

IMPORTANT MCQS



MACRO ECONOMICS

CA FOUNDATION JUNE 2024

CA MOHNISH VORA

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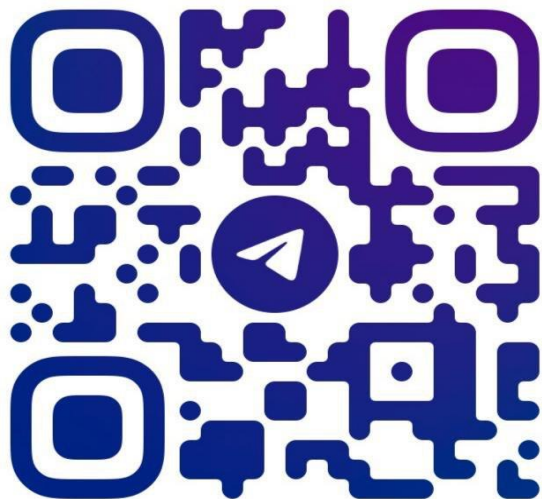
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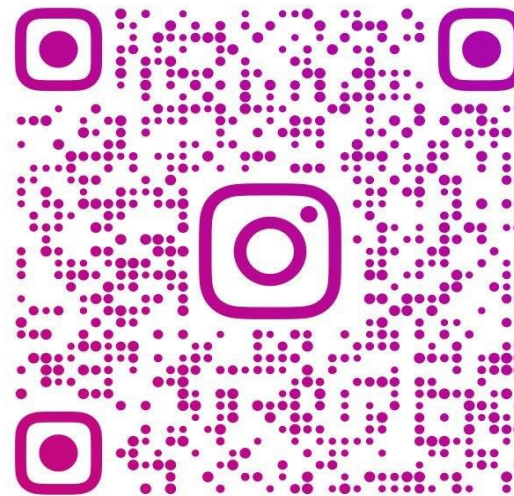


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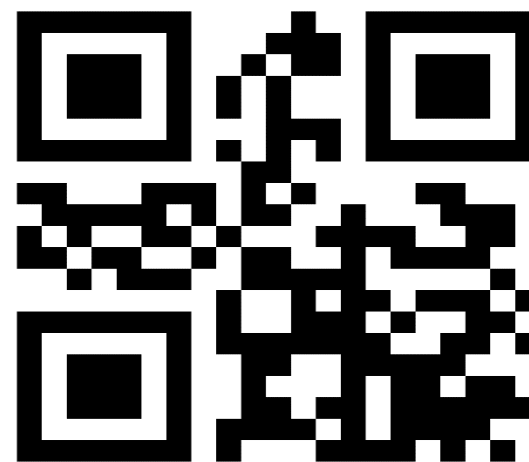
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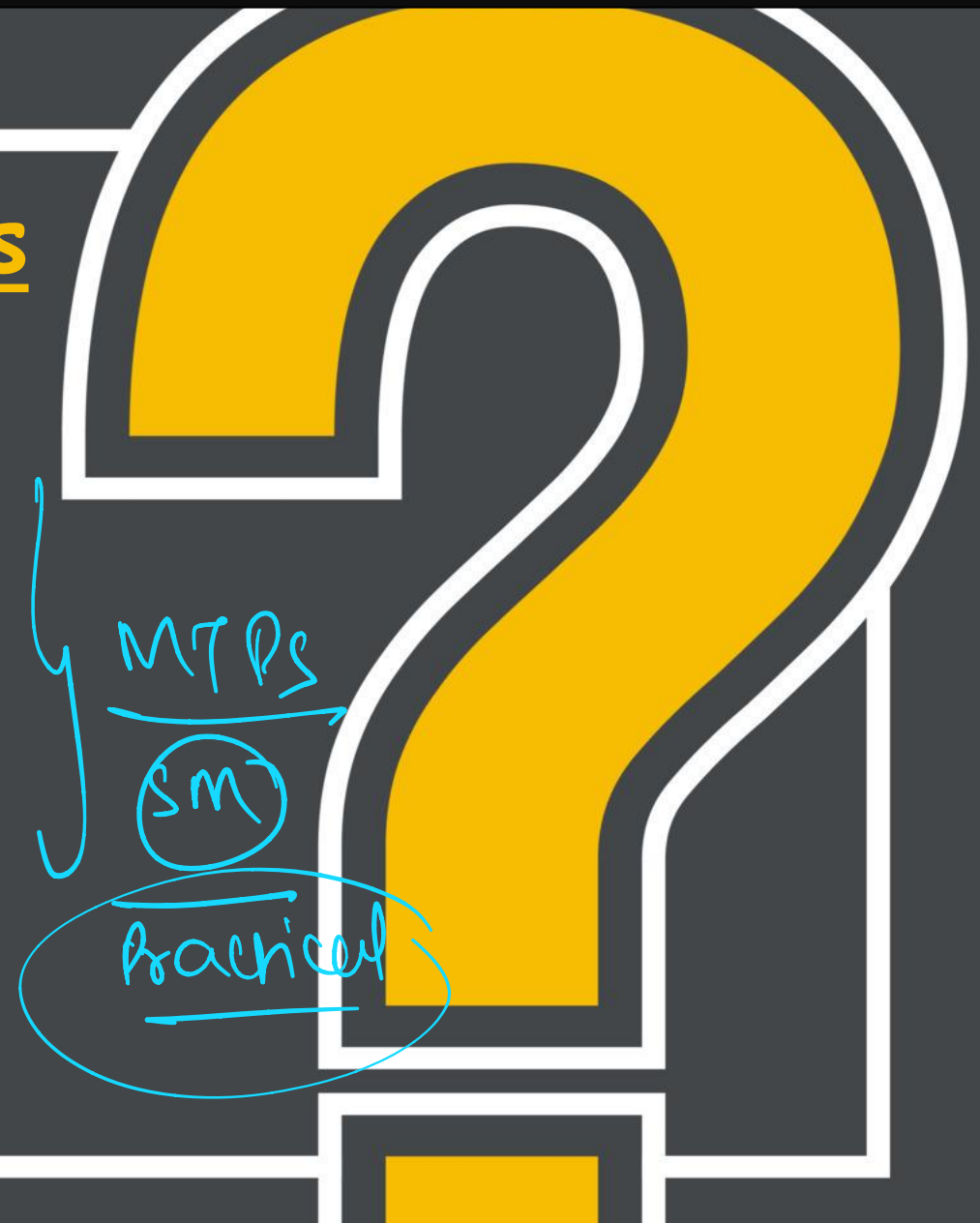
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MACRO ECONOMICS MCQs

	Chapter	No. of MCQs
✓ 6	National Income	40
✓ 7	Public Finance	40
8	Money Market	35
9	International Trade	45
10	Indian Economy	40
	Total	200



MACRO ECONOMICS MCQs

Chapter 6 - National Income



MACRO ECONOMICS MCQs

Net indirect tax	208
Consumption of fixed capital (Depn)	42
Net factor income from abroad (NFA)	-40
Rent ✓	311
Profits ✓	892
Interest ✓	81
Royalty ✓	6
Wages and salary ✓	(489)
Employer's contribution to Social Security Scheme	(50)

- 1 Calculate GDPMP & NNPFC from the above data:
- a) 1789 & 2079 respectively
 b) 2079 & 1789 respectively
 c) 1663 & 1789 respectively
 d) 1789 & 1663 respectively



• wages	489	}	COE	539
• Employer's contri to SS	50			

• R	311	}	OS	1,284
• I	892			
• P	81			

• Royalty		6
-----------	--	---

NDPFC	1,829
+ NFIA	-40
NNPFC	1,789

NNPFC	1789
+ NIT	208
+ CFC	42
(-) NFIA	-40
GDPmp	2079

--- 3 + 40

MACRO ECONOMICS MCQs

NDPFC

Compensation of employees	200
Intermediate Consumption	800
Rent	600
Interest	500
Consumption of fixed capital	300
Net Indirect Taxes	400
Mixed Income	700
Sales	2500
Compensation of employees	200

3

Calculate Operating Surplus

a) 270

b) 100 →

c) 70

d) None



Then 2nd step

first do this

COE	200
+ OS (AF)	100
+ MZ	700
<hr/>	
<u>NDPFC</u>	1000

Sales	2500
+ Change in Stock	-
<hr/>	
V. Output	2500
(-) Int Cons	(800)
<hr/>	
GDPmp	1700
(-) LFL	(300)
(-) NIT	(400)
<hr/>	
<u>NDPFC</u>	1000

MACRO ECONOMICS MCQs

4

Suppose Consumption function:

$$C = 40 + 0.2 Y \checkmark$$

and Investment is given by

$$I = 30 + 0.3 Y \ominus$$

What will be the equilibrium level of national Income?

a) 140

b) 350

c) 280

d) None of the above

At equi, $AS = AD \ominus$

$$Y = C + I$$

$$\Rightarrow Y = 40 + 0.2Y + 30 + 0.3Y$$

$$\Rightarrow Y = 70 + 0.50Y$$

$$\Rightarrow 0.50Y = 70 \Rightarrow Y = 140$$



MACRO ECONOMICS MCQs

5	Calculate the Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) from the following data:
<p>a) MPC = 0.75, MPS = 0.25</p> <p>b) MPC = 0.25, MPS = 0.75</p> <p>c) MPC = 1.25, MPS = 1.75</p> <p>d) MPC = 1.75, MPS = 1.25</p>	

Income (Y)	Consumption (C)	Level
Rs. 8,000	Rs. 6,000	Initial level
Rs. 12,000	Rs. 9,000	Changed level

$$MPC = \frac{\Delta C}{\Delta Y} = \frac{3000}{4000} = 0.75$$

$$k = \frac{1}{1-b} \quad \text{or} \quad k = \frac{1}{1-b} \quad \text{or} \quad b = \frac{k-1}{k}$$

MACRO ECONOMICS MCQs

6	<p>An increase in investment by Rs. 700 crore leads to increase in national income by Rs 3,500 cr. Calculate marginal propensity to consume & change in saving.</p>
	<p>a) MPC = 0.8, ΔS = 2800 Crore</p> <p>b) MPC = 0.8, ΔS = 700 Crore</p> <p>c) MPC = 0.2, ΔS = 2800 Crore</p> <p>d) MPC = 0.2, ΔS = 700 Crore</p>

$$k = \frac{\Delta Y}{\Delta I} = \frac{3500}{700} = 5$$

$$k = \frac{1}{1-b}$$

$$\Rightarrow 5 = \frac{1}{1-b}$$

$$\Rightarrow b = 0.80$$



MACRO ECONOMICS MCQs

3 sector & PT ⊙

For an Economy
 Consumption, $C = 50 + 0.75(Y_d)$
 Investment, $I = 100$
 Government Expenditure, $G = 200$
 Transfer Payments, $R = 110$
 Income Tax = $0.2Y$

$$T = \bar{T} + t \cdot Y$$

$\underbrace{\quad}$ $\underbrace{\quad}$
 $\underbrace{\quad}$ $\underbrace{\quad}$
 $0.20Y \rightarrow$

7

Find out the equilibrium of income and the value of expenditure multiplier.

- a) $Y = 432.5$ Crores, Expenditure Multiplier = 1.67
- b) $Y = 1081.25$ Crores, Expenditure Multiplier = 2.5
- c) $Y = 1081.25$ Crores, Expenditure Multiplier = 1.67
- d) $Y = 432.5$ Crores, Expenditure Multiplier = 2.5

Step 1: $Y_d = Y - T + TR$

$$\Rightarrow Y_d = Y - 0.2Y + 110 = 0.8Y + 110$$

Step 2: Input value of Y_d in C

$$C = 50 + 0.75(0.8Y + 110)$$

$$\Rightarrow C = 132.50 + 0.6Y$$

Step 3: At equi

$$Y = C + I + G$$

$$\Rightarrow Y = 132.50 + 0.6Y + 100 + 200$$

$$\Rightarrow Y = 432.50 + 0.6Y$$

$$\Rightarrow Y = 1081.25$$

Multiplier

3 sector

&

Prop tax given



$$\begin{aligned} K &= \frac{1}{1 - [b(1-t)]} \\ &= \frac{1}{1 - [0.75(1-0.2)]} \\ &= \frac{1}{1 - 0.6} \\ &= \underline{2.50} \end{aligned}$$

MACRO ECONOMICS MCQs

Suppose in an economy
 Consumption Function,
 $C = 170 + 0.80 Y_d$
 Investment spending, $I = 200$
 Government Spending, $G = 150$
 Tax, $T_x = 30 + 0.30 Y$
 Transfer payments, $Tr = 60$
 Exports, $X = 45$
 Imports, $M = 20 + 0.2 Y$

$b = MPC$

"t" → Prop. Tax Rate

$MPI = "m" = \frac{\Delta M}{\Delta Y}$
 $M = \bar{M} + (m)Y$

8	Calculate the equilibrium level of national income
	a) 889.06 b) 691.87 c) 113.37 d) 569

Step 1: $Y_d = Y - T + TR$
 $\Rightarrow Y_d = Y - 30 - 0.3Y + 60$
 $\Rightarrow Y_d = 0.7Y + 30$

Step 2: Input value in "C"

$$\Rightarrow C = 170 + 0.8(0.7Y + 30)$$
$$\Rightarrow C = 194 + 0.56Y$$

Step 3: At equi,

$$Y = C + I + G + (X - M)$$
$$\Rightarrow Y = 194 + 0.56Y + 200 + 150 + 45 - 20 - 0.2Y$$
$$\Rightarrow Y = 569 + 0.36Y$$
$$\Rightarrow Y = 889.06$$

If multiplier is asked then,

4 sector + prop tax given

$$\begin{aligned}K &= \frac{1}{1 - [b(1-t)] + m} \\&= \frac{1}{1 - [0.8(1-0.3)] + 0.2} \\&= \frac{1}{0.64} \\&= \underline{\underline{1.5625}}\end{aligned}$$

