ₹ 65,000 crores (c) ₹ 1,05,000 crores (d) ₹ 34,000 crores 115. What is the amount of "Saving deposits with Post Office Saving Bank"? (a) ₹ 74,000 crores (b) ₹ 65,000 crores (c) ₹ 1,05,000 crores (d) ₹ 34,000 crores

116. The Total Deposits with the Post Office Saving Organisation (excluding National Savings certificates) is _____.

- (a) ₹ 74,000 crores (b) ₹ 65,000 crores
(c) ₹ 1,05,000 crores (d) ₹ 34,000 crores

117. Find M2, from the following information:

M ₄	₹ 4,41,260 cr.
Saving deposits with Post Office Saving Banks	₹ 41,200 cr.
Total Deposits with the Post Office Saving Organization (excluding National Savings Certificate)	₹ 31,245 cr.
Time Deposits with the Banking System	₹ 65,315 cr.

- (a) ₹ 4,10,015 cr. (b) ₹ 3,44,700 cr.
(c) ₹ 3,85,900 cr. (d) Cannot be determined

118. On the recommendations of the Second Working Group on money supply, from April

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Chapter 8 Money Market

1977, the RBI has been publishing data on which of the following alternative measures of money supply?

- (a) M1 only (b) M1 and M2
(c) M1, M2 and M3 (d) M1, M2, M3 and M4

Read the following data, and answer the questions (119 to 121)

Particulars	₹ in crores
Notes in Circulation	24,20,964
Circulation of Rupee Coin	25,572
Circulation of Small Coins	743
Post Office Saving Bank Deposits	1,41,786
Cash on Hand with Banks	97,563
Deposit Money of the Public	17,76,199
Demand Deposits with Banks	17,37,692
Other Deposits with RBI	38,507
Total Post Office Deposits	14,896
Time Deposits with Banks	1,78,694

119. Calculate M_1
(a) ₹ 43,04,609 (b) ₹ 41,25,915 (c) ₹ 42,07,046 (d) ₹ 42,67,701
120. Calculate M_2
(a) ₹ 43,04,609 (b) ₹ 41,25,915 (c) ₹ 42,07,046 (d) ₹ 42,67,701
121. Calculate M_3
(a) ₹ 43,04,609 (b) ₹ 41,25,915 (c) ₹ 42,07,046 (d) ₹ 42,67,701
122. The Money Multiplier Approach holds that total Supply of nominal money in the economy is determined by the _____ behaviour of the _____.
(a) Single; Central Bank
(b) Joint; Central Bank and Commercial Bank
(c) Joint; Central Bank and Public
(d) Joint; Central Bank, Commercial Banks and the Public
123. 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
124. 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) an lower excess reserve ratio (e)
(d) None of the above
125. The money multiplier and the money supply are:
(a) positively related to the excess reserves ratio
(b) Negatively related to the excess reserves ratio
(c) Not related to the excess reserves ratio
(d) Proportional to the excess reserves ratio
126. The currency ratio represents:
(a) The behaviour of central bank in the issue of currency

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Chapter 8 Money Market

- (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

127. 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 of the above

128. The required reserved ratio is 10% for every ₹ 2,00,000 deposited in the banking system. What will be the Credit Multiplier and Credit Creation?

- (a) 10, ₹ 20,00,000
- (b) 10, ₹ 20,000
- (c) 8, ₹ 20,00,000
- (d) 8, ₹ 20,000

129. For initial deposit of ₹5,00,000, the credit creation is calculated at ₹40,00,000.

What is RRR (Required reserved ratio)?

- (a) 8
- (b) .08
- (c) 12.5%
- (d) Cannot be calculated

130. When there are excess reserves, the money multiplier (m) is expressed as _____.

- (a) $m = \frac{1+c}{r+e+c}$
- (b) $m = \frac{1+r}{r+e-c}$
- (c) $m = \frac{1+e}{r+e+c}$
- (d) $m = \frac{c}{r+e+c}$

131. Which formula is used to find out Money Supply (m) where:

r = required reserve ratio

c = currency - deposit ratio (C/D)

e = ratio of Excess Reserves to Deposits

H = Stock of high powered money

- (a) $M = \frac{1+c}{r+e+c} + H$
- (b) $M = \frac{1+C}{r+e+c} \times H$
- (c) $M = \frac{1+H}{r+e+c} + C$
- (d) $M = \frac{1+H}{r+e+c} \times C$

132. If M is the money supply, m is the money multiplier and MB is the monetary base or high-powered money, then which of the following equation is correct?

- (a) $MB = M \times m$
- (b) $m = MB \times M$
- (c) $M = MB \times m$
- (d) $M = MB - m$

133. 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

134. 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

135. _____ 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)

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Chapter 8 Money Market

136. Consider the following data:

Required Reserve Ratio	10 Per cent
Currency in circulation	₹ 400 Billion
Demand Deposits	₹ 1000 Billion
Excess Reserves	₹ 1 Billion

The value of money multiplier will be _____

- (a) 1.74 (b) 2.74 (c) 1.79 (d) 2.79

137. The _____ the reserve ratio, the _____ of each deposit bank loan out and the _____ the money multiplier.

- (a) Higher, less, smaller (b) Higher, high element, smaller
(c) Smaller, less, smaller (d) None of these

138. 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

139. 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

140. The Money Multiplier is a function of the current ratio which depends on the :

- (a) Behaviour of the public
(b) Excess reserve ratio of the banks
(c) Required reserve ratio set by the Central Bank
(d) All of the above

141. Excess reserves ratio (e) is _____ related to the market interest ratio (i).

- (a) Positively (b) Negatively (c) Uniformly (d) Not

142. As a rule, an increase in monetary base that goes into _____ is not multiplied, whereas an increase in monetary based that goes into _____ is multiplied.

- (a) Supporting deposits, currency (b) Currency, Supporting deposits
(c) High Powered Currency, currency (d) Currency, High Powered Currency

143. If some portion of the increase in high-powered money finds its way into _____, this portion does not undergo multiple deposit expansion.

- (a) Currency (b) Supporting deposits
(c) Both (a) and (b) (d) Neither (a) nor (b)

144. The size of the money multiplier is reduced when funds are held as _____ rather than as _____.

- (a) Term Deposits, Cash (b) Cash, Term Deposits
(c) Demand deposits, Cash (d) Cash, demand deposits

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Chapter 8 Money Market

145. The Money multiplier approach to money supply was propounded by _____.
- (a) Milton Friedman (b) Milton Friedman and Anna Schwartz
(c) Milton Friedman and Irvin Fisher (d) Milton Friedman and Marshall
146. The money multiplier approach to money Supply considers three factors as immediate determinants of money supply. Which one of the following is not included in these factors?
- (a) Stock of high-powered money (H)
(b) The ratio of reserves to deposits or reserve ratio (r)
(c) The ratio of currency to deposits or currency-deposit ratio (c)
(d) The ratio of high powered money to deposits (h)
147. Whose behaviour among the following, has been considered, under Money Multiplier approach?
- (a) Central Bank (b) Commercial Banks
(c) General Public (d) All of the above
148. Under Money Multiplier Approach, the behaviour of the Central Bank which controls the issue of currency is reflected in the _____.
- (a) Supply of the Nominal High- Powered money
(b) Total amount of nominal demand deposits
(c) Degree of adoption of banking habits by the people
(d) All of the above
149. If the behaviour of the Public and the Commercial banks remain unchanged over time, the total supply of nominal money in the economy will vary _____ with the supply of nominal high-powered money issued by the _____.
- (a) Directly, Central Bank (b) Negatively, Central Bank
(c) Directly, Central Government (d) Negatively, Central Government
150. The Money Multiplier and the money supply are _____ related to the ratio of currency to deposits (c) i.e. C/D.
- (a) Negatively (b) Positively (c) Not (d) Progressively
151. The behaviour of Commercial Banks is important under money multiplier approach to supply of money. By creating credit, the commercial banks determine the total amount of.
- (a) Nominal High-Powered Money (b) Nominal Demand Deposits (c) National High-Powered Money (d) National Demand Deposits
152. Which of the following reflects the behaviour of commercial banks in the economy regarding money multiplier approach to supply of money?
- (a) Ratio of cash reserves to deposits (b) Ratio of currency to deposits
(c) Ratio of cash reserves to currency (d) Ratio of High-powered money to currency
153. Considering all other variables remain the same, If ratio of cash reserves to deposits (reserve ratio) increases, then _____ will decrease.
- (a) Deposits (b) Money Supply (c) Reserves (d) High-powered money
154. When reserve ratio (r) is 8%, the money multiplier is calculated at 2.58. If the reserve ratio is increased to 12%, the value of money multiplier will be _____.
- (a) Less than 2.58 (b) More than 2.58 (c) 2.58 (d) Cannot be decided
155. The value of money multiplier is zero when:
- (a) Interest rates are too low
(b) Banks prefer to hold the newly injected reserves as excess reasons with no risk attached to it
(c) Both (a) and (b)
(d) Money Multiplier can never be zero.

