

**CA FOUNDATION SEP'24**



**PRE-EXAM**

# **MARATHON**

**MACRO ECONOMICS**  
**CHP 7, 8, 9 & 10**

**IMP MCQS**  
**MARATHON**



**CA MOHNISH VORA (MVSIR)**

# CA Foundation – September 2024

## Business Economics - Last 1.50 Days Strategy by CA Mohnish Vora (MVSIR)

18 Sep

- Solve as many Macro Eco MCQs as possible.

[Live @ 7.15 PM]

19 Sep

- 7.00 to 11.00 AM – Eco Chapter 1, 5 & 10
- 11.30 AM to 2.30 PM – Quick Revision of Eco Chp 2 & 4 → [Live session]
- 2.30 to 3.30 PM – Break & Lunch
- 3.30 to 7.30 PM – Eco Chapter 6, 7 & 8
- 7.30 to 9.30 PM – Eco 100 Marks Test → [Live]
- 9.30 to 10.00 PM – Dinner
- 10.00 PM to 1.00 – Eco Chp 3 & 9

20 Sep

- 6.00 AM to 8.30 AM – Important Points Revise
- 8.30 AM to 11.00 AM – Most Expected MCQs for Exam → [Live session]



Scan above QR Code  
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Sessions of MVSIR

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# CA Foundation New Syllabus Business Economics

## Macro Economics Important MCQs

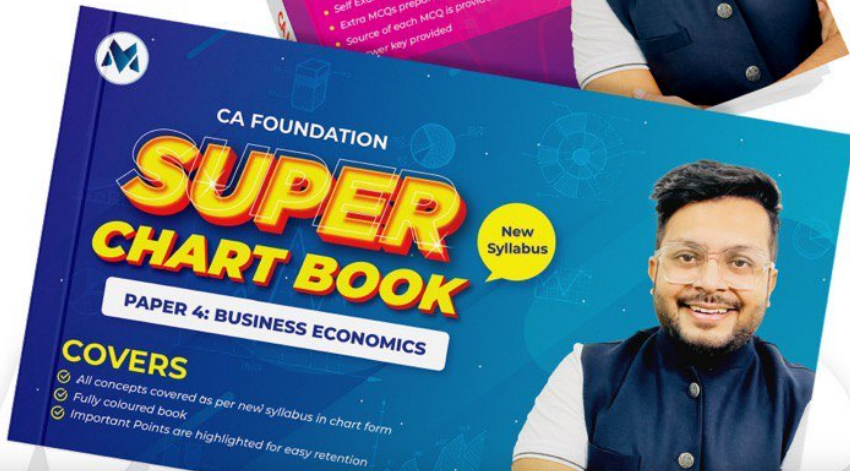
Chapter No.	Chapter Name	No. of MCQs
6	National Income	62
7	Public Finance	64
8	Money Market	58
9	International Trade	76
10	Indian Economy	25
	<b>Total</b>	<b>285</b>

Chapter-wise compilation of  
MCQs of 5 Latest MTPs

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Business Economics

**Chapter 6**  
**DETERMINATION OF**  
**NATIONAL INCOME**

Chapter-wise compilation of  
MCQs of **5 Latest MTPs**

By CA Mohnish Vora (MVSIR)

### Q1

COE	→	539	
+ OS	→	1290	
+ MI	→	0	
<hr/>		NDPFC	1829
+ NFIA		-40	
<hr/>		NNPFC	1789
+ Dep		42	
(-) NFIA		-40	y + 40
(+) NIT		208	
<hr/>		GDPmp	<u>2079</u>

### Q3

Sales	2500
(+) LIS	0
<hr/>	
V.O.	2500
(-) I.C	(800)
<hr/>	
GVAmp	1700
↳ GDPmp	
(-) Dep	(300)
(-) NIT	(400)
<hr/>	
NDPFC	1000

Income Method

COE	200
+ OS (B.f.)	OS
+ MI	700
<hr/>	
NDPFC	1,000

B.f. → OS = 100



MTP Apr 24

1 Calculate GDPMP & NNPFC from the above data:  
NI

Net indirect tax	→	208
Consumption of fixed capital (Dep <sup>n</sup> )	→	42
Net factor income from abroad	→	-40
Rent	→	311
Profits	→	892
Interest	→	81
Royalty	→	6
Wages and salary	→	489
Employer's contribution to Social Security Scheme	→	50

a) 1789 & 2079 respectively  
**b) 2079 & 1789 respectively**  
 c) 1663 & 1789 respectively  
 d) 1789 & 1663 respectively

MTP Apr 24

2 Compute the amount of subsidies from following data:

GDP at market price (Rs. in crores)	7,79,567
Indirect Taxes (Rs. in crores)	4,54,367
GDP at factor cost (Rs. in crores)	3,60,815

$GDPFC = 360815$   
 $+ IDT = 454367$   
 $(- \text{Sub})$   
GDPMP = 779567

a) Rs. 15,94,749 Crores  
**b) Rs. 35,615 Crores**  
 c) Rs. 6,86,015 Crores  
 d) None