MACRO ECONOMICS MCQs

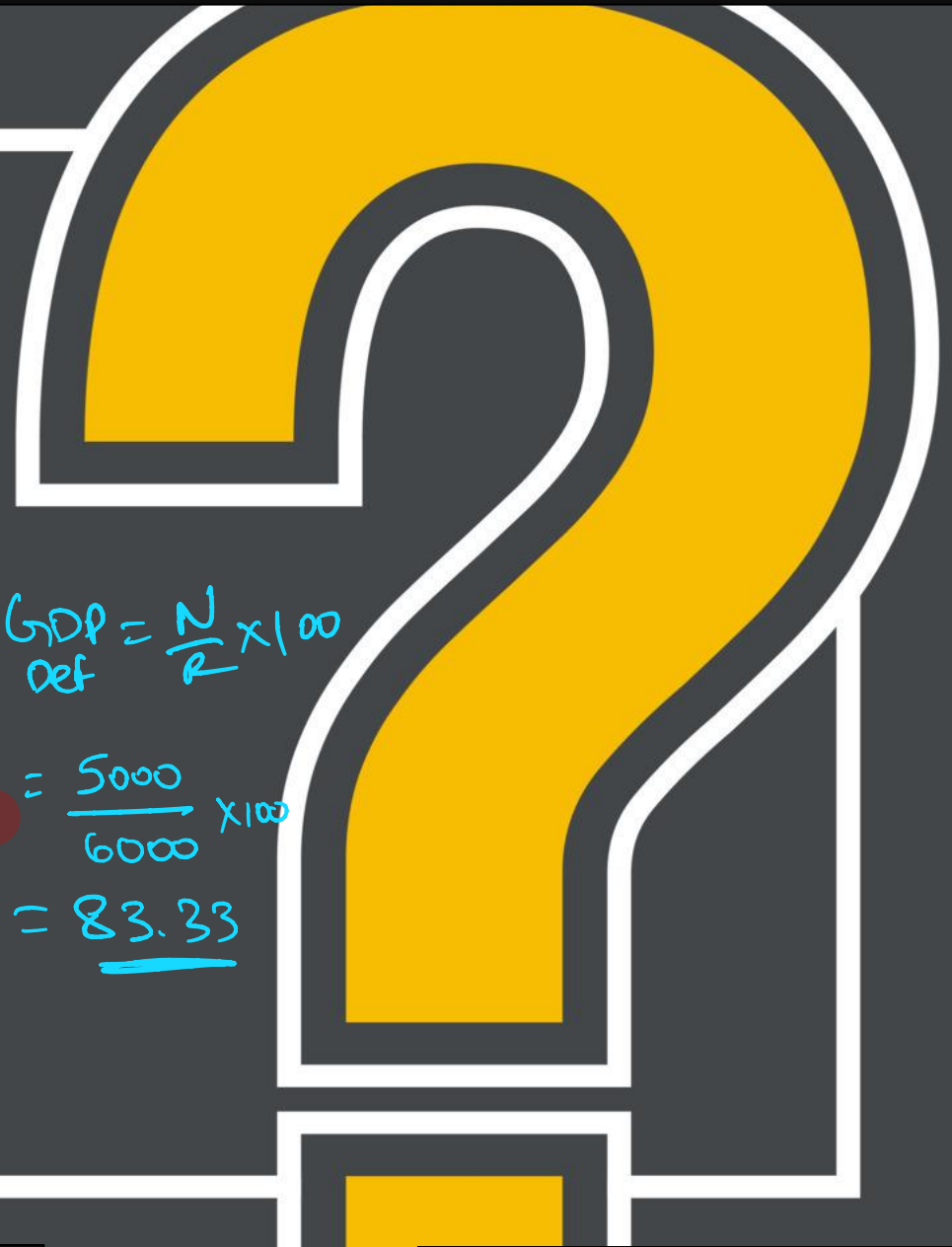
9	<p>How are the following transactions treated in national income calculation? <u>Electricity sold to a steel plant</u></p>
<p>a) Being an <u>intermediate good</u>, electricity sold to a steel plant will <u>not</u> be included in national income calculation.</p> <p>b) Being an intermediate good, electricity sold to a steel plant will be included in national income calculation.</p> <p>c) Being final good, electricity sold to a steel plant will be included in national income calculation.</p> <p>d) None of the above</p>	



MACRO ECONOMICS MCQs

10	The nominal and real GDP respectively of a country in a particular year are 5000 Crores and 6000 Crores respectively. Calculate GDP deflator and analyze the level of prices of the year in comparison with the base year.
	<p>a) The price level has risen since GDP deflator is less than 100 at 83.33</p> <p>b) The price level has fallen since GDP deflator is less than 100 at 83.33</p> <p>c) The price level has risen since GDP deflator is more than 100 at 120</p> <p>d) The price level has fallen since GDP deflator is less than 100 at 120</p>

$$\begin{aligned}
 \text{GDP Def} &= \frac{N}{R} \times 100 \\
 &= \frac{5000}{6000} \times 100 \\
 &= \underline{83.33}
 \end{aligned}$$



MACRO ECONOMICS MCQs

MTP Apr 24

11

Which of the following is a **limitation** of using GDP as a measure of economic well-being?

- a) It includes only monetary transactions.
- b) It does not account for income distribution.
- c) It considers both market and non-market activities.
- d) It is not affected by inflation.



MACRO ECONOMICS MCQs

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12

If a country's Gross Domestic Product (GDP) is greater than its Gross National Product (GNP), it implies that the country: **GDP > GNP**

- a) Is a net exporter.
- b) Is a net importer.
- c) Has a trade surplus
- ~~d) Has a trade deficit~~

$$\frac{\text{GDP} + \text{NFA}}{\text{GNP}} \rightarrow (-ve)$$

NFA can be (-ve)



MACRO ECONOMICS MCQs

MTP Apr 24

13

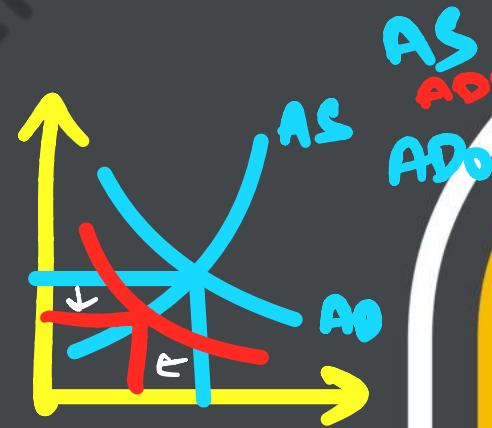
In the very long-run AD-AS model, if the AD-curve shifts to the left, then:

- a) prices and output will both decrease
- b) prices and output will both increase.
- c) prices will decrease but output will remain the same
- d) output will decrease but prices will remain the same

Logically correct

→ Ans given in MTP is [c] which is wrong.

(Advise to follow correct ans.)



AS
AD1
AD0

A

MACRO ECONOMICS MCQs

	GOLF → I	MTP Apr 24
14	Assume you built a <u>new house</u> , bought a <u>used car</u> , and bought <u>some government bonds</u> . Which of the following is true?	
a) consumption and government purchases went up since you bought a used car and government bonds		
b) consumption and investment went up since you bought a used car and government bonds		
c) investment and government purchases went up since you built a new house and bought government bonds		
d) investment went up since you built a new house		



MACRO ECONOMICS MCQs

MTP Apr 24

15

What is the formula for calculating Gross Domestic Product (GDP) using the expenditure approach?

- a) $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending}$
- b) $GDP = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Net Exports}$**
- c) $GDP = \text{Consumption} + \text{Investment}$
- d) $GDP = \text{Consumption} + \text{Net Exports}$.



MACRO ECONOMICS MCQs

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16

Which component of National Income represents the income earned ^{by} individuals and ~~businesses~~ before taxes and other deductions?

- a) Personal Income
- b) Disposable Income
- c) Gross National Product (GNP)
- d) Gross Domestic Product (GDP)

Gumraah

MACRO ECONOMICS MCQs

MTP Apr 24

17

Which of the following is a factor income?

- a) Profits
- b) Transfer payments
- c) Subsidies
- d) Indirect taxes

R I P W



MACRO ECONOMICS MCQs

MTP May 2024

18

Which of the following is **NOT** an example of a **transfer payment** in the sense of the national income accounts?

- a) Government family allowances •
- b) Public unemployment insurance benefits.
- c) Dividends paid by corporations to stockholders
- d) Disability pensions paid from the social insurance system •



MACRO ECONOMICS MCQs

MTP May 2024

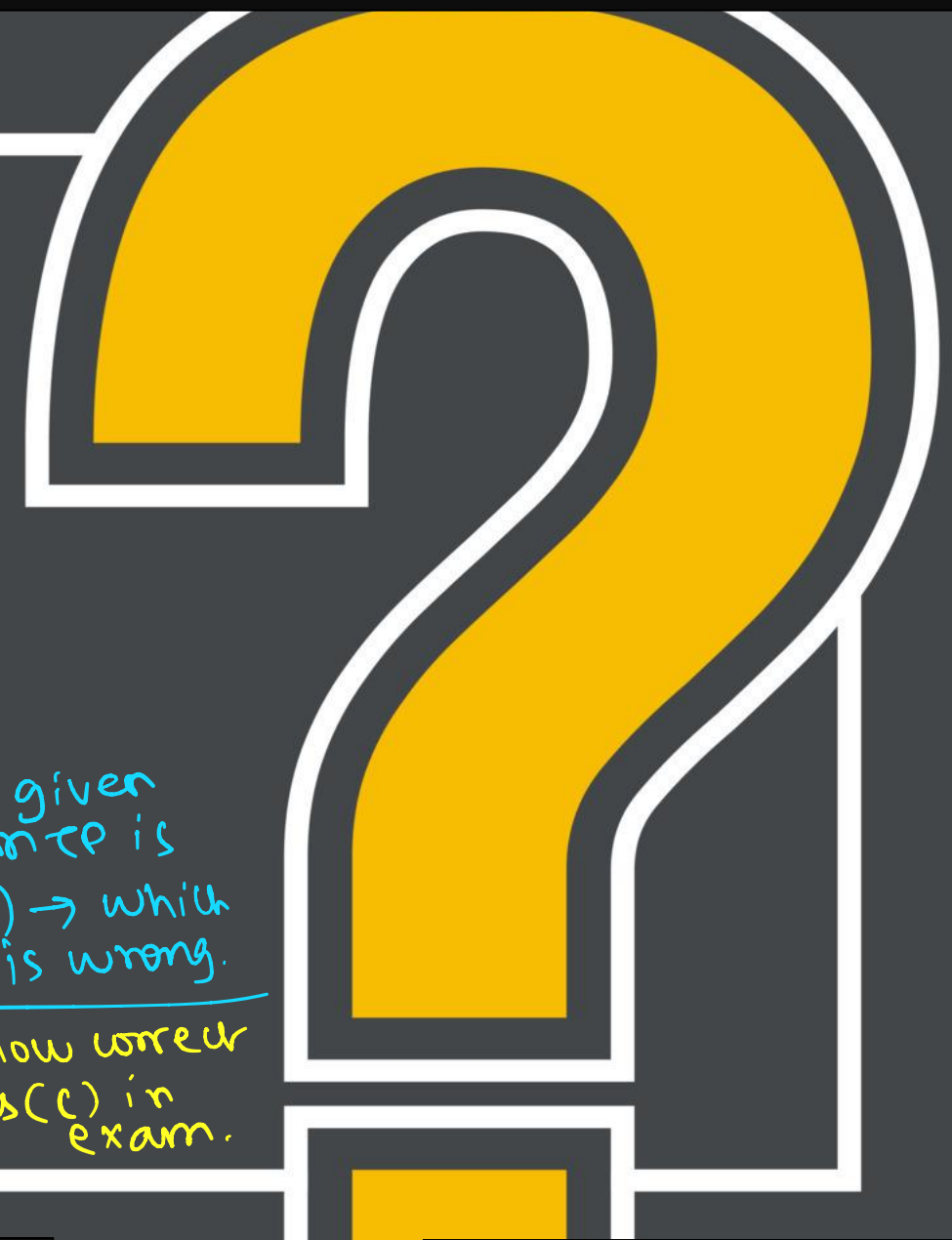
19

The difference between real and nominal GDP is... ?

- a) Nominal GDP only accounts for citizens.
- b) Nominal GDP uses price-levels of some base year.
- c) Nominal GDP uses actual price-levels.
- d) Real GDP also includes services, whereas nominal GDP only takes goods into account.

As given in MTP is (B) → which is wrong.

Follow correct ans (c) in exam.



MACRO ECONOMICS MCQs

MTP May 2024

20

For a person to keep his real income steady at a certain level from one year to the next, his nominal income must:

- a) Stay the same as the price index rises
- b) Rise as fast as the price index
- c) Fall if the price index rises
- d) Rise if the price index falls



MACRO ECONOMICS MCQs

MTP May 2024

21 If the GDP gap is positive, then:

inflationary gap ☺

a) The inflation rate is falling

b) Actual GDP is greater than potential GDP

c) Potential GDP is greater than actual GDP

d) The unemployment rate is rising



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22

A nation's gross domestic product (GDP):

- a) can be found by summing $C + I + G + X_n$.
- b) is the dollar value of the total output produced by its citizens, regardless of where they are living.
- c) can be found by summing $C + S + G + X_n$.
- d) is always some amount less than its NDP.



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23 Gross investment refers to:

- a) private investment minus public investment.
- b) net investment plus replacement investment.
- c) net investment after it has been "inflated" for changes in the price level.
- d) net investment plus net exports.



MACRO ECONOMICS MCQs

MTP May 2024

24

The amount of after-tax income received by households is measured by:

- a) discretionary income.
- b) national income.
- c) disposable income.
- d) personal income.

$$\begin{array}{r}
 PI \\
 - PIT \\
 - NTP \\
 \hline
 \underline{DPI}
 \end{array}$$



MACRO ECONOMICS MCQs

MTP May 2024	
25	Which one is a component of <u>profit</u> ?
a) Dividend b) Undistributed Profit. c) Corporate Profit Tax d) All of these	

Comp Tax Div R.E.