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Chapter 8 Money Market

156. As a part of monetary policy, an open market purchased by Central Bank will _____ the reserves and thereby _____ the money supply.
(a) Reduce, reduce (b) Increase, increase
(c) Reduce, increase (d) Increase, reduce
157. The credit creation process by the banking system in the country will create money to the tune of Δ money supply = $1 R \times \Delta$ Reserves. It holds true, when it assumed that _____.
(a) Banks do not hold excess reserves
(b) People do not hold more currency than before
(c) There is demand for loans from businesses
(d) All of the above
158. If the Central Bank of a country wants to stimulate economic activity it does so by infusing liquidity into the system. The high powered money (monetary base) is injected into the system when _____.
(a) Government securities are purchased (b) Government Securities are sold
(c) Any of (a) and (b) (d) Both (a) and (b)
159. Whenever the Central and the State Government's cash balances fall short of the minimum requirement, they are eligible to avail of a facility. What is the name of that facility?
(a) Ways & Means Advances (WMA) (b) Overdraft facility (OD)
(c) Both (a) & (b) (d) None of the above
160. When the Reserve Bank of India lends to the governments under WMA/OD, it can potentially lead to an _____ in money supply through the money multiplier process.
(a) Increase (b) Decrease (c) Substantial Decrease (D) No effect
161. Identify the Correct Statement?
(a) There is no difference between the type of money created by commercial bank and that which are issued by the Central Bank
(b) Money creation is same as is the wealth creation
(c) The deposit multiplier and the money multiplier are identical
(d) In actual practice, all borrowers spend every rupee they have borrowed
162. If required reserve ratio is 20%, then what will be credit multiplier?
(a) 0.2 (b) 0.8 (c) 1.2 (d) 5
163. What is the formula used to calculate credit Multiplier?
(a) $100 - \text{Required Reserve Ratio}$ (b) $100 + \text{Required Reserve Ratio}$
(c) $100 \times \text{Required Reserve Ratio}$ (d) $1 \text{ Required Reserve Ratio}$
164. The credit multiplier is also referred to as the _____.
(a) Deposit multiplier (b) Deposit expansion multiplier
(c) Both (a) & (b) (d) None of the above
165. Which describes the amount of additional money created by commercial bank through the process of lending the available money it has in excess of the Central Banks reserve requirement?
(a) Credit multiplier (b) Deposit multiplier
(c) Deposit Expansion (d) All of the above
166. What will be the total deposit created if initial deposit is of ₹ 800 crores and required reserve ratio is 10%?
(a) ₹80 crores (b) ₹800 crores (c) ₹8000 crores (d) None of these

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Chapter 8 Money Market

167. The total deposits created by the commercial banks , is ₹ 16,800 crores and the required reserve ratio is 12.5%. Calculate the amount of initial deposits.
(a) ₹ 16,800 (b) ₹2,100 (c) ₹18,900 (d) None of these
168. Initial Deposit of ₹1,521 crores lead to creation of total deposits of ₹ 12,168 crores by the commercial banks. What is required reserve ratio?
(a) 15% (b) 12.5% (c) 10% . (d) 7.5%
169. Monetary Policy refers to the use of monetary policy instruments which are at the disposal of Central Bank .
(a) To regulate availability, cost and use of money credit
(b) To achieve price stability
(c) To promote economic growth/ optimum level of output and employment balance of payment equilibrium, etc.
(d) All of the above
170. Which of the following is basic component of monetary policy framework?
(a) The objectives of monetary policy
(b) The analytics of monetary policy which focus on transmission mechanism
(c) The operating procedure which focuses on operating targets and instruments
(d) All of the above
171. When Central Bank lowers the rate of interest, monetary policy is .
(a) Easing (b) Tightening (c) Ineffective (d) None of the above
172. Fundamentally, the primary objective of the monetary policy has been:
(a) To reduce price stability
(b) To curb economic growth
(c) To maintain judicious balance between price stability and economic growth
(d) None of the above
173. Which of the following is an explicit objective included in the monetary policy of developing countries?
(a) Maintenance of economic growth
(b) Ensuring an adequate flow of credit to the productive sectors
(c) Sustaining a moderate structure of interest rates to encourage investments, and creation of an efficient market for government securities
(d) All of the above
174. The analytics of monetary policy focus on the transmission mechanisms. Which of the following is included in such mechanism?
(a) The interest rate channel
(b) The exchange rate channel
(c) The quantum channel and the asset price channel
(d) All of the above
175. Which of the following statement is incorrect?
a. Quantitative instruments are general in nature
b. Quantitative instruments affect all the sectors making use of bank credit
c. Quantitative controls are designed to regulate direction of credit
d. Quantitative controls are also known as traditional methods of control
176. As a part of credit controlling instruments of RBI, which of the following is not a part of Quantitative method?
(a) Cash Reserve ratio (CRR)
(b) Statutory Liquidity Ratio (SLR)

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Chapter 8 Money Market

- (c) Open Market Operations (OMO)
(d) Margin Requirements
177. As a part of open market operations, sale of securities by Central Bank the money supply in the economy.
(a) Decrease (b) Increases (c) Brings no change (d) Either (a) or (b)
178. refers to the minimum % of net demand and time liabilities, to be kept by commercial banks with central banks.
(a) Statutory Liquidity Ratio (SLR) (b) Cash Reserve ratio (CRR)
(c) Bank rate (d) Repo rate
179. In order to control money supply, the RBI buys and sells government securities in the open market. These operations conducted by the central bank are referred to as
(a) Open Monetary Operations (b) Open Money Operations
(c) Open Market Operations (d) Open Marginal Operations
180. The commercial banks are required to maintain with themselves, a minimum % of Net demand & Time liabilities, in the form of designated liquid assets. This ratio is called as:
(a) Statutory Liquidity Ratio (b) Cash Reserve Ratio
(c) Bank Rate (d) Repo Rate
181. Which of the following statement is incorrect about qualitative method of credit control instruments of RBI?
(a) These includes margin requirements, moral suasion, selective credit controls etc
(b) These are general in nature and affects all the sectors
(c) These are designed to regulate the direction of credit
(d) These are also known as selective methods of credit control
182. Which of the following is not a part of Qualitative method of credit control?
(a) Open Market Operations (b) Margin Requirements
(c) Moral Suasion (d) Selective Credit Control
183. is the interest rate at which RBI lends long term funds to banks.
(a) Interest Rate (b) Bank Rate (c) Repo rate (d) Marginal Rate
184. Reverse repo operation takes place when:
(a) RBI borrows money from banks by giving them securities
(b) Banks borrows 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
185. How many members does Monetary Policy Committee have?
(a) 3 (b) 4 (c) 5 (d) 6
186. Under the government of India borrows from RBI (such borrowing being additional to its normal borrowing requirements) and issues treasury bills/ dated securities
(a) Market Stabilization Scheme (MSS) (b) Minimum Statutory Scheme (MSS)
(c) Marginal Standing Facility (MSF) (c) Minimum Statutory Facility (MSF)

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Chapter 8 Money Market

187. is defined as an instrument for lending funds by purchasing securities with an agreement to resell the securities on a mutually agreed future date at an agreed price which includes interest for funds lent.
(a) Reverse Repo (b) Repo Rate (c) Bank Rate (d) MSF
188. The Monetary Policy Framework Agreement is an agreement reached between the Government of India and the Reserve Bank of India (RBI) to keep Consumer Price Index (CPI) inflation rate between .
(a) 1 to 5 percent (b) 2 to 6 percent (c) 4 to 5 percent (d) 4 to 6 percent

ANSWERS

1	d	2	a	3	c	4	b	5	a	6	d	7	a
8	a	9	a	10	c	11	a	12	d	13	d	14	c
15	a	16	a	17	d	18	a	19	c	20	d	21	b
22	b	23	d	24	a	25	d	26	b	27	d	28	d
29	b	30	c	31	a	32	c	33	d	34	a	35	d
36	c	37	b	38	a	39	a	40	b	41	d	42	a
43	b	44	a	45	d	46	a	47	c	48	a	49	d
50	c	51	c	52	a	53	b	54	c	55	b	56	a
57	d	58	d	59	a	60	a	61	c	62	a	63	b
64	a	65	a	66	d	67	a	68	b	69	a	70	b
71	a	72	c	73	a	74	d	75	d	76	d	77	a
78	b	79	c	80	d	81	c	82	c	83	d	84	d
85	d	86	c	87	a	88	b	89	a	90	b	91	b
92	b	93	a	94	c	95	a	96	d	97	c	98	d
99	c	100	a	101	a	102	a	103	a	104	b	105	d
106	b	107	a	108	c	109	a	110	c	111	b	112	d
113	b	114	c	115	b	116	d	117	c	118	d	119	b
120	d	121	a	122	d	123	b	124	c	125	b	126	c
127	d	128	a	129	c	130	a	131	b	132	c	133	a
134	c	135	c	136	d	137	a	138	a	139	c	140	d
141	b	142	b	143	a	144	d	145	b	146	d	147	d
148	a	149	a	150	a	151	b	152	a	153	b	154	a
155	c	156	a	157	d	158	a	159	c	160	a	161	a
162	d	163	d	164	c	165	d	166	c	167	b	168	b
169	d	170	d	171	a	172	c	173	d	174	d	175	c
176	d	177	a	178	b	179	c	180	a	181	b	182	a
183	b	184	a	185	d	186	a	187	a	188	b		