MACRO ECONOMICS MCQs

MTP May 2024

26

The particular level of AD which is equal to AS is called_____.

- a) equilibrium demand
- b) effective demand
- c) derived demand
- d) None of the above



MACRO ECONOMICS MCQs

	V.O - Inter Cons = <u>VA</u> MTP May 2024
27	Gross value method is employed in India:
	<input checked="" type="checkbox"/> a) To avoid double counting. <input type="checkbox"/> b) To avoid the impact of inflation. <input type="checkbox"/> c) To capture the consumption levels. <input type="checkbox"/> d) To calculate the exports.



MACRO ECONOMICS MCQs

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28

Break even points occurs when:

a) $Y = S$

b) $S = 0$

c) $Y = C$

d) both (b) and (c)

$$Y = C + S$$

or

$$Y = C + S \text{ by } S = 0$$



MACRO ECONOMICS MCQs

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29

Deficient demand leads to:

- a) inflationary gap
- b) deflationary gap
- c) both (a) and (b)
- d) None of these



MACRO ECONOMICS MCQs

MTP June 2024	
30	GDP includes:
a) neither intermediate nor final goods. b) both intermediate and final goods. c) intermediate, but not final, goods. d) <u>final, but not intermediate, goods.</u>	



MACRO ECONOMICS MCQs

MTP June 2024	
31	Which of the following is a <u>final good</u> or <u>service</u> ?
a) diesel fuel bought for a delivery truck (IG)	
b) fertilizer purchased by a farm supplier (IG)	
<input checked="" type="checkbox"/> c) a haircut	
d) Chevrolet windows purchased by a General Motors assembly plant (IG)	



MACRO ECONOMICS MCQs

MTP June 2024

32 Transfer payments are:

- a) excluded when calculating GDP because they only reflect inflation.
- b) excluded when calculating GDP because they do not reflect current production.
- c) included when calculating GDP because they are a category of investment spending.
- d) included when calculating GDP because they increase the spending of recipients.



MACRO ECONOMICS MCQs

MTP June 2024

33 | Value added refers to:

- a) any increase in GDP that has been adjusted for adverse environmental effects.
- b) the excess of gross investment over net investment.
- c) the difference between the value of a firm's output and the value of the inputs it has purchased from others.
- d) the portion of any increase in GDP that is caused by inflation as opposed to an increase in real output.



MACRO ECONOMICS MCQs

MTP June 2024

34

Personal income is most likely to exceed national income:

- a) when gross and net investment are equal.
- b) during a period of recession or depression.
- c) when gross investment exceeds net investment.
- d) during a period of extended inflation.



MACRO ECONOMICS MCQs

MTP June 2024	
35	Which one is included in <u>three-sector model</u> ?
a) Family → household b) Firm c) Government d) All of these	



MACRO ECONOMICS MCQs

MTP June 2024

36

In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the:

AS WVE

- 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.



MACRO ECONOMICS MCQs

MTP June 2024

37

What can be the minimum value of investment multiplier?

k

a) 10

b) 1

c) infinity

d) 0

$$k = \frac{1}{1-b}$$
$$\Rightarrow k = \frac{1}{1-0} = \frac{1}{1} = 1$$



MACRO ECONOMICS MCQs

MTP June 2024	
38	Which one is <u>included</u> in <u>National Income</u> ?
a) Transfer Earnings → <input type="checkbox"/>	
b) Sale proceeds of Shares and Bonds → <input type="checkbox"/>	
c) Black Money → <input type="checkbox"/>	
d) None of the Above → <input checked="" type="checkbox"/>	



MACRO ECONOMICS MCQs

39	Mixed income of the self <u>-employed</u> <u>means</u>
a) net profits received by self -employed people	
b) outside wages received by self- employed people	
e) combined factor payments which are not distinguishable,	
d) wages due to non- economic activities	



MACRO ECONOMICS MCQs

40	Keynes believed that an <u>economy</u> may <u>attain equilibrium level of output</u>
a) only at the full-employment level of output	
b) <u>below</u> the <u>full-employment level of output</u>	
c) only if prices were inflexible	
d) a) and c) above	



MACRO ECONOMICS MCQs

Chapter 7 - Public Finance



MACRO ECONOMICS MCQs

1	<p>The per capita income in country Y increased from INR <u>50,000</u> to INR <u>65,000</u> while the per capita <u>consumption</u> increased from INR <u>37,500</u> to INR <u>48,750</u>. calculate the <u>spending multiplier</u> for this economy?</p>								
<p>a) 5 b) 4 c) 2.5 d) 8</p>	<p>Handwritten solution:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">$\frac{Y}{50,000}$</td> <td style="text-align: center;">$\frac{C}{37,500}$</td> </tr> <tr> <td style="text-align: center;">$\frac{65,000}{15,000}$</td> <td style="text-align: center;">$\frac{48,750}{11,250}$</td> </tr> <tr> <td colspan="2" style="text-align: center;"> $b = \frac{11,250}{15,000} = 0.75$ </td> </tr> <tr> <td colspan="2" style="text-align: center;"> $k = \frac{1}{1-b} = \frac{1}{0.25} = 4$ </td> </tr> </table>	$\frac{Y}{50,000}$	$\frac{C}{37,500}$	$\frac{65,000}{15,000}$	$\frac{48,750}{11,250}$	$b = \frac{11,250}{15,000} = 0.75$		$k = \frac{1}{1-b} = \frac{1}{0.25} = 4$	
$\frac{Y}{50,000}$	$\frac{C}{37,500}$								
$\frac{65,000}{15,000}$	$\frac{48,750}{11,250}$								
$b = \frac{11,250}{15,000} = 0.75$									
$k = \frac{1}{1-b} = \frac{1}{0.25} = 4$									



MACRO ECONOMICS MCQs

2	The increase in cost of food, fuel and fertilizers in countries due to production of weapons in the war between Russia & Ukraine results in which type of externality?
a) Positive Production Externality b) Negative Production Externality c) Positive consumption Externality d) Negative consumption Externality	



MACRO ECONOMICS MCQs

MTP Apr 24

3

What was the main objective of the ~~Management Act, of 2003?~~ ~~Responsibility and Budget~~ FRBMACT?

- a) Achieve fiscal surplus
- b) Stop Money laundering
- e) Eliminate fiscal deficit
- d) Eliminate revenue deficit



MACRO ECONOMICS MCQs

MTP Apr 24

4

Which of the following is an example of an automatic stabilizer in the budget?

- a) Discretionary spending
- b) Progressive taxation →
- c) Infrastructure investment
- d) Unemployment benefits →

ANS

given by
ICAI is
wrong.



MACRO ECONOMICS MCQs

MTP Apr 24

5

Which of the following is **NOT** a central issue in macroeconomics?

- a) How should the central bank of a country fight inflation?
- b) What is responsible for high and persistent unemployment?
- c) How do tax changes influence consumers' buying choices?
- d) What factors determine economic growth?



MACRO ECONOMICS MCQs

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6

The expenditure multiplier is used to calculate the change in:

- a) pending caused by a change in income
- b) equilibrium income caused by a change in autonomous spending
- c) intended spending caused by a change in consumption
- d) disposable income caused by a change in saving



MACRO ECONOMICS MCQs

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7

Contractionary fiscal policy can involve:

- a) Increasing consumption and investment and taxes.
- b) Decreasing government spending and increasing taxes.
- c) Increasing government spending and increasing taxes.
- d) None of the above



MACRO ECONOMICS MCQs

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8

Which of the following is an example of market failure?

- a) Externalities
- b) Low prices
- c) Excess supply
- d) Excludable and rival goods.



MACRO ECONOMICS MCQs

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9

Which of the following is not an example of a policy designed to encourage competition?

- a) Deregulation
- b) Trade liberalization
- c) Reducing income tax
- d) Anti-monopoly regulations



MACRO ECONOMICS MCQs

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10

Which of the following is **NOT** a conclusion about **market allocations of commodities causing pollution externalities?**

- a) The prices of products responsible for pollution are too high.
- b) The output of the commodity is too large.
- c) Recycling and reuse of the polluting substances are discouraged since release into the environment is so inefficiently cheap.
- d) Too much pollution is produced.



MACRO ECONOMICS MCQs

MTP Apr 24

11

'who gave 'the Theory of Public Finance (1959)

a) Adam Smith

b) Richard Musgrave

c) A.C. Pigou

d) Alfred Marshall



MACRO ECONOMICS MCQs

MTP Apr 24

12

The stabilization function is consumed with the performance of the aggregate economy in the term of-

- a) Overall output & income •
- b) General price level •
- c) Balance of international payments •
- d) All of these



MACRO ECONOMICS MCQs

MTP Apr 24

13

Which of the following represents the total amount of money the government owes to external creditors and domestic lenders?

- a) National debt
- b) Budget surplus
- c) Fiscal deficit
- d) Revenue deficit



MACRO ECONOMICS MCQs

MTP Apr 24

14

The concept of the "multiplier effect" in Keynesian economics refers to:

- a) the impact of interest rates on investment
- b) The magnification of an initial change in spending throughout the economy**
- c) The impact of taxes on consumer spending
- d) The role of exports in economic growth



MACRO ECONOMICS MCQs

MTP Apr 24

15

What is the primary goal of countercyclical fiscal policy in budgeting?

- a) Maximizing government revenue.
- b) Stabilizing the economy during economic downturns.
- c) Minimizing government intervention.
- d) Reducing public debt.



MACRO ECONOMICS MCQs

MTP Apr 24

16 Public goods are characterized by:

- a) Excludability and rivalry
- b) Excludability and non-rivalry
- c) Non-excludability and rivalry
- d) Non-excludability and non-rivalry



MACRO ECONOMICS MCQs

MTP Apr 24

17

Which of the following is a common solution to the problem of common resources being overused?

- a) Government regulation
- b) Privatization
- c) Subsidies
- d) Free-market competition



MACRO ECONOMICS MCQs

MTP May 2024

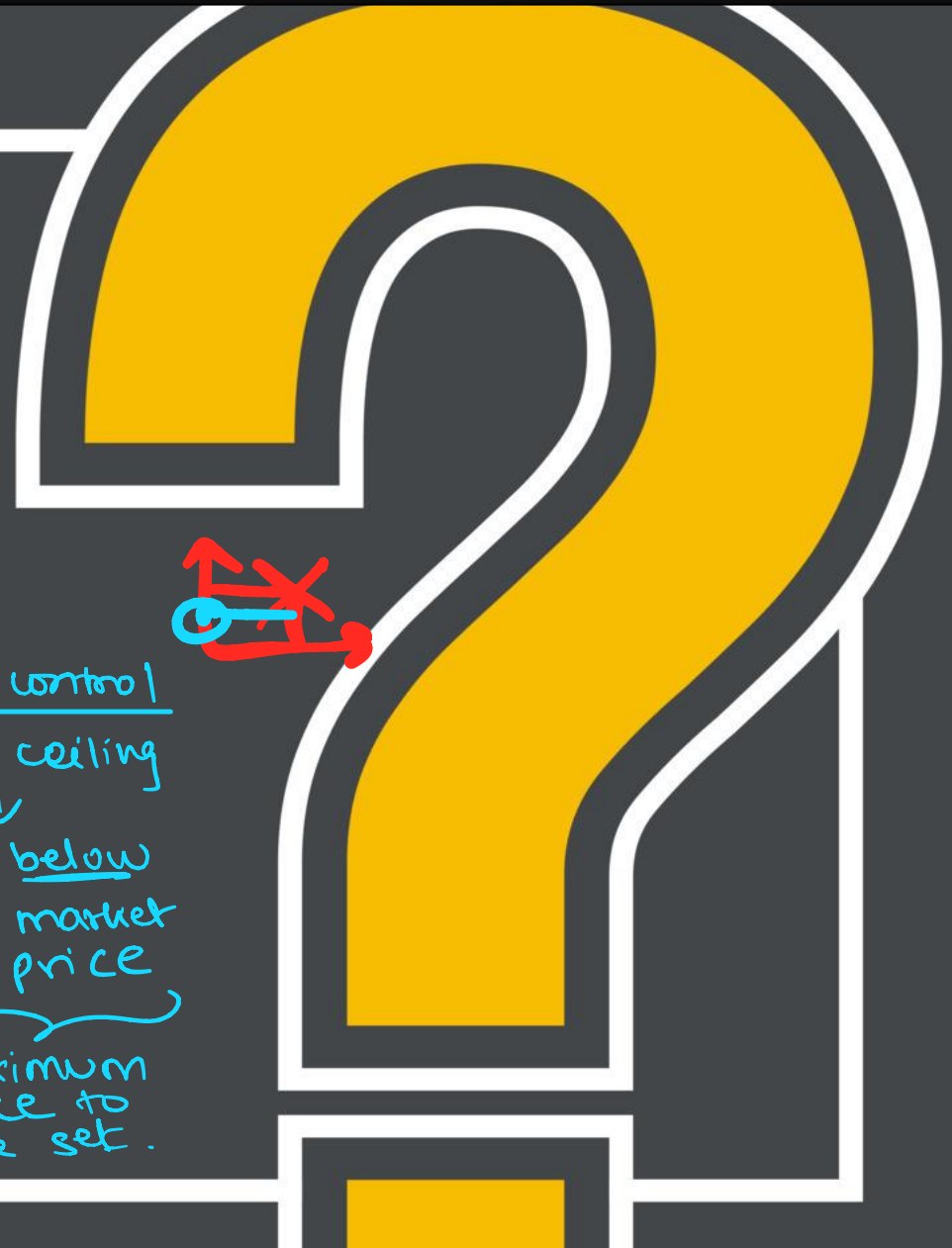
18

When rent control is imposed above the current market price it will:

- a) increase the quantity of rental housing demanded.
- b) reduce the quality of rental housing.
- c) create a shortage of rental housing.
- d) create no impact on the market.

→ Ans given by ICAI is (C) → which is wrong

Rent control
Price ceiling
↓
Set below
the market
price
Maximum
price to
be set.



MACRO ECONOMICS MCQs

MTP May 2024

19

The government makes the provision of which goods those cannot be provided through the market:

- a) private and public goods
- b) public and merit goods
- c) public and necessary goods
- d) Giffen and merit goods



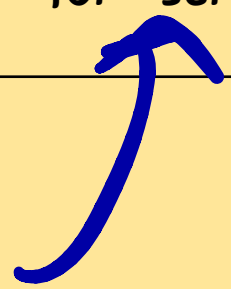
MACRO ECONOMICS MCQs

MTP May 2024

20

Which of the following parameter consist of interest, dividend, fees and other receipts for services of the government:

- a) Non-tax expenses
- b) Tax expenses
- c) Non-tax revenue
- d) Tax revenue



MACRO ECONOMICS MCQs

MTP May 2024

21

A good taxation system should be used to:

- a) finance public services
- b) follow higher taxation
- c) no taxation
- d) finance private services



MACRO ECONOMICS MCQs

MTP May 2024

22

Primary deficit is obtained by deducting interest payments from the:

- a) Fiscal deficit
- b) Revenue deficit
- c) Budgetary deficit
- d) Monetized deficit

$$\begin{array}{r} FD \\ - NIP \\ \hline PD \end{array}$$

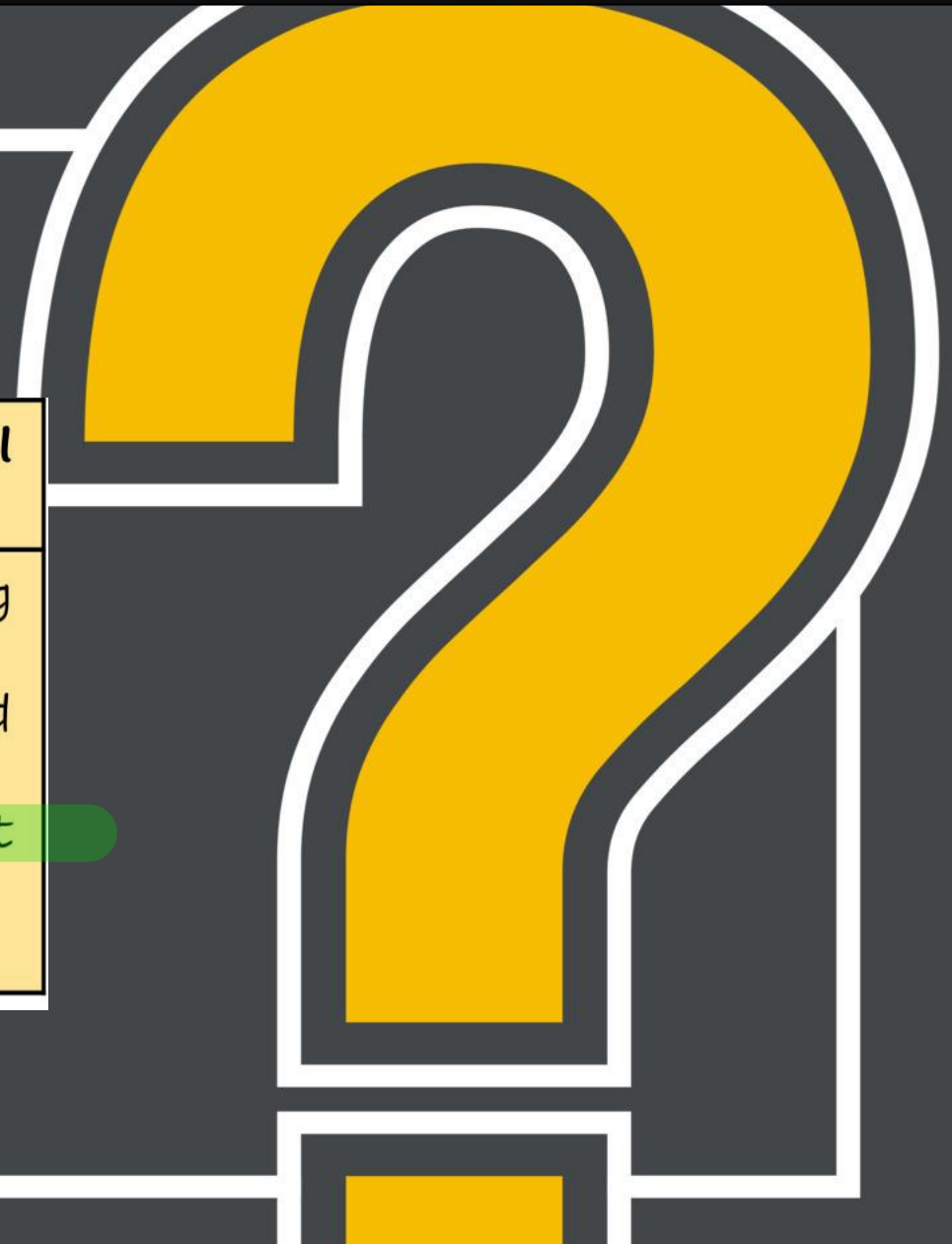


MACRO ECONOMICS MCQs

23

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

- a) Insurance companies need to be running profitably
- b) Insurance will generate moral hazard and adverse selection
- c) Insurance is a merit good and government wants people to consume it
- d) None of the above



MACRO ECONOMICS MCQs

ICAI SM

24

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 internalized 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 minimized in the most cost-effective way.



MACRO ECONOMICS MCQs

MTP May 2024

25

Mr Amit, a stock market trader through inside information, comes to know that share price of X Ltd is likely to go up in future, so he purchases the shares to make a gain by selling them later at higher price. It is a case of:

- a) Moral Hazard
- b) Asymmetric Information
- c) Free Riding
- d) None of the above



MACRO ECONOMICS MCQs

MTP May 2024

26

Which concept involves a one-shot injection of government expenditure into a depressed economy with the aim of boosting business confidence and encouraging larger private investment?

- a) Pump Priming
- b) Deficit Financing
- c) Compensatory Spending
- d) Public Spending

[Not in syll. but still asked]

PVR seened y Govt Invt ↑



MACRO ECONOMICS MCQs

MTP May 2024

27

Which of the following are capital receipts of the government?

- a) Recovery of loans •
- b) Disinvestment •
- c) Borrowing •
- d) All of the above



MACRO ECONOMICS MCQs

MTP June 2024	
28	Among the following canons of taxation which one has been given by Adam Smith?
a) Canon of Uniformity b) Canon of productivity c) canon of diversity d) canon of <u>equity</u>	

y



MACRO ECONOMICS MCQs

MTP June 2024

29

The Government offer minimum assured price to the farmers to purchase their output is called:

- a) market Price
- b) support Price
- c) equilibrium Price
- d) ceiling Price



MACRO ECONOMICS MCQs

MTP June 2024

30

Which of the following is/are the components of the Fiscal Deficit? •

1. Budgetary Deficit
2. Market Borrowings
3. Expenditure made from Pradhan Mantri Rahat Kosh

- a) Only 1
b) Only 2
c) Only 3 → more logical.
d) All 1, 2 and 3 → follow in exam



MACRO ECONOMICS MCQs

MTP June 2024	
31	Which of the following is <u>key</u> <u>operational target</u> in a <u>Budget</u> ?
a) Fiscal Deficit	
b) Revenue Deficit	
c) The General Government Debt	
d) The Central Government Debt	



MACRO ECONOMICS MCQs

MTP June 2024	
32	If a <u>Ministry</u> falls short of <u>approved budget</u> in a <u>scheme</u> , what is the <u>process</u> to get <u>additional budget</u> through Parliament?
a) <u>Supplementary</u> b) Re-appropriation c) Transfer of balances d) Vote on account	

DFG



MACRO ECONOMICS MCQs

MTP June 2024

33

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 of the above



MACRO ECONOMICS MCQs

MTP June 2024

34

Short -term credit from the Reserve bank to state government:

- a) RBI credit to states
- b) Commercial credit of RBI
- c) Ways and Means Advances
- d) Short term facility



MACRO ECONOMICS MCQs

MTP June 2024	
35	<p>Which of the following is/are the components of <u>Public Debt</u>?</p> <ol style="list-style-type: none">1. Market Loans2. External Loans3. Outstanding against saving schemes/ provident funds
<p>a) only 1 b) only 2 c) Both 1 and 2 d) only 3</p>	

Other Liab of Govt.



MACRO ECONOMICS MCQs

MTP June 2024

36

The External Debt has been shown at the exchange rate applicable at the time of:

- a) Contracting the debt.
- b) Expanding the debt.
- c) Both a & b
- d) None of the above



MACRO ECONOMICS MCQs

MTP June 2024

37

Policies used to target specific key exporting industries in order to achieve economic growth in that sector is likely to have which following effect?

- a) Lowering national debt
- b) Cause a budget surplus
- c) Increase employment rates in that sector and improve the current account balance
- d) Increase employment rates in that sector and worsen the current account balance



MACRO ECONOMICS MCQs

MTP June 2024

38

Which of the following is an implication of the imposition of price ceiling below the equilibrium price?

- a) Shortages in the market
- b) Problem of allocation of limited supplies among large number of consumer.
- c) Black marketing
- d) All of the above



MACRO ECONOMICS MCQs

39 | 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



MACRO ECONOMICS MCQs

40

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 → har failure
 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



MACRO ECONOMICS MCQs

Chapter 8 - Money Market



MACRO ECONOMICS MCQs

1	Calculate velocity of money, as per quantity theory of money when, Money Supply = 5000 billion Price = 110 Volume of transaction = 200
a) 2750 b) 4.40 c) 2.75 d) 9.09	$MV = PT$ $5000 (V) = 110 \times 200$ $\Rightarrow V = 4.40$



MACRO ECONOMICS MCQs

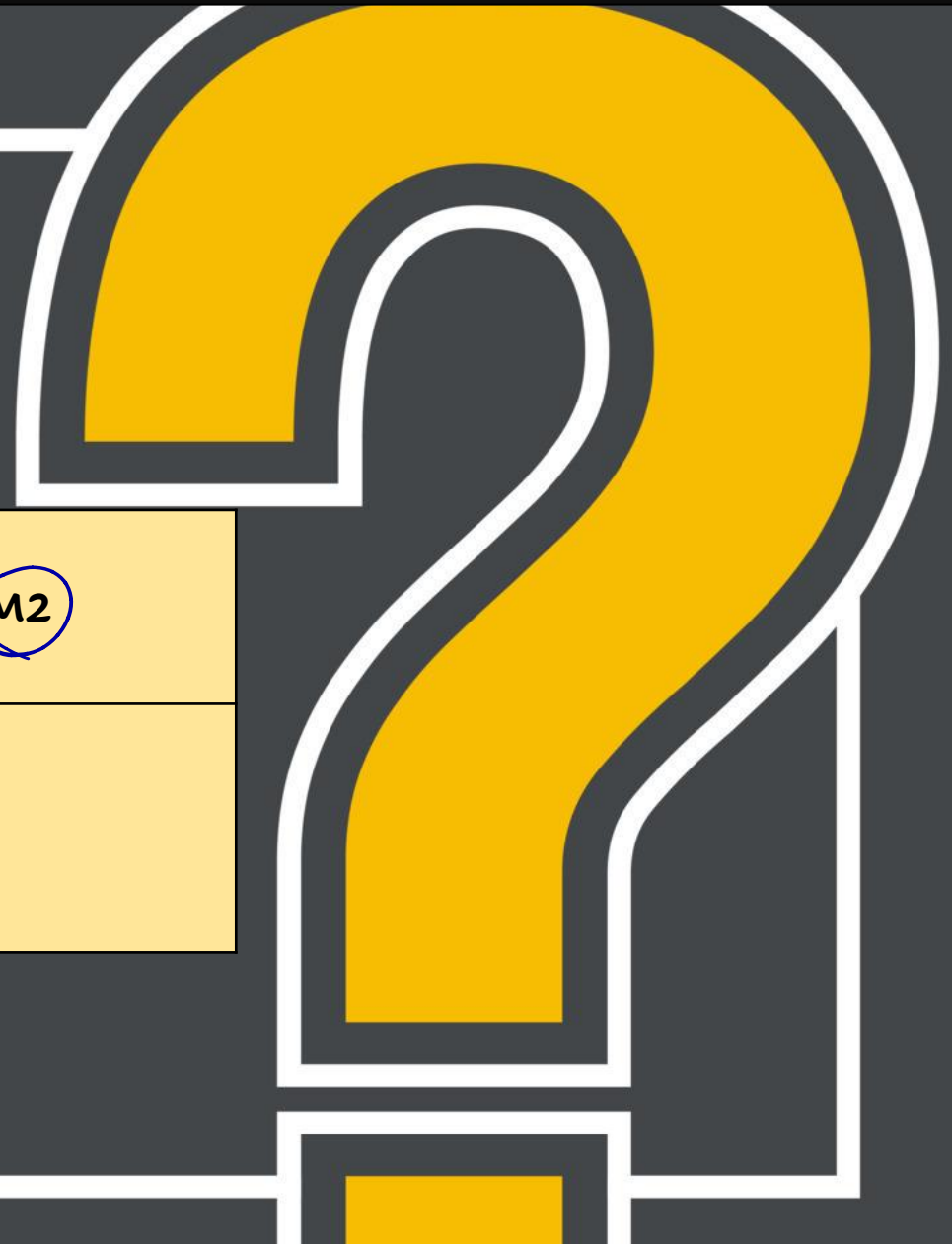
2	<p>If Required Reserve = Rs 50 cr Total Reserve of Bank = Rs 75 cr Total Deposits with bank = Rs 300 cr Currency held by public = Rs 100 cr Calculate Money multiplier</p>
a) 2.75	$r = \frac{R}{D} = \frac{50}{300} = 0.16$
b) 3.74	$e = \frac{TR - RR}{D} = \frac{25}{300} = 0.08$
c) 2.29	$c = \frac{100}{300} = 0.33$
d) 3.59	

$$\begin{aligned}
 m &= \frac{1 + c}{r + e + c} \\
 &= \frac{1.33}{0.16 + 0.08 + 0.33} \\
 &= \frac{1.33}{0.57} = \underline{2.33}
 \end{aligned}$$

MACRO ECONOMICS MCQs

Components	(Rs. in cr)
Currency with public	4,35,656.6
Other' deposits with RBI	1,234.2
Saving deposits with post office saving banks	647.7
Net time deposits with the banking system	5,14,834.3
Demand deposits with banks.	2,74,254.9

3	Calculate M2
a) 7,11,145.70 b) 7,11,793.40 c) 12,26,627.70 d) 12,25,980.00	



MACRO ECONOMICS MCQs

MTP Apr 24

4

If the central bank conducts an open market purchase of government securities, what is the likely impact on the money supply?