CHAPTER 9

INTERNATIONAL TRADE

- 1. International Trade is the exchange of _____ between countries and involves greater complexity compared to Internal Trade.**
 - (a) Goods
 - (b) Services
 - (c) Resources
 - (d) All of the above

- 2. 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

- 3. Which of the following is NOT the benefit of International Trade?**
 - (a) It is powerful stimulus to economic efficiency and contributes to economic growth.
 - (b) Efficient deployment of productive resources to their best use.
 - (c) Economic exploitation of under privileged countries.
 - (d) Opening up of new markets result in broadening the production base.

- 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. Which one of the following is the first theory of International Trade that emerged in England in the 16th Century?**
 - (a) Mercantilism
 - (b) Absolute Cost Advantage Theory
 - (c) Comparative Cost Advantage Theory
 - (d) Product Life-Cycle Theory

- 6. Which theory suggested that the wealth of a nation consisted of gold and silver only?**

- (a) Mercantilism
- (b) Absolute Cost Advantage Theory
- (c) Comparative Cost Advantage Theory
- (d) Product Life-Cycle Theory

7. Which of the following is NOT an assumption of Absolute Cost Advantage Theory?

- (a) There are two countries.
- (b) There are two commodities.
- (c) The commodities are heterogeneous.
- (d) There is only labour Cost of Production.

8. Who propounded the theory that a country should specialize in the production of goods for which it has an absolute cost advantage and then trade these goods for goods produced by another country?

- (a) Adam Smith
- (b) David Hume
- (c) Heckscher and Ohlin
- (d) Ricardo

9. 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.

10. 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

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

Labour Cost (hours) for production of one unit

	Country A	Country B
Cloth	40	80
Grain	80	40

- (a) Country A
- (b) Country B
- (c) Neither A nor B
- (d) Both A and B

12. According to the theory of comparative advantage

- (a) trade is zero-sum game so that the net change in wealth or benefits among the participants is zero.
- (b) trade is not 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

13. Given the number of labour hours to produce wheat and rice in two countries and that these countries specialize and engage in trade at a relative price of 1:1 what will be the gain of a 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

14. 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 mats
- (c) Bangladesh has an absolute advantage in mats
- (d) All of the above

- 15. 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
- 16. 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
- 17. Which theory of international trade identified the role of labour and capital, so-called factor endowments, as a determinant of advantage?**
- (a) Theory of Absolute Advantage
 - (b) Theory of Comparative Advantage
 - (c) Hecksher-Ohlin theory of trade
 - (d) None of these
- 18. The theory given by Swedish economists "Eli Hecksher and Bertil Ohlin" is also known as:**
- (a) The Hecksher – Ohlin theory of trade
 - (b) Factor – Endowment theory of trade
 - (c) Modern theory of trade
 - (d) All of the above
- 19. Michael Porter has described four attributes as the "diamond of national advantage". Which of the following is not a part of these four attributes?**
- (a) Factor Endowments
 - (b) Silver conditions
 - (c) Related and Supplying Industries
 - (d) Firm's Strategy, Structure and rivalry
- 20. Who has propounded "New Trade Theory" in the 1970's?**
- (a) Paul Krugman
 - (b) Norman

- (c) Dixit
 - (d) All of the above
- 21. Which theory argues that trade leads to cost reduction and product variety. Also, a firm enjoying the “first mover advantage” can capture economies of scale earlier than its rivals?**
- (a) Product Life Cycle Theory
 - (b) New Trade Theory
 - (c) Factor Endowment Theory
 - (d) Absolute Cost Advantage Theory
- 22. What is the title of the book published in 1817, which David Ricardo explained the Comparative Cost Advantage Theory?**
- (a) The wealth of Nations
 - (b) Principles of Political Economy
 - (c) The effect of Foreign Trade
 - (d) The Leontief Paradox
- 23. Protectionism is a State policy aimed to protect domestic producers against Foreign Competition through the use of _____ instruments.**
- (a) Tariffs
 - (b) Quotas
 - (c) Non-Tariff trade policy
 - (d) All of the above
- 24. _____ refers to opening up of domestic markets to goods and services from the rest of the world by bringing down trade barriers.**
- (a) Trade liberalization
 - (b) Trade Globalization
 - (c) Trade Privatisation
 - (d) LPG
- 25. 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 currency per unit of the good

26. Tariff means the taxes or duties imposed on _____

- (a) Imports
- (b) Exports
- (c) Both (a) & (b)
- (d) Local Sales

27. Tariff can be based on _____

- (a) Quantity only
- (b) Value of Import
- (c) Quantity and/or value
- (d) None of these

28. When a specified amount of tariff is charged per unit of the product (e.g. ₹1000 per to

- (a) Specific Duty
- (b) *Ad valorem* Duty
- (c) A Compound Duty
- (d) Value Duty

29. Tariff levied as a percentage of value of product is termed as _____

- (a) Fixed Rate Duty
- (b) Variable Rate Duty
- (c) *Ad valorem* Duty
- (d) Compound Duty

30. The tariff rate is ₹500 per tonne plus 10% of the value of the product imported. This type of tariff is termed as _____

- (a) Fixed Rate Duty
- (b) Variable Rate Duty
- (c) *Ad valorem* Duty
- (d) Compound

31. What is disadvantage of specific tariff which is the fixed amount of money per physical unit or according to weight?

- (a) It discourages
- (b) The Government revenue remains Unchanged irrespective of change in value of product.
- (c) It is difficult to calculate it precisely.
- (d) None of these

32. 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

33. Which of the following is INCORRECT about *ad valorem* tariff?

- (a) It is levied as a fixed percentage of the value of the traded commodity.
- (b) It preserves the protective value of tariff and home producer.
- (c) It is similar to specific tariff.
- (d) It is one of the widely used across the world.

**34. The Government has imposed tariff as under:
3000 on each solar panel plus ₹ 50 per kg on the battery.**

What is the type of tariff?

- (a) Specific Tariff
- (b) ad valorem Tariff
- (c) Compound Tariff
- (d) Technical Tariff

35. _____ is calculated on the basis of both the value of the imported goods (an ad valorem duty) and a Unit of measure of the imported goods (a specific duty).

- (a) Compound Tariff
- (b) Ad valorem Duty
- (c) Technical Tariff
- (d) Tariff Rate Quotas

36. _____ Tariffs refer to import tariffs. Which countries promise to impose on imports from other members of two WTO? Unless the country is a part of preferential trade agreement.

- (a) MFN
- (b) MTN
- (c) CFN
- (d) CTN

37. 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

38. What is the type of tariff which is set so high that no imports can enter?

- (a) Restricted Tariff
- (b) Prohibitive Tariff
- (c) Anti-Dumping duty
- (d) None of these

39. Dumping occurs when manufactures sell goods in a foreign country _____.

- (a) Below the Sales prices in their domestic market.
- (b) Below their full average cost of the product.
- (c) Free of cost
- (d) Either (a) or (b)

40. Dumping, in international trade, is

- (a) Fair
- (b) Unfair
- (c) Good
- (d) none of these

41. Anti-dumping duties are

- (a) additional import duties so as to offset the effects of exporting firms 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 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

42. 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 of the above

43. 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.
- (d) Increase government revenues of the importing country by more than value of the total tariff it charges.

44. 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.

45. Which of the following is not the effects of Tariff?

- (a) By making imported goods more expensive, tariff discourage domestic consumers from consuming imported Foreign goods.
- (b) Domestic consumers suffer a loss in consumer surplus.
- (c) Tariffs create trade distortions by disregarding comparative advantage.
- (d) Tariff decreases the government revenues substantially.

46. On import of goods, which of the following is levied?

- (a) CGST
- (b) SGST
- (c) UTGST
- (d) IGST

47. 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

48. Non-tariff barriers (NTBS) include all of the following except:

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

49. 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 of the above

50. _____ measures of NTMs refer to product-specific properties such as characteristics of the product, technical specifications and production processes.