- a) Increase
- b) Decrease
- c) No change
- d) Variable, pending on other factors.



MACRO ECONOMICS MCQs

5 Which of following is correct

- a) MSF Rate = Repo Rate - 1
- b) MSF Rate = Repo Rate + 1
- c) MSF Rate = Repo Rate - 1
- d) Repo Rate = MSF Rate + 1

→ Penal Rate



$$100 \text{ Bp} = 1\%$$

MACRO ECONOMICS MCQs

6	<p>The current Repo Rate is 6%. The difference between repo and reverse repo shall be 180 basis points. RBI decreases repo by 50 basis points. What is the new Reverse Repo Rate?</p>
<p>a) 7.80%</p> <p>b) 8.30%</p> <p><input checked="" type="checkbox"/> c) 3.70%</p> <p>d) 7.30%</p>	<p>Repo \rightarrow 6%</p> <p>(-) (0.50%)</p> <hr/> <p>New Repo 5.50%</p> <p>(-) Diff (1.80%)</p> <hr/> <p>New Rev Repo 3.70%</p>



MACRO ECONOMICS MCQs

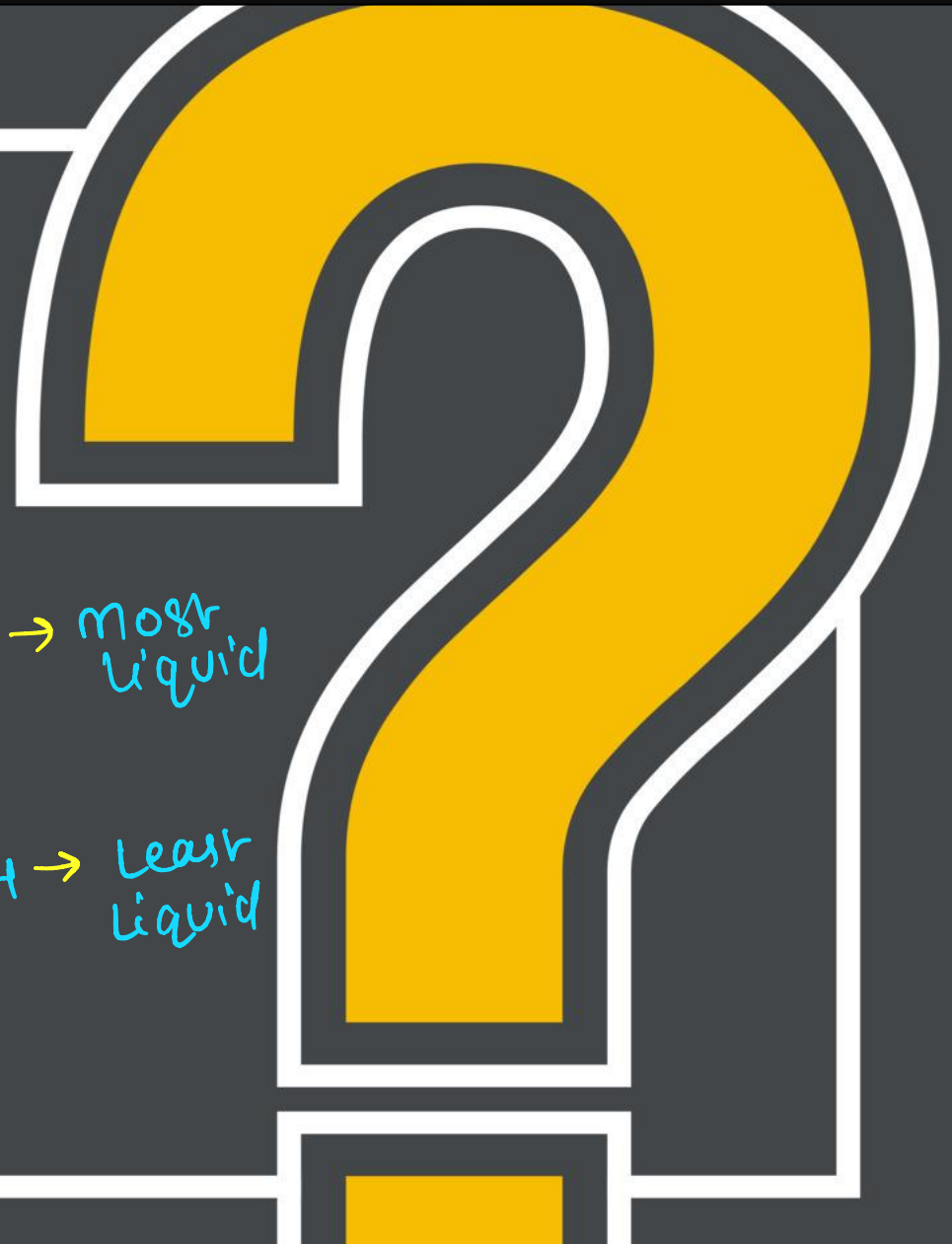
MTP Apr 24

7

Which of the following is included in M2, a broader measure of money supply compared to M1?

- a) Currency in circulation
- b) Savings deposits of post office
- c) Demand deposits
- d) Travellers' checks

M1 → most liquid
↓
M4 → least liquid



MACRO ECONOMICS MCQs

8	Empirical evidence of <u>liquidity trap</u> is found during :
a) COVID-19	
b) Great recession	
<input checked="" type="checkbox"/> c) Global Financial crisis	
d) None of the above	



MACRO ECONOMICS MCQs

MTP Apr 24

9

A central bank that wants to stabilize the economy in the short run should try to:

- a) establish a clear inflation target and stick to it no matter what
- b) affect aggregate supply through open market operations
- c) affect aggregate demand through open market operations
- d) concentrate only on long-run goals



MACRO ECONOMICS MCQs

MTP Apr 24

10 Inflation occurs whenever:

- a) aggregate demand rises.
- b) the price of any given commodity rises.
- c) the average price of most goods and services rises.
- d) the tax rate is lower than the government spending rate.



MACRO ECONOMICS MCQs

MTP Apr 24

11

In modern fiat money systems, the value of money is primarily based on:

- a) Gold reserves
- b) Government authority and public trust
- c) Digital transactions
- d) Exchange rates



MACRO ECONOMICS MCQs

MTP Apr 24

12

What is the "liquidity trap" in Keynesian theory?

- a) A situation where interest rates are very high.
- b) A situation of hyperinflation
- c) A situation where interest rates are very low, and savings are hoarded.
- d) A situation of excessive government spending.

follow this only

Ans by ICAI is (B) which is wrong.



MACRO ECONOMICS MCQs

MTP Apr 24

13

The concept of "animal spirits" in Keynesian theory refers to:

- a) The unpredictable behavior of financial markets
- b) Psychological factors influencing economic decisions
- c) Government regulations affecting business confidence
- d) The impact of interest rates on investment

Not in
Syll
↓
But asked
in MTP.



MACRO ECONOMICS MCQs

MTP Apr 24

14

If the reserve requirement is 20%, what is the potential maximum of the money supply when a new deposit of \$1,000 is made?

- a) \$5,000
- b) \$2,000
- c) \$1,000
- d) \$500

$$1000 \times \frac{1}{0.2} = 5,000$$



MACRO ECONOMICS MCQs

MTP May 2024

15

According to Cambridge equation, the value of money depends upon:

- a) Demand for money
- b) Supply of money
- c) Demand for goods and services
- d) All of the above



MACRO ECONOMICS MCQs

MTP May 2024

16 The quantity demanded of money rises:

- a) As the repo rate increases
- b) As the repo rate falls
- c) As the supply of money falls
- d) As the number of banks rises

→ Int ↓ by loan?



MACRO ECONOMICS MCQs

MTP May 2024

17

When the Central Bank intends to expand the credit, it should:

- a) Raise the margin requirements
- b) Raise the variable reserve ratio
- c) ~~Lower~~ ^{Raise} the bank rate
- d) Purchase government securities in the open market



MACRO ECONOMICS MCQs

MTP May 2024

18

Which of the following is not an instrument of selective credit control?

a) Margin requirements

~~b) Open market operation~~

c) Credit rationing.

d) None of the above

Quantitative credit control



MACRO ECONOMICS MCQs

MTP May 2024

19

Which among the following is called the rate of interest charged by RBI for lending money to various commercial banks by rediscounting of the bills in India?

a) Bank rate

b) Discount window.

c) Marginal Standing facility

d) Overnight rate

→ Penal Interest by SLR ⊗
CRR ⊗



MACRO ECONOMICS MCQs

20

During festival season, people decide to use ATMs very often. This will increase excess reserve ratio & thus money multiplier will falls

- a) increase , fall
- b) decrease , rise
- c) increase , rise
- d) decrease , fall



MACRO ECONOMICS MCQs

21

As per Saving and Investment Channel, lower interest rates for loans can encourage households to borrow more as they face lower repayments.

- a) discourage, more, lower
- b) Encourage, less, more
- c) Encourage, less, lower
- d) Encourage, more, lower



MACRO ECONOMICS MCQs

MTP May 2024

22

The Reverse repo rate is:



- a) RBI borrows from the government.
- b) Commercial banks lends money to RBI
- c) Commercial banks rediscount the bills of exchange with RBI
- d) None of these



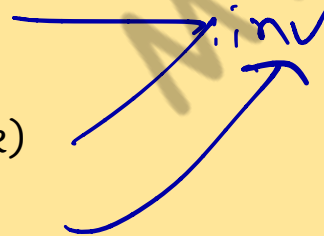
MACRO ECONOMICS MCQs

MTP May 2024

23

Money Supply is directly proportional to:

- a) Cash reserve ratio (r)
- b) Monetary base (H)**
- c) currency deposit ratio (k)
- d) ~~Money Multiplier (m)~~
excess reserve ratio (e)



MACRO ECONOMICS MCQs

24	MPC comprises _____ Member:
a) 3	→ <u>Monetary Policy Committee</u>
b) 5	
c) 6	
d) 4	



MACRO ECONOMICS MCQs

MTP May 2024

25 Consumer Price Index is calculated:

- a) Once in 45 days
- b) Once in 3 months
- c) Once in fortnight
- d) Once in a month ✓

Inflation



MACRO ECONOMICS MCQs

26

Mr. A, who is self-employed decided to keep more money in his savings account, considering the prevailing economic & political conditions. What is the motive for such a move by A?

- a) Transaction Motive
- b) Speculative Motive
- c) Precautionary Motive
- d) Conservative Motive



MACRO ECONOMICS MCQs

MTP <u>June 2024</u>	
27	Macro-Prudential Policy Measures can help to overcome:
<input checked="" type="checkbox"/> a) Systemic Risk	<i>Not in Syllabus</i>
b) Credit Risk	
c) Inflation risk	
d) None of these	



MACRO ECONOMICS MCQs

ICAI SM	
28	Fisher's approach and the Cambridge approach to demand for money consider
	<p>a) money's role in acting as a store of value and therefore, demand for money is for storing value temporarily.</p> <p>b) money as a means of exchange and therefore demand for money is termed as for liquidity preference</p> <p><input checked="" type="checkbox"/> c) money as a means of transactions and therefore, demand for money is only transaction demand for money.</p> <p>d) None of the above</p>



MACRO ECONOMICS MCQs

MTP June 2024

29

The effect of increase CRR will be reduced or nullified if:

- ~~a) Bank rate is reduced.~~
- b) Securities are sold in the open market.
- c) SLR is increased.
- d) People do not borrow from non-banking institutions.



MACRO ECONOMICS MCQs

MTP June 2024

30 During depression, it is advisable to:

- a) Lower Bank Rate and purchase securities in the market.
- b) Increase Bank Rate and purchase securities in the open market.
- c) Decrease Bank Rate and sell securities in the open market.
- d) Increase Bank Rate and sell securities in the open market.



MACRO ECONOMICS MCQs

MTP June 2024	
31	<u>Open Market Operations</u> imply:
	<input checked="" type="checkbox"/> a) Buying and selling securities by RBI
	b) Buying and selling securities by commercial banks
	c) Buying and selling securities by Investors
	d) Buying and selling securities by government



MACRO ECONOMICS MCQs

The following table relates to the revenue and expenditure figures of a hypothetical economy
In Rs. lakh Crores

(a)	Recovery of loans CR	5.1
(b)	Salaries of govt. servants RF	41.1
(c)	Capital Expenditure CF	45.0
(d)	Interest payments RF	1.3
(e)	Payments towards subsidies RF	3.2
(f)	Other receipts (mainly from disinvestment) CR	11.6
(g)	Tax revenue (net of states' share) RR	26.3
(h)	Non-tax revenue RR	12.3
(i)	Borrowings and other liabilities CR	6.8
(j)	States' share in tax revenue	11.9 → RR

32 The capital receipts are

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

MACRO ECONOMICS MCQs

The following table relates to the revenue and expenditure figures of a hypothetical economy
In Rs. lakh Crores

(a)	Recovery of loans	5.1
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(e)	Payments towards subsidies	3.2
(f)	Other receipts (mainly from disinvestment)	11.6
(g)	Tax revenue (net of states' share)	26.3
(h)	Non-tax revenue	12.3
(i)	Borrowings and other liabilities	6.8
(j)	States' share in tax revenue	11.9

33 Revenue deficit is

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

$RR \rightarrow 38.60$
 $(-) RE \rightarrow (45.60)$
 $RD \rightarrow (7)$

MACRO ECONOMICS MCQs

34	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	



MACRO ECONOMICS MCQs

35

According to Baumol and Tobin's approach to demand for money, the optimal average money holding is:

- a) a positive function of income Y and the price level P
- b) a positive function of transactions costs c ,
- c) a negative function of the nominal interest rate i
- d) All the above



MACRO ECONOMICS MCQs

Chapter 9 - International Trade



MACRO ECONOMICS MCQs

The table below shows number of labour hours required to produce wheat and cloth in two countries X and Y

Commodity	Country X	Country Y
1 unit of cloth	4	1.0
1 unit of wheat	2	2.5

1 Which country has absolute advantage in the production of wheat?

- a) Country X
- b) Country Y
- c) Both X & Y
- d) None of the above

PRODUCTIVITY OF LABOUR → OUTPUT PER HOUR

pehle iske terms mei
table ko convert karo
fir conclusion nikalenge
Abs Adv or. Comp Adv. ka.

This is NOT Productivity
of labour.

Commodity	Country X	Country Y
1 unit of cloth	4 hrs/u	1.0 h/u
1 unit of wheat	2 h/u	2.5 h/u

Productivity of labour (units/hr)		
Commodity	X	Y
Cloth	$\frac{1}{4} = 0.25$	$\frac{1}{1} = 1$
wheat	$\frac{1}{2} = 0.50$	$\frac{1}{2.5} = 0.40$

POL → units/hr

MACRO ECONOMICS MCQs

2	Calculate compound tariff if- Specific Tariff (ts)= Rs 100/unit Qty imported= 4,500 units Price = Rs 50/unit Ad valorem tariff= 6%	
a)Rs 4,650	$4500(100)$	4,50,000 → ST
b)Rs 4,50,000	$+ [(4500 \times 50) \times 6\%]$	13,500 → AV
c)Rs 4,63,500		4,63,500 → <u>CT</u>
d)Rs 27,000		



MACRO ECONOMICS MCQs

3	Which of three exporters engage in anti-competitive act in the international market while pricing its export of good X to country D?
a) Only A b) A & B c) A, B & C d) B & C	

Goods X	Country A (in \$)	Country B (in \$)	Country C (in \$)
Average Cost	30.5	29.4	30.9
Price per Unit for domestic Sales	31.2	31.1	30.9
Price charged in country D	31.9	30.6	30.6

Anti Dumping Duty

MACRO ECONOMICS MCQs

4

The Nominal Exchange rate of India is Rs 56/ 1\$, Price Index in India is 116 and Price Index in USA is 112. What will be the Real Exchange Rate of India?

a) 54.07

b) 60

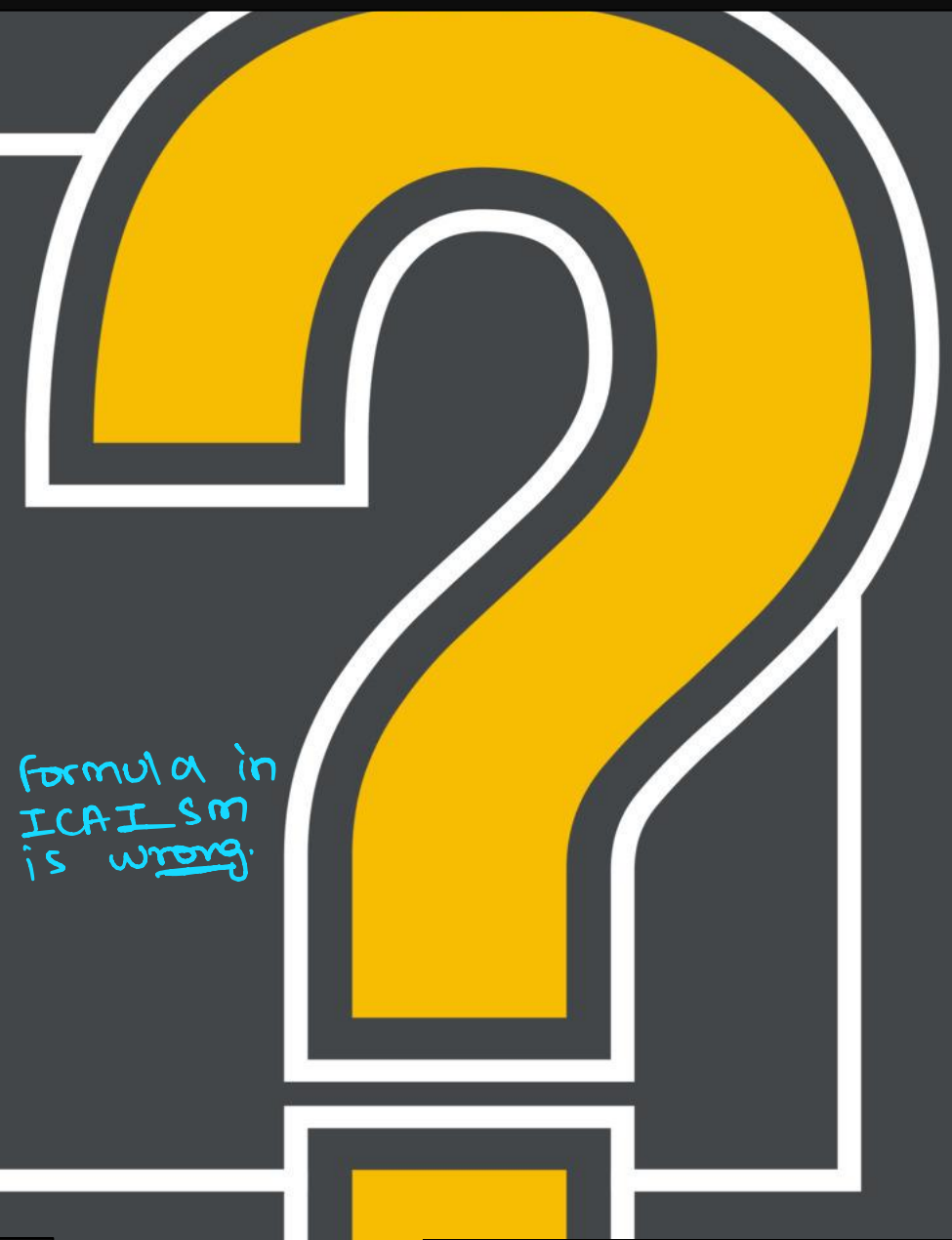
c) 58 → ⊗

d) 68

$$\begin{aligned} RER &= NER \times \frac{\text{Foreign Price}}{\text{Domestic Price}} \\ &= 56 \times \frac{112}{116} = 54.07 \end{aligned}$$

} formula in ICAI sm is wrong.

Follow this in exam. Update answer in computer also.



MACRO ECONOMICS MCQs

5	<p style="text-align: center;"> </p> <p>An increase in REER implies that exports become <u>expensive</u> and imports become <u>cheaper</u>.</p> <p style="margin-left: 40px;">(dear) (in ur.)</p>
	<p>a) Expensive, expensive</p> <p>b) Cheaper, cheaper</p> <p>c) Expensive, cheaper</p> <p>d) Cheaper, expensive</p>



MACRO ECONOMICS MCQs

6

Explain the implications of the following on the exchange rate-

Investors in Australia perceive that the returns on investments in the US would be much more lucrative than elsewhere. As a result there is a huge increase in demand for investments in US dollar denominated financial investments

- a) AUD will appreciate, and USD will appreciate
- b) AUD will depreciate, and USD will appreciate
- c) AUD will depreciate, and USD will depreciate
- d) AUD will appreciate, and USD will depreciate



MACRO ECONOMICS MCQs

MTP Apr 24

7

What is the purpose of a voluntary export restraint (VER)?

- a) To limit the quantity of exports.
- b) To encourage foreign producers to export more
- c) To reduce the cost of imports.
- d) To comply with international trade agreements.



MACRO ECONOMICS MCQs

MTP Apr 24

8

The quantity of dollars supplied will decrease if:

- a) imports into the United States increase.
- b) the expected future exchange rate falls
- c) the interest rate in the United States falls
- d) fewer U.S. residents travel abroad.



MACRO ECONOMICS MCQs

MTP Apr 24

9

Quantitative restrictions refer to limits set by countries to curb:

- a) Imports
- b) Exports
- c) Imports & exports
- d) None of the above



MACRO ECONOMICS MCQs

MTP Apr 24

10

Theory of Mercantilism propagates:

- a) Encourage exports and imports
- b) Encourage exports and discourage imports
- c) Discourage exports and imports
- d) Discourage exports and encourage imports



MACRO ECONOMICS MCQs

MTP Apr 24

11

Which of the following is more sensitive to short-term changes in economic conditions?

- a) FDI
- b) FPI
- c) Both FDI and FPI
- d) Neither FDI nor FPI



MACRO ECONOMICS MCQs

MTP Apr 24

12

Which type of investment is more influenced by government regulations and policies?

- a) FDI
- b) FPI
- c) Both FDI and FPI
- d) Neither FDI nor FPI



MACRO ECONOMICS MCQs

13

ONGC Videsh Limited has been incorporated by its parent entity ONGC for oil and gas acreages, involving exploration, development and production of oil and gas outside India. Which type of foreign investment is it?

- a) Joint Venture (X)
- b) Brownfield Investment (X)
- c) Greenfield investment
- d) Licensing (X)



MACRO ECONOMICS MCQs

MTP Apr 24

14

Which trade policy tool is designed to directly support domestic producers by reducing the cost of exporting goods?

- a) Export subsidy
- b) Import quota
- c) Voluntary export restraint
- d) Export tariff



MACRO ECONOMICS MCQs

MTP May 2024

15

Which of the following is a zero-sum game?

- a) Prisoners dilemma
- b) Competition for market share
- c) Pricing strategy
- d) None of the above is correct.



MACRO ECONOMICS MCQs

MTP May 2024

16

The process of selling of the products at a price less than on going price in the market is known as:

- a) Quota → Ans by ICAI is wrong.
- b) Tariff
- c) Subsidies
- d) Dumping → follow this in exam.



MACRO ECONOMICS MCQs

MTP May 2024

17

Comparative advantage is determined by:

- a) the amount of resources needed to produce a good
- b) the money cost of producing any good
- c) the opportunity cost of producing any good
- d) Absolute advantage and production possibilities combined.



MACRO ECONOMICS MCQs

MTP May 2024

18

A lump sum tax per unit on imports is known as:

- a) A specific tariff
- b) An effective tariff
- c) An effective quota
- d) A specific quota

→ Correct Ans.



MACRO ECONOMICS MCQs

MTP May 2024

19

A key effect of devaluation is that it:

- a) Makes the domestic currency cheaper relative to other currencies
- b) Makes the domestic currency dearer relative to other currencies
- c) Makes the foreign currency Cheaper relative to other currencies
- d) Leaves the relative value unchanged



MACRO ECONOMICS MCQs

MTP May 2024

20

Central Government can impose the safeguard duty if it is satisfied that:

- a) Any article is imported into India in increased quantities
- b) Such increased importation is causing or threatening to cause serious injury to domestic industry
- c) Either A or B
- d) Both A and B



MACRO ECONOMICS MCQs

MTP May 2024

21

Countervailing duty shall not be levied unless it is determined that:

- a) The subsidy relates to export performance.
- b) The subsidy relates to the use of domestic goods over imported goods in the export article
- c) The subsidy has been conferred on a limited number of persons engaged in the manufacture, production or export of articles.
- d) All the above



MACRO ECONOMICS MCQs

Not in syllabus BUT MTP May 2024

22	<p><u>Terms of trade</u> in <u>developing countries</u> are generally <u>unfavorable</u> because:</p>
	<p>a) They export manufacturing products. b) They export <u>primary products</u>. (<u>Not processed</u>) c) They export few goods. d) Both A and C</p>

• $TOT = \frac{\text{Export Price Index}}{\text{Import Price Index}}$

• Export Price Increase > Import Price Increase → Positive TOT

But,
Not in
syllabus



MACRO ECONOMICS MCQs

MTP May 2024

23

Most tariffs have:

- a) only revenue effects
- b) only protective effects
- c) both protective and revenue effects
- d) neither protective or revenue effects



MACRO ECONOMICS MCQs

MTP May 2024

24

Which of the following statements is/are **correct** regarding FDI under automatic route?

- 1) FDI in India under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India.
- 2) Investors are only required to notify the concerned regional office of the RBI before receipt of inward remittances and file required documents with that office before the issue of shares to foreign investors.

- a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2



MACRO ECONOMICS MCQs

MTP May 2024

25 What is a Global Depository Receipt?

- a) It is a receipt issued by multinational banks on deposit of money.
- b) It is a receipt issued by stock exchange to bank clearing mechanism.
- c) It is a receipt issued by an overseas bank is lieu of shares of a domestic company.
- d) It is a receipt issued by stock exchange on investment by foreign portfolio investor.



MACRO ECONOMICS MCQs

MTP May 2024

26

Any act of interference by a Central Bank like the RBI in influencing the exchange rate is referred to as which of the following in India?

- a) Dirty Floats
- b) Managed Floats
- c) Fixed Floats
- d) Market Stabilization Floats



MACRO ECONOMICS MCQs

MTP May 2024

27

Which type of investment is more susceptible to capital flight during times of economic instability?

- a) FDI
- b) FPI
- c) Both FDI and FPI equally
- d) Neither FDI nor FPI

When rapidly money flows out of country.