- (a) Financial
- (b) Standard
- (c) Technical
- (d) Non-Technical

51. Which of the following is NOT a component of Technical measures under Non-Tariff Measures?

- (a) Import Quota
- (b) Characteristics of the Product
- (c) Technical Specifications
- (d) Production Processes

52. Which of the following is/are an example of Technical Barriers to Trade (TBT)?

- (a) Food Laws
- (b) Quality Standard
- (c) Organic Certification & Eco- labelling
- (d) All of the above

53. Which of the following is NOT an example of Sanitary and Phyto Sanitary (SPS) measures of NTM?

- (a) Prohibition of import of poultry from countries affected by avian flu.

- (b) Residue limits for pesticides in foods
- (c) Organic Certification
- (d) All of the above

54. Which of the following is not a measure of Non-Technical measures?

- (a) Import Quotas
- (b) Sanitary and Phyto sanitary (SPS) measures
- (c) Price control measures
- (d) Non-automatic Licensing and Prohibitions

55. 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.

56. _____ is a total ban imposed by government on import or export of some or all commodities to particular country or regions for a specified or indefinite period.

- (a) Embargos
- (b) Anti-Dumping
- (c) SPS
- (d) TBT

57. An Embargo is the most extreme form of trade barrier. This may be done due to_____

- (a) Political Reasons
- (b) Health Reasons
- (c) Religion Reasons
- (d) Any of the above

58. 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
- (d) quantitative restrictions imposed by the importing country's government.

59. Which of the following is the form of Export Subsidies and incentives?

- (a) Grants
- (b) Loans
- (c) Equity Infusions
- (d) All of these

60. An export tax is a tax collected on exported goods. It may be _____

- (a) Specific
- (b) ad valorem
- (c) either (a) or (b)
- (d) always fixed

61. Due to shortage in domestic market, Government has prohibited the export of onion. This export related measure can be categorized as _____

- (a) Ban' on Exports
- (b) Export Taxes
- (c) Export Subsidies
- (d) Voluntary Export Restraints

62. _____ are defined as grouping of countries, which are formed with the objective of reducing barriers to trade between member countries.

- (a) Regional Trade Agreements
- (b) Restrictive Trade Agreements
- (c) Geographical Trade Agreements
- (d) Common Trade Agreements

63. _____ has a group of countries that have a free Trade agreement between themselves and may apply a common external tariff to other countries.

- (a) Trading Centres
- (b) Free-Trade Area
- (c) Trading Bloc
- (d) Common market

64. Which term is used to describe a group of countries that eliminate all tariffs on trade among themselves but maintain a common external tariff on trade with countries outside the union?

- (a) Common Market
- (b) Customs Market
- (c) Common Union
- (d) Customs Union

65. _____ is a group of countries that eliminate all tariff and quota barriers on trade with the objective of increasing exchange of goods with each other.

- (a) Customs Union
- (b) Free-Trade Area
- (c) Common Trade Area
- (d) Unilateral Trade Agreements

66. Which of the following is a type of Regional Trade Agreement?

- (a) Unilateral Trade Agreements
- (b) Bilateral Agreements
- (c) Free-trade area
- (d) All of the above

67. The General Agreement on Tariffs and Trade Covers _____ trade in _____.

- (a) National, goods
- (b) International, goods
- (c) National, Services
- (d) International, Services

68. The GATT lost its relevance by the _____.

- (a) 1975
- (b) 1980
- (c) 1982
- (d) 1985

69. What is the reason behind losing its relevance by GATT by the 1980's?

- (a) Substantial Expansion of international investments.
- (b) Non-coverage of intellectual property rights and trade in services by GATT
- (c) Ambiguities in the multilateral Systems

- (d) All of the above

70. Choose the correct statement.

- (a) The GATT was meant to prevent exploitation of poor countries of all 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 of the above.

71. 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

72. 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

73. Which of the following is NOT a part of key objectives of the WTO?

- (a) To restrict international trade
- (b) To provide a forum for negotiation and monitoring further trade liberalization
- (c) To resolve trade disputes
- (d) To increase the transparency of decision-making processes.

74. World Trade Organization (WTO) was set up on _____, replacing the General Agreement on Tariffs and Trade.

- (a) 1st January, 1990
- (b) 1st January, 1993
- (c) 1st January, 1995
- (d) None of these

75. The headquarters of WTO is in _____.

- (a) USA

- (b) GERMANY
- (c) AUSTRALIA
- (d) SWITZERLAND

76. India is a _____ of World Trade Organizations.

- (a) Temporary members
- (b) Standing members
- (c) Funding members
- (d) Not a member

77. Which of the following is covered under protection of intellectual properties (TRIPS)?

- (a) Copyrights, Trade Marks and Patents.
- (b) Geographical indications, industrial designs and patents.
- (c) Layout designs of integrated circuits and undisclosed information (*i.e.* trade secrets)
- (d) All of the above.

78. The WTO accounts for about _____ of world trade.

- (a) 50%
- (b) 70%
- (c) 85%
- (d) 95%

79. The WTO's top-level decision-making body is the _____ which can take decisions on all matters under any of the multilateral trade agreements.

- (a) Ministerial conference
- (b) General council
- (c) Goods council
- (d) Services council and intellectual property council

80. The Ministerial conference, top decision making body of WTO, meets at least _____ to take decisions.

- (a) Once every year
- (b) Twice every year
- (c) Once every two years
- (d) No such fixed frequency

81. Which of the following is/are responsible for overseeing the implementation of the WTO agreements?

- (a) Ministerial Conference
- (b) General Council

- (c) Goods Council, Services Council and Intellectual Property Council
- (d) (d) All of the above

82. Which of the following meets several times a year at the Geneva headquarters?

- (a) Ministerial Conference
- (b) General Council
- (c) Goods Council
- (d) Services Council

83. The Goods Council, Services Council and Intellectual Property Council report to which of the following?

- (a) Ministerial Conference
- (b) General Council
- (c) Director General of WTO
- (d) Both (a) & (b)

84. Which one of the following is NOT the guiding principles of WTO agreements?

- (a) Non-Discrimination
- (b) Fair Competition
- (c) Restricted Trade
- (d) Predictability

85. 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

86. 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

87. 'Bound tariff' refers to:

- (a) clubbing of tariffs of different commodities into one common

- (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 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

88. Which of the following is True for "Free-Trade" principle of WTO?

- (a) Member countries to reduce tariff and non-tariff barriers to encourage free-trade.
- (b) Quantitative restrictions are prohibited.
- (c) Developing and other countries facing difficulties in their balance of payments are allowed to reduce trade barriers gradually.
- (d) All of the above

89. 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.

90. 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

91. 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 of the above

92. Which of the following agreements aims to prevent Standards and Conformity assessment systems from becoming unnecessary trade barriers by securing their transparency and harmonization with international Standards?

- (a) Agreement on Agriculture
- (b) Agreement on SPS
- (c) Agreement on Technical Barriers & Trade (TBT)
- (d) Agreement on Trade Related Investment Measures.

93. _____relates to simplifications of administrative procedures and to ensure their fair operation so that import licensing procedures of different countries may not act as trade-barriers.

- (a) Agreements on Rules of Origin
- (b) Agreement on Import Licensing Procedures
- (c) Agreement on safeguards
- (d) Agreement on Trade-in-Services

94. TPRM Stands for

- (a) Trade Policy Review Mechanism
- (b) Trade Practices Regulatory Measures
- (c) Transparent Practices Regulatory Mechanism
- (d) None of these

95. TRIM stands for

- (a) Trade Policy International Mechanism
- (b) Trade Related Investment Measures
- (c) Transparent Reforms Inherent Mechanism
- (d) None of these

96. 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.

97. 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.

98. The most controversial topic in the Doha Agenda was

- (a) Services trade
- (b) Market access
- (c) Agriculture trade
- (d) Geographical problems

99. Which of the following is NOT a member of G20?

- (a) Italy
- (b) Japan
- (c) Australia
- (d) Pakistan

100. When was G20 established?

- (a) 1985
- (b) 1995
- (c) 1999
- (d) 2000

101. Which of the following has organized the recent G20 summit in 2023?

- (a) Osaka
- (b) India
- (c) America
- (d) China

102. What was the theme of the G20 summit held in September 2023?

- (a) One-Earth - one family
- (b) One-Earth - one future
- (c) One Family- one future
- (d) One Earth-one family-one future

103. Which of the following is NOT the member of G20?

- (a) Mexico
- (b) India
- (c) Singapore
- (d) Indonesia

104. Where was the first submit of G20 held?

- (a) USA
- (b) Britain
- (c) France
- (d) Canada

105. Which country will hold the G20 Presidency in 2024?

- (a) Brazil.
- (b) South Africa
- (c) USA
- (d) India

106. A Foreign Currency transaction is a transaction that is Foreign currency.

- (a) Dominated in
- (b) Requires settlement in
- (c) Dominated in or requires settlement in
- (d) Convertible into

107. Which of the following is NOT a part of Foreign currency Transaction?

- (a) Buys or sells goods or services whose price is denominated in domestic currency
- (b) Borrows or lends funds, dominated in Foreign currency
- (c) becomes a party to an unperformed forward exchange contract
- (d) Acquires or disposes of assets, denominated in Foreign currency.

108. 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 exchange- able for one unit of a foreign currency.
- (d) Exchange rates are generally fixed by the central bank of the country

109. _____refers to a system in which exchange rate for a currency is fixed by the Government.

- (a) Fixed Exchange Rate System
- (b) Pegged Exchange Rate System
- (c) Floating Exchange Rate System
- (d) Both (a) and (b)

110. When value of domestic currency is tied to the value of another currency, it is known as:

- (a) **Pegging**
- (b) **Parity value**
- (c) **Floating value**
- (d) **None of the above**

111. When value of a currency is fixed in terms of some other currency or in terms of gold, it is known as _____

- (a) Pegging
- (b) Parity value
- (c) Floating value
- (d) None of the above

112. Which of the following is NOT the merit of fixed Exchange Rate System?

- (a) Stability in the Exchange Rate
- (b) Prevent speculative activities
- (c) Huge Foreign Exchange Reserve required
- (d) Promotes International Investment

113. Which of the following is NOT the feature of fixed Exchange Rate System?

- (a) Exchange Rate is officially fixed in terms of gold or any other currency by Government.
- (b) There is complete Government Control as only government has the power to change it.
- (c) The exchange rate keeps on changing frequently.
- (d) Government is required to keep a large stock of Foreign exchange reserves.

114. Which of following is NOT true about the outcome of fixed exchange rate system?

- (a) Brings more currency stability
- (b) Brings more Monetary stability
- (c) Brings Credibility
- (d) Brings More flexibility

115. _____ refers to **reduction in price of domestic currency in terms of all Foreign currencies under fixed exchange rate regime.**

- (a) Depreciation
- (b) Devaluation
- (c) Revaluation
- (d) None of the above

116. _____ refers to **fall in market price of domestic currency in terms of a Foreign currency under flexible exchange rate regime.**

- (a) Depreciation
- (b) Devaluation
- (c) Revaluation
- (d) None of the above

117. **Which term is used to a system in which exchange rate is determined by forces of demand and supply of different currencies in the Foreign exchange market?**

- (a) Fixed Exchange Rate System
- (b) Floating Exchange Rate System
- (c) Managed floating Rate System
- (d) Pegged Exchange Rate System

118. **Which of the following is a merit of flexible Exchange Rate System?**

- (a) Maintains Equilibrium level
- (b) No need for huge Foreign Exchange reserves
- (c) Optimum Utilization of resources
- (d) All of the above

119. **Which of the following is NOT the feature of Flexible Exchange Rate System?**

- (a) Exchange rate is fixed officially by the Government.
- (b) The exchange rate keeps on changing.
- (c) Foreign Exchange Reserves are not required to be kept.

- (d) Flexible exchange rate may lead to depreciation or appreciation.

120. What is the name of the system in which Foreign exchange rate is determined by market forces and central bank influences the exchange rate through intervention in the Foreign exchange market?

- (a) Fixed Exchange Rate System
- (b) Floating Exchange Rate System
- (c) Managed Floating Rate System
- (d) Managed Fixed Rate System

121. Which of the following statement 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 of the above

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

- (i) floating exchange rate
 - (ii) pegged exchange rate
 - (iii) devaluation
 - (iv) appreciation
 - (a) fixed exchange rate
 - (b) depreciation
 - (c) revaluation
 - (d) flexible exchange rate
- (a) (i c); (ii d); (iii b); (iv a)
(b) (i b); (ii a); (iii d); (iv c)
(c) (i a); (ii d); (iii b); (iv c)
(d) (i d); (ii a); (iii b); (iv c)

123. '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 statement is:

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

124. The Real Exchange Rate (RER) between two countries is the _____ of the nominal exchange rate and the ratio of the _____ between the two countries.

- (a) addition, Domestic & foreign price
- (b) product, Domestic & Foreign price
- (c) addition, Foreign & Domestic price
- (d) Product, Foreign & Domestic price

125. On which of the following factors, the real exchange rate depends?

- (a) Nominal Exchange Rate
- (b) Domestic Price
- (c) Foreign Price
- (d) All of the above

126. When studying the economy as a whole, which ratio is used in the determination of Real Exchange Rate?

- (a) Domestic Price/Foreign Price
- (b) Foreign Price/Domestic Price
- (c) Domestic Price Index/ Foreign Price Index
- (d) Foreign Price Index/Domestic Price Index

127. An increase in Real Effective Exchange Rate (REER) implies that _____

- (a) Exports become more expensive
- (b) Imports become cheaper
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

128. An increase in Real Effective Exchange Rate (REER) indicates _____ in trade competitiveness.

- (a) a loss
- (b) a gain
- (c) No change
- (d) Substantial gain

129. The price indices are used, when studying the economy as a whole, for

determination of Real Exchange rate. Which of the following formula is used for this?

- (a) Nominal Exchange Rate x Domestic Price Index/Foreign Price Index
- (b) Real Exchange Rate x Domestic Price Index/Foreign Price Index
- (c) Nominal Exchange Rate x Foreign Price Index / Domestic Price Index
- (d) Real Exchange Rate x Foreign Price Index/ Domestic Price Index

130. _____refers to the market in which sale and purchase of Foreign currency is settled on a specified future date at a rate agreed upon today.

- (a) Spot Market
- (b) Forward Market
- (c) Direct Market
- (d) Indirect Market

131. _____refers to the market in which the receipts and payments are made immediately.

- (a) Spot Market
- (b) Forward Market
- (c) Future Market
- (d) Spontaneous Market

132. '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.

133. In case of spot trading, the settlement is done by and large in _____days.

- (a) Same
- (b) One

- (c) Two
- (d) Three

134. The forward exchange rate is always _____ the spot exchange rate.

- (a) Equal to
- (b) more than
- (c) less than
- (d) Any of the above

135. If the forward exchange rate is quoted at more than a spot exchange rate, then there is a _____

- (a) forward premium
- (b) forward discount
- (c) Spot Premium
- (d) Spot discount

136. In the case of forward discount, the forward exchange rate is _____ the spot exchange rate

- (a) more than
- (b) less than
- (c) equal to
- (d) Either (a) or (b)

137. In practice, most transactions involve exchanges of foreign currencies for the U.S. dollars even when it is not the national currency of either the importer or the exporter. On account of the critical role in the forex market, the dollar is called as _____

- (a) Dominating Currency
- (b) Strong Currency
- (c) Communicable Currency
- (d) Vehicle Currency

138. For variety of reasons, _____ participate in the Foreign exchange market.

- (a) Individuals
- (b) Institutions
- (c) Governments
- (d) All of the above

139. On the demand side, the participants operate for _____

- (a) Purchase of goods and services from another country.
- (b) To make investment income payment aboard.
- (c) To purchase financial assets aboard.
- (d) Any of the above

140. Which one of the following is Unilateral transfer?

- (a) Gifts and awards
- (b) Grants and donations
- (c) Endowments
- (d) All of the above

141. The Foreign exchange market faces _____ sloping demand curve and an _____ sloping supply curve

- (a) Downward, upward
- (b) Upward, downward
- (c) Downward, downward
- (d) Upward, upward

142. In the determination of Nominal exchange rate, _____ and _____ are represented on the x-axis and y-axis, respectively.

- (a) Quantity of currency, exchange Rate
- (b) exchange Rate, quantity of Currency
- (c) demand of currency, supply of currency
- (d) supply of currency, demand of currency

143. The changes in exchange rates portray of one currency.

- (a) Depreciation
- (b) Appreciation
- (c) either (a) or (b)
- (d) none of these

144. The exchange rate \$1 = ₹78 becomes \$1 = 81. What does this indicate?

- (a) Value of Indian Rupee has gone down.
- (b) Indian Rupee has depreciated in its value.
- (c) Value of US dollar has decreased
- (d) Both (a) and (b)

145. After few months, one had to exchange a greater amount of domestic currency to get same one unit of Foreign currency. In this case _____

- (a) Domestic currency is devalued.
- (b) Domestic currency is depreciated.
- (c) Foreign currency is devalued.
- (d) Foreign currency is depreciated

146. When one currency depreciates against another, the second currency must _____ against the first.

- (a) also depreciate
- (b) appreciate after some time
- (c) simultaneously depreciate
- (d) simultaneously appreciate.