MACRO ECONOMICS MCQs

MTP May 2024

28

Which of the following measures involve 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) Import Quotas
- b) Anti-Dumping Duties
- c) Escalated Tariffs
- d) Embargos



MACRO ECONOMICS MCQs

MTP May 2024

29

Which of the following is not one of the features of New Trade Theory by Paul Krugman?

- a) Countries which trade in similar goods are natural trade partners
- b) It is based on labour theory of value
- c) Network effect as means of engaging in international trade
- d) It focuses more on economies of scale



MACRO ECONOMICS MCQs

MTP May 2024

30

The Three component of FDI is:

- a) equity capital •
- b) reinvested earnings •
- c) Intra company loans •
- d) All the above



MACRO ECONOMICS MCQs

MTP May 2024

31

Which of the following tariff is charged on imports on most-favoured nation (MFN) basis:

- a) bound tariff
- b) applied tariff
- c) prohibitive tariff
- d) None of these

- MFN Tariff
- Bound Tariff
- Applied Tariff



MACRO ECONOMICS MCQs

MTP May 2024

32 Money cost is considered by: ✓

- a) Modern theory of trade (H-O)
- b) Comparative cost advantage
- c) New Trade theory
- d) None of these



MACRO ECONOMICS MCQs

33

A country has a comparative advantage in producing a good if it can produce that good :

- a) At a lower absolute cost than other countries
- b) At a higher absolute cost than other countries
- c) More efficiently than other countries
- d) More slowly than other countries



MACRO ECONOMICS MCQs

MTP May 2024

34

Under which union they have or follow a common monetary policy and fiscal policy:

- a) Economic Union
- b) Custom Union
- c) Common market
- d) None of these



MACRO ECONOMICS MCQs

MTP May 2024	
35	The <u>WTO</u> comprises majorly:
a) developed countries b) under developed countries c) <u>developing countries</u> d) None of these.	

164 countries

majority



MACRO ECONOMICS MCQs

MTP May 2024

36

A firm makes an investment in unrelated business then it is called:

- a) Horizontal investment
- b) Vertical investment
- c) Conglomerate
- d) None of these



MACRO ECONOMICS MCQs

MTP May 2024

37

Dirty Floating is related to:

- a) Flexible system of exchange rate
- b) fixed system of exchange rate
- c) Either of these
- d) None of these



MACRO ECONOMICS MCQs

38

National Treatment Principle (NTP) says:

- a) Imported goods and domestic goods should be treated equally.
- b) Exported goods and imported goods should be treated equally.
- c) Imported goods and domestic goods should be treated differently.
- d) Internal trade is more important than international trade.

Regarding internal laws.

MACRO ECONOMICS MCQs

39

Prices of output of goods and prices of factors are equalized under?

- a) Modern theory of international trade
- b) Factor Equalization theorem
- c) New trade theory
- d) Absolute cost advantage theory

Price

Corollary of H-O Theory.

MACRO ECONOMICS MCQs

40

Which of the following is outside the WTO :

- a) Wheat
- b) IT
- c) Palm oil
- d) E-commerce



MACRO ECONOMICS MCQs

41

India imposed Anti-dumping Duties on the imports of Steel and Aluminum from China. Which one of the following is not one of the reason for the government of India to adopt this measure?

- a) To protect the domestic industries and employment
- b) Overvaluation of export price by exporters
- c) Undervaluation of export price by exporters
- d) A price discrimination by exporters in different markets

y.



MACRO ECONOMICS MCQs

MTP June 2024

42

Foreign Portfolio Investment (FPI)
involves:

- a) Investment in tangible assets in a foreign country
- b) Investment in financial assets such as stocks and bonds of foreign companies
- c) Establishing subsidiaries or acquiring stakes in foreign companies
- d) Long-term commitment to a foreign market



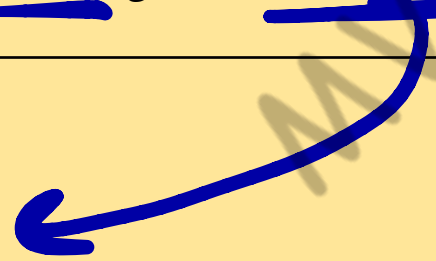
MACRO ECONOMICS MCQs

MTP June 2024

43

Ricardo explained the law of comparative advantage on the basis of:

- a) opportunity costs
- b) economies of scale
- c) the labour theory
- d) None of these



MACRO ECONOMICS MCQs

MTP June 2024

44

Factor abundance is considered to be part of international trade:

- a) Heckscher Ohlin theory of international trade
- b) Comparative cost advantage theory
- c) New Trade theory
- d) Factor Equalization theorem



MACRO ECONOMICS MCQs

45

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



MACRO ECONOMICS MCQs

Chapter 10 - Indian Economy



MACRO ECONOMICS MCQs

MTP Apr 24

1

The industrial sector depends on the agricultural sector because:

- a) the agricultural sector provides food and other products for the consumption purposes of industrial sector
- b) the agricultural sector provides raw materials for the development of agro-based industries of the economy
- c) the agricultural sector provides market for the industrial products
- d) all of the above



MACRO ECONOMICS MCQs

2

Between the first and the _____, India is believed to have had the largest economy of the ancient and the medieval world.

- a) the sixteenth century AD
- b) the seventeenth century AD
- c) the eighteenth century AD
- d) the nineteenth century AD



MACRO ECONOMICS MCQs

3

The earliest known treatise on ancient Indian economic philosophy is _____

- a) Arthashastra
- b) Dharmashastra
- c) Natyashastra
- d) All of the above



MACRO ECONOMICS MCQs

4	The period of British rule can be divided into two sub periods: The rule of <u>East India Company</u> was from
a) 1758 to 1857	
<u>b) 1757 to 1858</u>	
c) 1756 to 1858	
d) 1758 to 1856	



MACRO ECONOMICS MCQs

5

Just after Independence, Literacy rate was just above ___ percent and barely ___ years of life expectancy in 1951

a) 18, 32

b) 17, 32

c) 18, 34

d) 17, 34



MACRO ECONOMICS MCQs

6

The 'New Industrial Policy' announced by the government on _____

a) 23 July 1991

b) 24 July 1991

c) 25 July 1991

d) 26 July 1991



MACRO ECONOMICS MCQs

7	India is among the top <u> </u> World Trade Organization (WTO) members in <u>service exports and imports</u> .
a) 5	
<input checked="" type="radio"/> b) 10	
c) 15	
d) 20	



MACRO ECONOMICS MCQs

8

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) Fifth Largest
- c) Fourth Largest
- d) Smallest




MACRO ECONOMICS MCQs

9	The Indian government nationalized ___ banks in 1969 and then followed it up with nationalizing another ___ in 1980
a)	20 , 6
b)	6 , 20
<input checked="" type="checkbox"/>	c) 14 , 6
d)	6 , 14



MACRO ECONOMICS MCQs

10	The <u>National Manufacturing Policy</u> which aims to increase the share of manufacturing in GDP to _____ by 2025 is a step in this direction
a) 20% ✓ b) 25%  c) 50% d) 100%	



MACRO ECONOMICS MCQs

MTP May 2024

11

We can say Indian agriculture has become modern since:

- a) there has been an increase in the use of high yielding varieties of seeds, fertilizers pesticides etc.
- b) there has been noticeable positive change in the attitude of farmers towards new techniques of production
- c) farmers are increasingly resorting to intensive cultivation, multiple cropping, scientific water management
- d) all of the above.



MACRO ECONOMICS MCQs

MTP May 2024

12

What is meant by the "institutional framework" of an economy?

- a) The maximum capacity of the economy in the production process
- b) The level of investment in human capital
- c) The system of formal laws, regulations and procedures that shape economic activity in the economy
- d) Subsidies and tax concessions used to improve employment opportunities in assisted areas of the economy



MACRO ECONOMICS MCQs

MTP May 2024

13

E - NAM is -

- a) a pan -India electronic trading portal which networks the existing APMC mandis
- b) with the objective of creating a unified national market for agricultural commodities
- c) Both a & b
- d) None of these



MACRO ECONOMICS MCQs

MTP May 2024

14

India's Rank in Ease of Doing Business
is:

2020

a) 45

b) 54

c) 63

d) None of these.



MACRO ECONOMICS MCQs

MTP May 2024

15

Niti Aayog will work towards the objective:

- a) To evolve a shared vision of national development priorities, sectors and strategies with active involvement of states
- b) To foster cooperative federalism
- c) To develop mechanisms to formulate credible plans at the village level
- d) All the above



MACRO ECONOMICS MCQs

MTP May 2024

16

SEBI was given statutory recognition in:

a) 1985

b) 1990

c) 1992

d) None of these

12 April 1988

Law

Power



MACRO ECONOMICS MCQs

MTP June 2024	
17	Indian financial system is skewed towards Commercial Banks with <u>no</u> interdependence on NBFCs.
a) Yes b) No c) Partly Right d) None of the above	

↓
False Statement



MACRO ECONOMICS MCQs

MTP June 2024

18

The share of agriculture in India's national income has _____ over the years.

- a) Remained constant.
- b) Decreased.
- c) Increased.
- d) First decreased and then increased.



MACRO ECONOMICS MCQs

MTP June 2024

19

FEMA stands for:

- a) Foreign Exchange Management Act.
- b) Founds Exchange Management Act.
- c) Finance Enhancement Monetary Act.
- d) Future Exchange Management Act.



MACRO ECONOMICS MCQs

MTP June 2024

20

The pre-condition for privatization to be successful requires:

- a) Liberalization and de-regulation of the economy.
- b) Capital markets should be sufficiently developed.
- c) None of the above.
- d) (a) & (b) both.



MACRO ECONOMICS MCQs

MTP June 2024	
21	Nationalization means:
a) Selling of government stake to private sector	
b) Selling of government companies to private sector	
c) Government purchasing 26% shares in private companies	
✓ d) Taking of full control and management from Private Sector by the Government	



MACRO ECONOMICS MCQs

ICAI SM

22

The Indian industry stagnated under the colonial rule because British

- 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



MACRO ECONOMICS MCQs

ICAI SM	
23	The <u>first wave of liberalization</u> starts in India
a) In 1951	<i>early liberalization</i>
<input checked="" type="checkbox"/> b) In 1980's	
c) In 1990	
d) In 1966	



MACRO ECONOMICS MCQs

ICAI SM

24

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



MACRO ECONOMICS MCQs

		ICAI SM
25	<p><u>Merchandise Exports from India Scheme</u> was replaced by -</p> <p>MEIS</p>	
<p>a) <u>Remission of Duties and Taxes on Export Products (RoDTEP)</u> in 2021</p> <p>b) National Logistics Policy (NLP) in 2020</p> <p>c) Remission of Duties and Taxes on Export Products (RoDTEP) in 2019</p> <p>d) None of the above</p>		



MACRO ECONOMICS MCQs

ICAI SM

26 | 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 (FIAP)
- 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



MACRO ECONOMICS MCQs

ICAI SM

27

FAME-India Scheme aims to

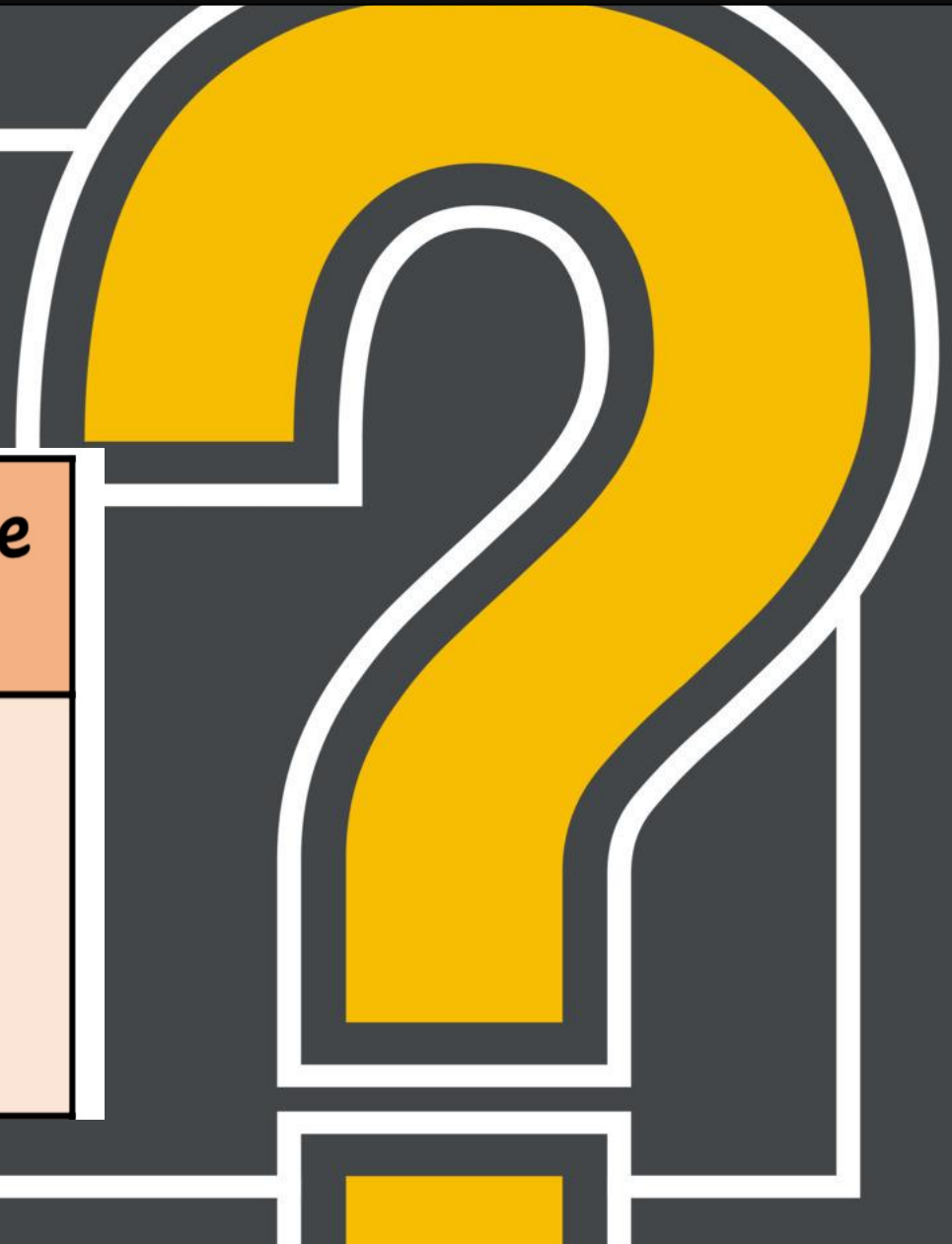
- a) Enhance faster industrialization through private participation
- b) to promote manufacturing of electric and hybrid vehicle technology
- c) to spread India's fame among its trading partners
- d) None of the above