147. Home-currency depreciation means _____

- (a) Home currency becomes relatively less valuable
- (b) There is increase in the home Currency price of the Foreign currency.
- (c) Foreign currency appreciation
- (d) All of the above

148. 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.

149. 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.

150. 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.

151. Under a floating rate system, if the demand for Foreign currency increases and supply curve remains unchanged, then the exchange value of ___rises and the _____depreciates-in value.

- (a) domestic currency, foreign currency
- (b) Foreign currency, domestic currency
- (c) domestic currency, outside currency
- (d) None of these

152. Which of the following is INCORRECT?

- (a) An increase in the supply of Foreign exchange shifts the supply curve to the right.
- (b) An increase in demand of Foreign currency shift the demand curve to the right.
- (c) An increase in demand with no change in supply will bring an increase in the equilibrium exchange rate.
- (d) None of the above

153. 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 in- crease 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

154. _____ is a deliberate downward adjustment in the value of a country's currency relative to another country's currency or group of currencies or standard.

- (a) Devaluation
- (b) Devolvement
- (c) Degradation
- (d) None of these

155. Devaluation is a _____ policy tool used by the countries that have a _____ exchange rate.

- (a) Monetary, floating
- (b) Monetary, fixed
- (c) Fiscal, Floating
- (d) Fiscal, fixed

156. Revaluation is _____ to/of devaluation.

- (a) Opposite
- (b) Synonymous
- (c) Similar
- (d) Better

157. Which one of the following is incorrect?

- (a) Revaluation refers to a discrete official increase of the otherwise fixed par value of a nation's currency.
- (b) Devaluation is a monetary policy tool.
- (c) Depreciation is a decrease in a currency's value due to market forces of demand and supply under a floating exchange rate.
- (d) None of the above

158. 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**

159. All other things remaining the same, an appreciation of a country's currency ____

- (a) raises the relative price of its exports
- (b) lowers the relative price of its imports
- (c) raises the price of imports & lowers the price of export
- (d) Both (a) and (b)

160. For which type of economy, a depreciated currency would mean a lot of gain?

- (a) Where imports are high
- (b) Where exports are high
- (c) Where imports are significantly high
- (d) Where export are significantly high

161. If currency depreciates in an economy, where the exports are significantly high and the exports originate from labour intensive industries, then what will happen?

- (a) Increase in Export Prices
- (b) Increase in employment
- (c) Increase in wages
- (d) All of the above

162. Which of the following is NOT a consequences of appreciation, on real economy?

- (a) Rise in price of exports
- (b) Reduction in levels of inflation
- (c) Insignificant loss of competitiveness
- (d) Positive effect on domestic industry.

163. 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 of the above

164. Which of the following is a form of Borrowings?

- (a) Direct Inter government loans.
- (b) Loans from international institutions (e.g. World Bank, IMF, ADB).
- (c) External Commercial Borrowings.
- (d) All of the above.

165. Which of the following is NOT a Component of Foreign Capital Flows?

- (a) Foreign aid or assistance
- (b) Borrowings/loans from international institutions.
- (c) FDI in industrial, commercial and similar other enterprises.
- (d) Deposits of Resident Indians

166. 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.

167. 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

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

- (a) Brown field investment
- (b) Merger and acquisition
- (c) Greenfield investment

(d) Strategic alliances

169. 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

170. Based on the nature of Foreign investments, FDI may be categorized as:

- (a) Horizontal
- (b) Vertical
- (c) Conglomerate
- (d) All of the above

171. United Inc. is a cell phone service provider based in the United States. The corporation is moving to India to provide the same service. Which type of investment is said to have taken place?

- (a) Horizontal
- (b) Vertical
- (c) Conglomerate
- (d) Same-axis

172. _____ is a type of Foreign direct investment is one where an investor makes a foreign investment in a business that is unrelated to its existing business in its home country.

- (a) Horizontal
- (b) Vertical
- (c) Conglomerate
- (d) None of the above

173. 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.

174. The Foreign Portfolio Investment (FPI) is NOT concerned with _____

- (a) manufacture of goods
- (b) provision of services
- (c) the intention of exercising voting power
- (d) all of the above

175. 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

176. 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

ANSWERS

1	(d)	2	(b)	3	(c)	4	(c)	5	(a)	6	(a)	7	(c)
8	(a)	9	(b)	10	(d)	11	(b)	12	(b)	13	(b)	14	(d)
15	(b)	16	(d)	17	(c)	18	(d)	19	(b)	20	(d)	21	(b)
22	(b)	23	(d)	24	(a)	25	(d)	26	(c)	27	(c)	28	(a)
29	(c)	30	(d)	31	(b)	32	(b)	33	(c)	34	(d)	35	(a)
36	(a)	37	(b)	38	(b)	39	(d)	40	(b)	41	(d)	42	(d)
43	(c)	44	(b)	45	(d)	46	(d)	47	(c)	48	(b)	49	(d)
50	(c)	51	(a)	52	(d)	53	(c)	54	(b)	55	(b)	56	(a)
57	(d)	58	(c)	59	(d)	60	(c)	61	(a)	62	(a)	63	(c)
64	(d)	65	(b)	66	(d)	67	(b)	68	(b)	69	(d)	70	(b)
71	(c)	72	(d)	73	(a)	74	(c)	75	(b)	76	(c)	77	(d)
78	(d)	79	(a)	80	(c)	81	(c)	82	(b)	83	(b)	84	(c)
85	(d)	86	(b)	87	(c)	88	(d)	89	(c)	90	(b)	91	(d)
92	(c)	93	(b)	94	(a)	95	(b)	96	(c)	97	(b)	98	(c)
99	(d)	100	(c)	101	(b)	102	(d)	103	(c)	104	(a)	105	(a)
106	(c)	107	(a)	108	(c)	109	(d)	110	(a)	111	(b)	112	(c)
113	(c)	114	(d)	115	(b)	116	(a)	117	(b)	118	(d)	119	(a)
120	(c)	121	(d)	122	(d)	123	(a)	124	(b)	125	(d)	126	(c)
127	(c)	128	(a)	129	(a)	130	(b)	131	(a)	132	(d)	133	(c)
134	(d)	135	(a)	136	(b)	137	(d)	138	(d)	139	(d)	140	(d)
141	(a)	142	(a)	143	(c)	144	(d)	145	(b)	146	(d)	147	(d)

Piyush Tutorials
Chapter 10 Indian Economy

Chapter – 10

INDIAN ECONOMY

1. Between the first and the 17th Century AD, India was prosperous and self-radiant and is believed to have controlled _____ of the world's wealth.
(a) One Tenth (b) One Third
(c) One Fourth (d) Between one third and one fourth
2. During the time of Emperor Chandragupta Maurya, the great intellectual guru of the emperor, outlined the public policy of the State.
(a) Akbar (b) Sultan (c) Chanakya (d) Todarmal
3. Who has authored the book "Arthashastra", a Conceptual frame work of State Craft and public Policy?
(a) Chandragupta Maurya (b) Chanakya
(c) Plato (d) Akbar
4. The advent of the Europeans and the rule of British from _____ brought about a marked shift in the economic history of India.
(a) 1700 to 1947 (b) 1717 to 1947
(c) 1757 to 1947 (d) 1787 to 1947
5. 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
6. In British era, what was the reason of virtual collapse of Indian agriculture?
(a) Absentee landlordism
(b) High indebtedness of agriculturists, growth of a class of exploitative money lenders.
(c) Low attention to productivity enhancing measures
(d) All of the above
7. In British era, which of the following factors forced many to depend on agriculture for livelihood?
(a) Large scale unemployment (b) Absence of alternate sources
(c) Both (a) and (b) (d) None of these
8. In British era, the increased pressure on land led to _
(a) Sub-division and fragmentation of land holdings
(b) Subsistence farming
(c) Reduced agricultural productivity and poverty
(d) All of the above
9. Before 1950, the factory-based production _____ in India.
(a) Did not exist (b) Existed in petroleum
(c) Existed in digital products (d) Existed in agriculture
10. The 'Modern' industrial enterprises in colonial India started to grow in the
(a) Mid-16th century (b) Mid-18th century
(c) Mid-19th century (d) 20th century

Piyush Tutorials
Chapter 10 Indian Economy

11. At the end of the 19th century, the Indian jute mill industry was the _____ in the world in terms of the amount of raw jute consumed in production.
- (a) Largest (b) Second Largest
(c) Negligible (d) Lowest
12. Heavy industries such as the iron industry were established as early as 1814 by British capital. India's iron of industry was ranked _____ in the world in terms of output in 1930.
- (a) First (b) Fifth (c) Seventh (d) Eighth
13. Just before the Great Depression, India was ranked as the _____ largest industrialized country measured by the value of manufactured products.
- (a) 10th (b) 11th (c) 12th (d) 13th
14. In pre-independence era, the consequence of collapse of manufacturing sector was felt heavily on agricultural sector in the form of_
- (a) Overcrowding on farms
(b) Subdivision and fragmentation
(c) Subsistence farming, low productivity, lower incomes and aggravated poverty
(d) All of the above
15. In pre-independence era, the consequence of collapse of manufacturing sector was felt heavily on agricultural sector in the form of_
- (a) Overcrowding on farms
(b) Subdivision and fragmentation
(c) Subsistence farming, low productivity, lower incomes and aggravated poverty
(d) All of the above
16. 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
17. At the time of independence, which of the following is correct about India?
- (a) India was overwhelmingly rural, inhabited by mostly illiterate and poor people with low life expectancy
(b) The social structure was deeply stratified and exceedingly heterogeneous on many counts
(c) India was deficient in physical financial and human capital
(d) All of the above
18. Which of the following was NOT the ideology of industrializations prevailed in the early days of independence?
- (a) Establishing an economic system in which the central government would have authority to design the economic strategy
(b) To carry out the necessary investments in coordination with the private sector.
(c) Systematic planning to support industrialization.
(d) Lowest level of industrialization of the economy
19. 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 industrialization
(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

Piyush Tutorials
Chapter 10 Indian Economy

20. Which of the following economic philosophy was the guiding force for planning in 1950's?
(a) The then prime minister Nehru's visualization to build a socialistic society with emphasis on heavy industry
(b) The Gandhian philosophy of small scale and cottage industry and village republics
(c) Both (a) and (b)
(d) None of the above
21. In independent India, the comprehensive import controls were maintained until
(a) 1955 (b) 1962 (c) 1966 (d) 1970
22. The Industrial Policy Resolution of 1956 though provided a comprehensive frame work for industrial development, was lopsided as its guiding principle supported enormous expansion of the scope of the
(a) Private Sector (b) Public sector
(c) Both (a) and (b) (d) None of these
23. In Industrial Policy Resolution (1956), a natural outcome of the undue priority for public sector was the
(a) Dampening of private initiative and enterprise
(b) Private investments were discouraged
(c) Negative consequences of industrial growth
(d) All of the above
24. 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 1950's to the 1980's, which averaged around 3.5 per cent per year
(c) The low growth of the economy during British period marked by an average 3.5 per cent
(d) The growth rate of the country because India is referred to as 'Hindustan'
25. In 1954, India signed a long-term agreement with the US for food aid. What was the
(a) PL-420
(b) PL-400
26. The Industrial Policy Resolution (1948) envisaged _____
(a) An expanded role for the public sector
(b) Licensing to the private sector
(c) Both (a) and (b)
(d) None of these
27. The policies in 1950's were guided by _____
(a) Nehruvian philosophy of visualizing a socialistic society with emphasis on heavy industries
(b) Gandhian philosophy of stressing on small scale and cottage industry and village republics
(c) Both (a) and (b)
(d) None of these
28. 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

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Chapter 10 Indian Economy

29. 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 upgradation of agriculture
 - (d) All the above
30. 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
31. The economic performance during the period of 1965-81 is the worst in independent India's history the decline in growth during this period is attributed mainly to decline in productivity. Which of the following factors contributed to the decelerated growth that lasted two decades?
- (a) The license-raj, the autarchic policies that dominated the 1960s and 1970s
 - (b) The external shocks of three wars (in 1962, 1965, and 1971)
 - (c) The major droughts (especially 1966 and 1967)
 - (d) The oil shocks of 1973 1 shocks of 1973 and 1979
- (i) only (b) Both (i) and (ii) (c) (i), (ii) and (iii) (d) (i), (ii), (iii) and (iv)
32. The government nationalized 14 banks in _____ and then followed it up with nationalizing another 6 in ____
- (a) 1967, 1977 (b) 1969, 1980 (c) 1980, 1969 (d) None of the above
33. Which of the following is NOT the part of major reforms in 1980's?
- (a) De-licensing of 25 broad categories of industries, granting of the facility of broad-banding' to allow flexibility and rapid changes in the product mix of industries without going in for fresh licensing
 - (b) Increase in the asset limit of MRTP firms from 20 crore to 100 crore, introduction of modified value-added (MODVAT)
 - (c) Liberalization Extension of the Open General License (OGL), export incentives, of imports, reduction in tariffs and removal of price and distribution controls on cement and aluminum
 - (d) Establishment of planning commission
34. In which year, the policy of reservation of many products for exclusive manufacture by the small scale sector was initiated with the objective of promotion of small scale industries.
- (a) 1967 (b) 1969 (c) 1971 (d) 1973
35. The first wave of liberalization starts in India ____
- (a) In 1951 (b) In 1980's (c) In 1990's (d) In 1966
36. On which date the Securities and Exchange Board of India (SEBI) was established as a non- statutory body on through a resolution of the Government of India?
- (a) April 1, 1982 (b) April 12, 1982
 - (c) April 1, 1988 (d) April 12, 1988

Piyush Tutorials
Chapter 10 Indian Economy

37. The number of capital goods items included in the OGL list expanded steadily reaching 1,329 in April 1990. What is the full form of OGL?
- (a) Open General License (b) Other Goods List
(c) Open Goods List (d) Other General List
38. 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
39. Based on the Real Effective Exchange Rate (REER), the rupee was depreciated by about 30 per cent from_.
- (a) 1980-81 to 1990-91 (b) 1982-83 to 1990-91
(c) 1985-86 to 1989-90 (d) None of these
40. The budget for 1986 introduced policies of_____
- (a) Cutting taxes further (b) Liberalizing imports
(c) Reducing tariffs (d) All of the above
41. In 1991, the foreign exchange reserves touched the lowest point with a reserve which was barely sufficient for two weeks of imports. What was the status of reserves at that time?
- (a) \$5.2 billion (b) \$4.3 billion (c) \$3.2 billion (d) \$1.2 billion
42. The economic condition of India in the year 1991 was very miserable. Which of the following is NOT the reason behind the major economic reforms in the economy?
- (a) Poor performance of public sector
(b) Deficit in Balance of Payment
(c) Rise in foreign exchange reserves
(d) Huge burden of taxes
43. To manage the economic crises of 1991, Indian Government approached World Bank and IMF. What is the amount of loan received by India?
- (a) \$10 Billion (b) \$7 Billion (c) \$5 Billion (d) None of these
44. Which of the following was the objective of the LPG reforms, taken in 1991?
- (a) Reorientation of the economy from a centrally directed and highly controlled one to a market friendly or market-oriented economy
(b) Macroeconomic stabilization by substantial reduction in fiscal deficit
(c) Both (a) and (b)
(d) None of these
45. In the context of the new economic policy of 1991, the term 'dis-investment' 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 private sector

Piyush Tutorials
Chapter 10 Indian Economy

46. Which of the following is a part of fiscal reforms of 1991?
- (a) Introduction of a stable and transparent tax structure
 - (b) Ensuring better tax compliance
 - (c) Reduction in subsidies and abolition of unnecessary subsidies
 - (d) All of the above
47. Which one of the following is NOT correct about fiscal reforms of 1991?
- (a) Thrust on curbing government expenditure
 - (b) Substantial increase in subsidies and addition in many subsidies
 - (c) Disinvestment of part of government's equity holdings in select public sector undertakings
 - (d) Encouraging private sector participation
48. What was the focus of monetary and fiscal sector reforms (1991)?
- (a) Reducing the burden of non-performing assets on government banks'
 - (b) Introducing and sustaining competition
 - (c) Deregulating interest rates
 - (d) All of the above
49. In line with the recommendations of the Narasimham Committee Re-port,1991, what was done as regards 'Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR)?
- Increase in both SLR and CRR
 - Decrease in both SLR and CRR
 - Increase in SLR and Decrease in CRR
 - Decrease in SLR and Increase in CRR
50. In which year the Securities and Exchange Board of India (SEBI) was given statutory recognition in 1992.
- (a) 1988
 - (b) 1991
 - (c) 1992
 - (d) 1993
51. 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
52. 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) Liberalization of international trade
 - (d) The disinvestment of government holdings of equity share capital of public sector enterprises
53. In "New Industrial Policy" of 1991, the public sector was limited to sectors based on security and strategic grounds.
- (a) Ten
 - (b) Eight
 - (c) Six
 - (d) Five
54. The New Economic Policy put an end to the License Raj by removing licensing restrictions for all industries except for 18 that related to:
- (a) Security and strategic concerns
 - (b) Social reasons
 - (c) Problems related to safety and overriding environmental issues
 - (d) All of the above