MACRO ECONOMICS MCQs

28

The Indian sector is the largest recipient of FDI inflows

- a) Primary (agriculture)
- b) Secondary (manufacturing)
- c) Tertiary (Services)
- d) All of the above

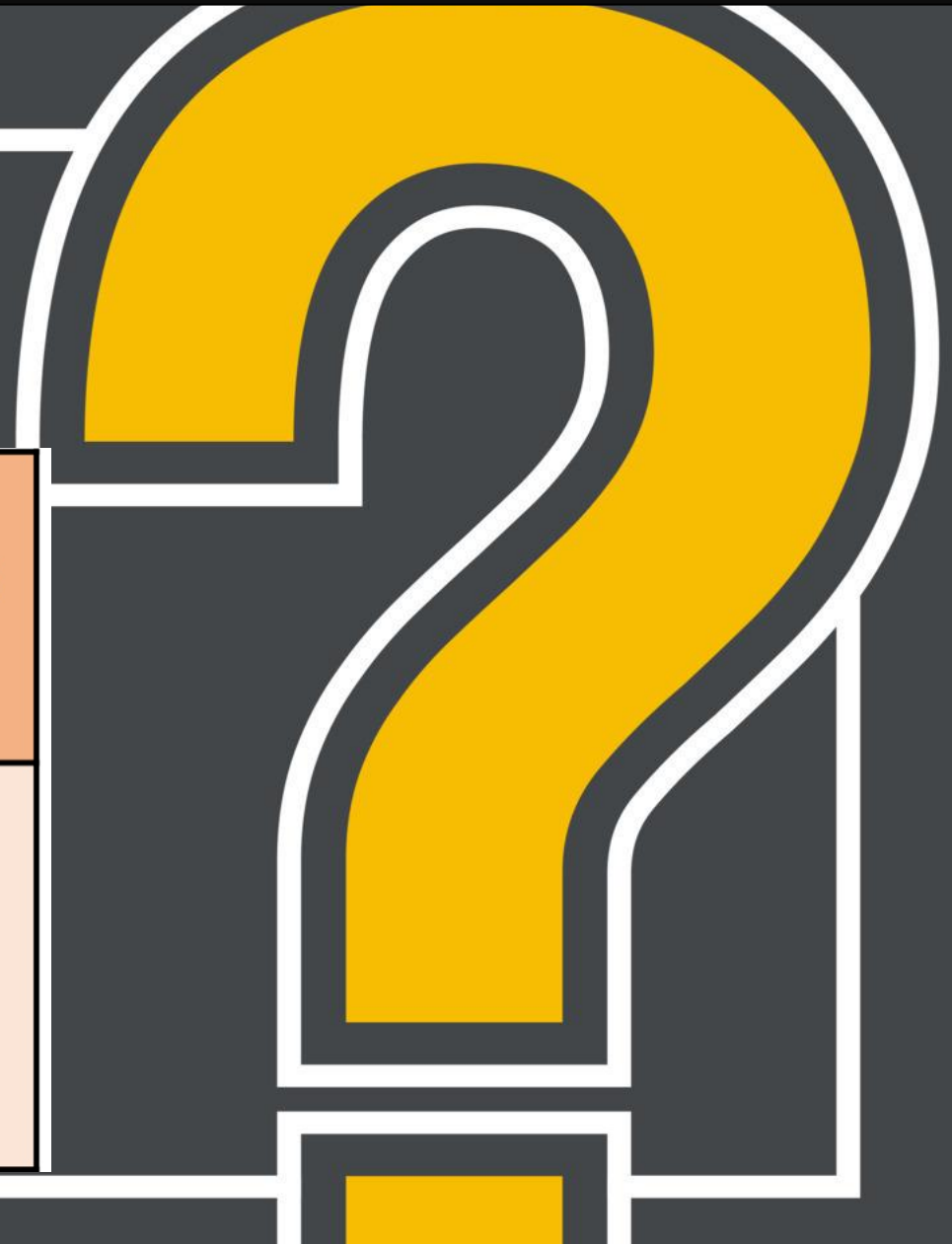


MACRO ECONOMICS MCQs

29

In India, in 1990-91 the highest tariff rate was _____

- a) 90%
- b) 255%
- c) 300%
- d) 355%



MACRO ECONOMICS MCQs

ICAI SM

30

Which of the following is not a policy reform included in the new economic policy of 1991 -

- a) removing licensing requirements for all industries
- b) Foreign investment was liberalized
- c) Liberalisation of international trade
- d) The disinvestment of government holdings of equity share capital of public sector enterprises



MACRO ECONOMICS MCQs

ICAI SM

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

- a) The government wanted people to follow the policy of 'Be Indian; Buy Indian'
- b) Because foreign goods were costly and meant loss of precious foreign exchange
- c) Government policy was directed towards protection of domestic industries from foreign competition
- d) Government wanted to preserve Indian culture and to avoid influence of foreign culture



MACRO ECONOMICS MCQs

ICAI SM

32

The 'Hindu growth rate' is a term used to refer to -

- a) the high rate of growth achieved after the new economic policy of 1991
- b) the low rate of economic growth of India from the 1950s to the 1980s, which averaged around 3.5 per cent per year
- c) the low growth of the economy during British period marked by an average of 3.5 percent
- d) the growth rate of the country because India is referred to as 'Hindustan'



MACRO ECONOMICS MCQs

ICAI SM

33

In the context of the new economic policy of 1991, the term 'disinvestment' stands for -

- a) A policy whereby government investments are reduced to correct fiscal deficit
- b) The policy of sale of portion of the government shareholding of a public sector enterprise
- c) The policy of public partnership in private enterprise
- d) A policy of opening up government monopoly to the private sector



MACRO ECONOMICS MCQs

ICAI SM

34

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



MACRO ECONOMICS MCQs

ICAI SM

35 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

Pesticides Fertilizers



MACRO ECONOMICS MCQs

ICAI SM

36

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 & farm co-operatives
- c) Technological up gradation of agriculture
- d) All the above



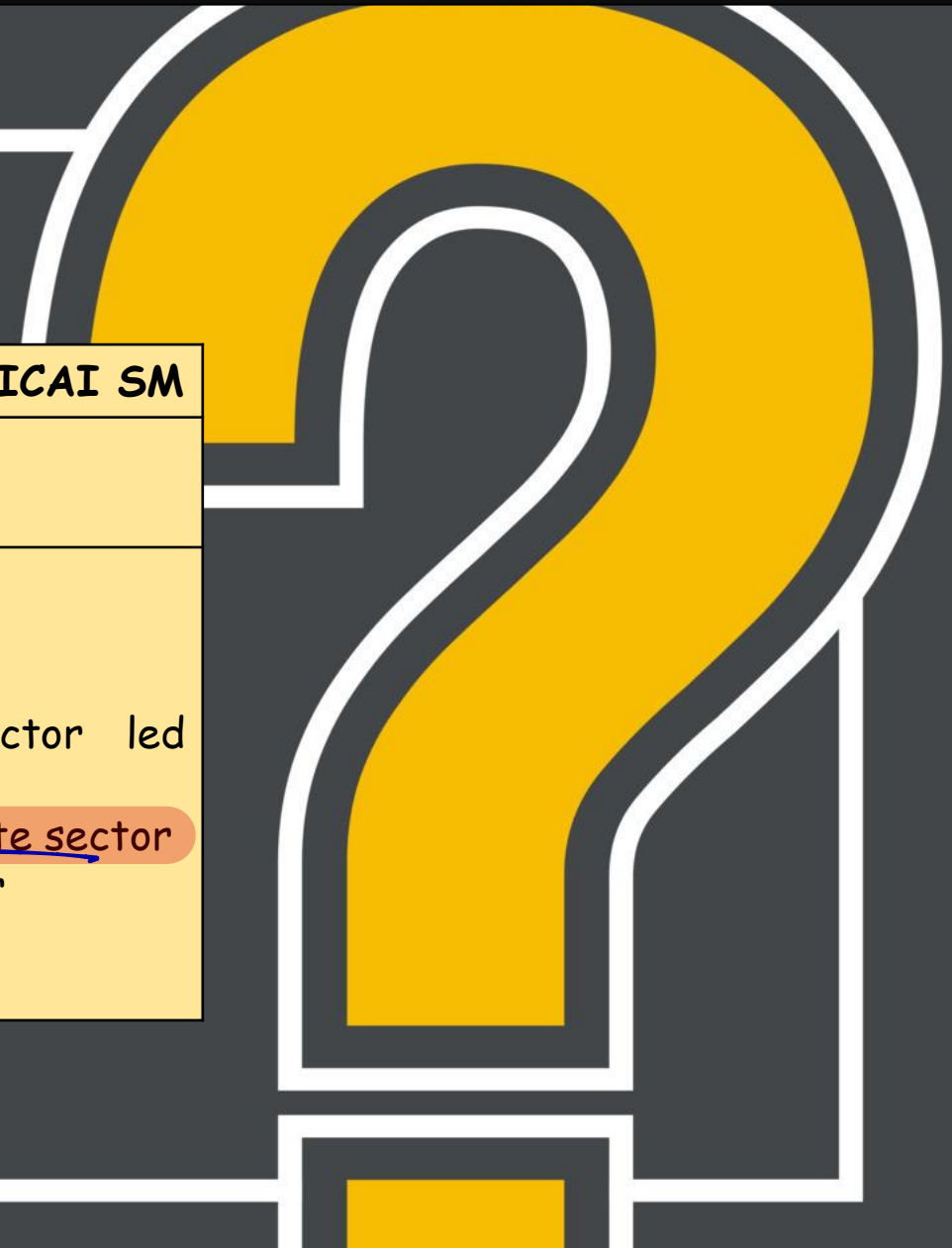
MACRO ECONOMICS MCQs

ICAI SM

37

The Industrial Policy Resolution (1948) aimed at -

- a) Market oriented economic reforms and opening up of economy
- b) A shift from state led industrialization to private sector led industrialisation
- c) an expanded role for the public sector and licensing to the private sector
- d) an expanded role of private sector a limited role of public sector



MACRO ECONOMICS MCQs

ICAI SM

38 | The new economic policy of 1991 manifest in -

- a) State led industrialization and import substitution
- b) Rethinking the role of markets versus the state (govt.)
- c) Emphasized the role of good governance
- d) Bringing about reduction in poverty and redistributive justice



MACRO ECONOMICS MCQs

ICAI SM

39

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

Nehruvian Model

MACRO ECONOMICS MCQs

ICAI SM	
40	In the first three decades after independence (1950-80), India's average annual rate of growth of GDP- 'Hindu growth rate'- was ____
a) 2%	
b) 13.50%	
c) 2.50%	
d) 3.50%	



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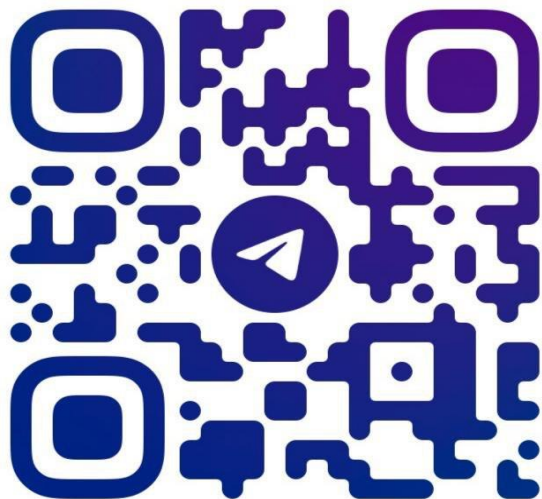
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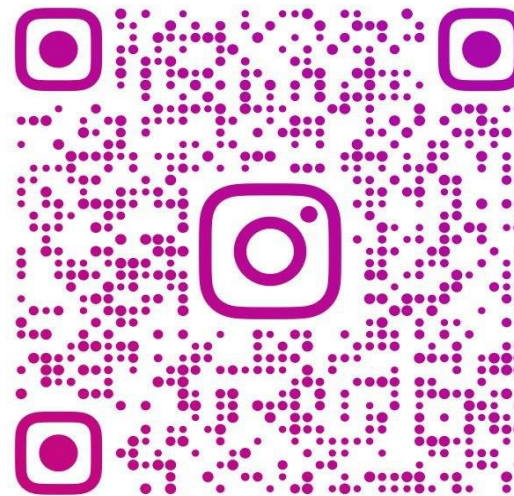


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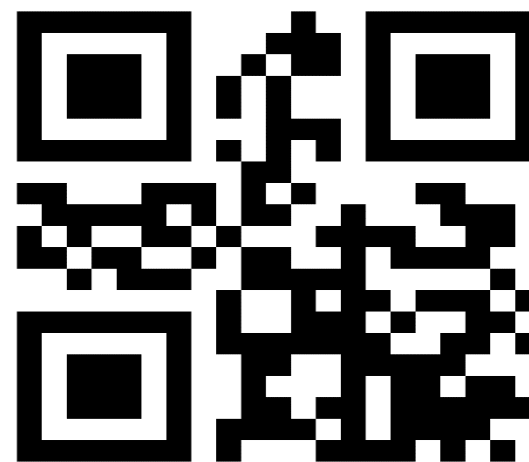
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