Piyush Tutorials
Chapter 10 Indian Economy

55. The trade policy reforms aimed at _____
- (a) Dismantling of quantitative restrictions on imports and exports
 - (b) Focusing on a more outward oriented regime with phased reduction and simplification of tariffs
 - (c) Removal of licensing procedures for imports
 - (d) All of the above
56. In July, 1991 the Indian government devalued the rupee by between
- (a) 14 to 15 percent
 - (b) 15 to 16 percent
 - (c) 16 to 17 percent
 - (d) 18 to 19 percent
57. When was NITI AAYOG established?
- (a) 1st January 2013
 - (b) 15th August 2013
 - (c) 1st January 2015
 - (d) 15th August 2015
58. The Parent agency of NITI AAYOG is _____
- (a) Ministry of Planning
 - (b) Ministry of Industries
 - (c) Ministry of Corporate Affairs
 - (d) Prime Minister's Office
59. Who is the current Chief Executive officer of the NITI AAYOG?
- (a) V.K. Saraswat
 - (b) B.V.R. Subrahmanyam
 - (c) Vinod Paul
 - (d) Rajiv Kumar
60. The current vice-chairperson of NITI AAYOG is _____
- (a) V.K. Saraswat
 - (b) Amitabh Kant
 - (c) Vinod Paul
 - (d) Suman Bery
61. Who amongst the following is not ex-officio member of NITI AAYOG?
- (a) Amit Shah
 - (b) Rajnath Singh
 - (c) Nirmala Sitharaman
 - (d) Narendra Modi
62. Who leads the NITI AAYOG as its Chairperson?
- (a) President
 - (b) Prime Minister
 - (c) Home Minister
 - (d) Finance Minister
63. Think tank of the Government of India, that replaced the planning Commission, is
- (a) Mission Commission
 - (b) NITI AAYOG
 - (c) NITI Commission
 - (d) None of these
64. Which of the following is the function of NITI AAYOG?
- (a) Instrument to bring outside ideas into Policy-making
 - (b) Fostering Cooperative federalism
 - (c) Platform for resolution of Inter-Sectoral and inter-department issues
 - (d) All of the above
65. What is the name given to NITI AAYOG'S ambitious project to develop a nation-wide block chain network?
- (a) Indo chain 10.9
 - (b) India chain
 - (c) Bharat chain
 - (d) Atal chain
66. The programme "SATH" of NITI AAYOG focuses on which of the following Sector?
- (a) Education and Health
 - (b) Health and Power
 - (c) Power and safety
 - (d) Safety and Environment

Piyush Tutorials
Chapter 10 Indian Economy

67. The programme "SATH" focuses on Sectors "Education and Health" & to build three Role Model States. Which of the following is not selected for the programme?
(a) Jharkhand (b) Madhya Pradesh
(c) Uttar Pradesh (d) Odisha
68. What is the full form of "SATH"?
(a) Sustainable Action for Transforming Human Capital
(b) Suitable Action Training High-tech
(c) Separate Augmented Theory
(d) None of these
69. The SATH Programme is implemented along with which of the following Knowledge Partner?
(a) Boston Consulting Group
(b) Piramal foundation for Education & Leadership
(c) Reliance Foundation
(d) Both (a) & (b)
70. What is the role of NITI Aayog in "SATH"?
(a) Facilitator & Financer
(b) Facilitator & Coordinator
(c) Facilitator & Knowledge Partner
(d) Facilitator & Technical Partner
71. Which of the following is/are comes under the gamut of activities of NITI Aayog?
(a) Design Policy & Programme Frame-work
(b) Foster Cooperative Federalism
(c) Monitoring & Evaluation
(d) All of the above
72. One of the objectives of NITI AAYOG is to evolve a shared vision of national development priorities, sectors and strategies with the active involvement of States. What is the full form of NITI?
(a) National Institution for Transforming India
(b) New Institute for Training India
(c) Notional Integration and Technical Integrity
(d) NITI stands for planning
73. Which of the following is not covered under NITI Aayog's entire gamut of activities?
(a) Design Policy & Programme framework
(b) Foster Cooperative Federalism, Monitoring & Evaluation
(c) Think Tank and knowledge and Innovation Hub
(d) Co-ordination among domestic and International transactions
74. India has the world's area planted under wheat, rice and cotton.
(a) Smallest (b) Largest (c) Negligible (d) Significantly low
75. India is the world's producer of fruits, vegetables, tea, farmed fish, cotton, sugarcane, wheat, rice, cotton and sugar.
(a) Largest (b) Second-largest (c) Third Largest (d) Fifth
76. Indian food and grocery market is the world's largest with
(a) Third (b) Fourth (c) Sixth (d) None of these

Piyush Tutorials
Chapter 10 Indian Economy

77. India has the world's ___ cattle herd (buffaloes).
(a) Largest (b) Second-largest (c) Third Largest (d) Fifth
78. According to the latest estimates _____ of India population is directly dependent on agriculture for living.
(a) 30% (b) 40% (c) 47% (d) 72%
79. As per the economic survey, 2022-23, agriculture remained ro-bust, recording a growth of 3.5 per cent in 2022-23, driven by buoyant rabi sowing and allied activities. Which of the following measures have been taken by the Government which has contributed to this robust performance of the agriculture and allied sectors?
(a) Improve market infrastructure through the impetus provided for the setting up of farmer- producer organizations
(b) Ensure certainty of returns to the farmers through price support. The Minimum Support Price (MSP) of all 23 mandated crops is fixed at 1.5 times of all India weighted average cost of production
(c) Promotion of investment in infrastructure facilities through the Agriculture Infrastructure Fund
(d) All of the above
80. India is among the top __ exporters of agricultural products in the world.
(a) Three (b) Five (c) Ten (d) Eleven
81. APEDA is entrusted with the responsibility of export promotion of Agri products. What is the full form of APEDA?
(a) Agricultural and Processed Food Export Development Authority
(b) Agricultural and Processed Fund Enriching Development Authority
(c) Agri and Products Facilitator Export Development Authority
(d) Agri and Products Food Export Development Authority
82. As part of liberalization measures, the Government of India has allowed _____ FDI in marketing of food products and in food product E- commerce under the automatic route.
(a) 30% (b) 40% (c) 50% (d) 100%
83. What is the name of the novel insurance scheme for financial support to farmers suffering crop loss/ damage?
(a) Pradhan Mantri Fasal Bima Yojana (PMFBY)
(b) Pradhan Mantri Farmers Bima Yojana (PMFBY)
(c) Pradhan Mantri Financial Bima Yojana (PMFBY)
(d) None of these
84. What is the name of the scheme for the holistic growth of the horticulture sector?
(a) Ministry for Integrated Development of Horticulture (MIDH)
(b) Mission for Integrated Development of Horticulture (MIDH)
(c) Mission for Informal Development of Horticulture (MIDH)
(d) Mission for Intensified Development of Horticulture (MIDH)
85. Paramparagat Krishi Vikas Yojana (PKVY) is the scheme for supporting and promoting
(a) Organic farming
(b) Improvement of soil health
(c) Traditional farming methods of agriculture
(d) Both (a) and (b)

Piyush Tutorials
Chapter 10 Indian Economy

86. PDMC scheme to increase water use efficiency at the farm level. What is the full form of PDMC?
- (a) Per Drop More Crop
 - (b) Perfect Drop More Crop
 - (b) Perfect Development Mission Crop
 - (d) None of these
87. 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) Both (b) and (c) above
88. India's rank in the Global Innovation Index (GI) improved to 40th in 2022 from 2015
- (a) 71st
 - (b) 81st
 - (c) 91st
 - (d) 99th
89. The Department for Promotion of Industry and Internal Trade (DPIT) has a role in the _____ of industrial policy and strategies for industrial development in conformity with the development needs and national objectives.
- (a) Formulation
 - (b) Implementation
 - (b) Formulation and implementation
 - (d) Critical evaluation
90. The introduction of which of the following on 1 July 2017 as a single domestic indirect tax law for the entire country has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc.
- (a) CBIC
 - (b) CBDT
 - (c) Customs Duty
 - (d) GST
91. In terms of Ease of Doing Business in 2020 India ranks _____
- (a) 63
 - (b) 77
 - (c) 45
 - (d) None of the above
92. _____ is to facilitate data-based decisions related to integrated planning of multimodal infrastructure, thereby reducing logistics cost.
- (a) PM Gati Shakti National Master Plan
 - (b) Mission Gati Shakti National Master Plan
 - (c) PM Multi-modal National Master Plan
 - (d) PM Integrated Plan for Multi-Modal
93. 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
94. _____ aims at the empowerment of Micro Small and Medium Enterprises (MSMEs).
- (a) Naya Bharat
 - (b) Viksit Bharat
 - (c) Udyog Bharat
 - (d) Udyami Bharat
95. 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