MTP Apr 24

3 Calculate Operating Surplus

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

a) 270  
**b) 100**  
 c) 70  
 d) None

MTP Apr 24

4 Suppose Consumption function:  
 $C = 40 + 0.2Y$   
 and Investment is given by  
 $I = 30 + 0.3Y$   
 What will be the equilibrium level of national income?

a) 140  
 b) 350  
 c) 280  
 d) None of the above

At equi:  
 $AS = AD$   
 $\Rightarrow Y = C + I$   
 $\Rightarrow Y = 40 + 0.2Y + 30 + 0.3Y$   
 $\Rightarrow 0.5Y = 70$   
 $\Rightarrow Y = 140$

MTP Apr 24

5 Calculate the Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) from the following data:

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

a) **MPC = 0.75, MPS = 0.25**  
 b) MPC = 0.25, MPS = 0.75  
 c) MPC = 1.25, MPS = 1.75  
 d) MPC = 1.75, MPS = 1.25

$MPC = \frac{\Delta C}{\Delta Y} = \frac{3000}{4000} = 0.75$   
 $MPS = 1 - 0.75 = 0.25$

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Q6

$$\frac{\Delta I}{7000\text{€} \uparrow} \quad \frac{\Delta Y}{35000\text{€} \uparrow}$$

$\xrightarrow{\quad}$   
 $k = 5$

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

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

$$\Rightarrow b = 0.80$$

$$MPS = 1 - b = 0.20$$

$$MPS = \frac{\Delta S}{\Delta Y}$$

$$\Rightarrow 0.20 = \frac{\Delta S}{35000\text{€}}$$

$$\Rightarrow \Delta S = 7000\text{€}$$

Q7

$$\begin{aligned} \text{i) } Y_d &= Y - T + TR \\ &= Y - 0.2Y + 110 \\ \Rightarrow Y_d &= 0.8Y + 110 \end{aligned}$$

$$\begin{aligned} \text{ii) } C &= 50 + 0.75 Y_d \\ &= 50 + 0.75(0.8Y + 110) \\ &= 50 + 0.6Y + 82.50 \\ \Rightarrow C &= 0.6Y + 132.50 \end{aligned}$$

iii) At equi,  
AS = AD

$$\Rightarrow Y = C + I + G$$

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

$$\Rightarrow 0.4Y = 432.50$$

$$\Rightarrow Y = 1081.25$$

$$\begin{aligned} \text{iv) } k &= \frac{1}{1 - [b(1-t)]} = \frac{1}{1 - [0.75(1-0.2)]} \\ &= \frac{1}{1-0.6} = \frac{1}{0.4} = 2.50 \end{aligned}$$

Q8

$$\begin{aligned} \text{i) } Y_d &= Y - T + TR \\ &= Y - (30 + 0.3Y) + 60 \\ \Rightarrow Y_d &= 0.7Y + 30 \end{aligned}$$

$$\begin{aligned} \text{ii) } C &= 170 + 0.8(0.7Y + 30) \\ \Rightarrow C &= 170 + 0.56Y + 24 \\ \Rightarrow C &= 0.56Y + 194. \end{aligned}$$

iii) At equi,

$$AS = AD$$

$$\Rightarrow Y = C + I + G + (X-M)$$

$$\Rightarrow Y = 0.56Y + 194 + 200 + 150 + 45 - (20 + 0.2Y)$$

$$\Rightarrow Y - 0.56Y + 0.2Y = 569$$

$$\Rightarrow 0.64Y = 569$$

$$\Rightarrow Y = 889.06$$



MTP Apr 24

MTP Apr 24

6

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.

9

How are the following transactions treated in national income calculation?  
Electricity sold to a steel plant

- a) MPC = 0.8,  $\Delta S$  = 2800 Crore
- b) MPC = 0.8,  $\Delta S$  = 700 Crore**
- c) MPC = 0.2,  $\Delta S$  = 2800 Crore
- d) MPC = 0.2,  $\Delta S$  = 700 Crore

- a) Being an intermediate good, electricity sold to a steel plant will not be included in national income calculation.**
- b) Being an intermediate good, electricity sold to a steel plant will be included in national income calculation.
- c) Being final good, electricity sold to a steel plant will be included in national income calculation.
- d) None of the above

MTP Apr 24

MTP Apr 24

7

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

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

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.

- 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

- a) The price level has risen since GDP deflator is less than 100 at 83.33
- b) The price level has fallen since GDP deflator is less than 100 at 83.33**
- c) The price level has risen since GDP deflator is more than 100 at 120
- d) The price level has fallen since GDP deflator is less than 100 at 120

MTP Apr 24

MTP Apr 24

8

Calculate the equilibrium level of national income

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

11

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

- a) 889.06**
- b) 691.87
- c) 113.37
- d) 569

$$k = \frac{1}{1 - [b(1-t)] + m}$$

Agar pucha notation =  $\frac{1}{1 - [0.8(1-0.30)] + 0.20} = \frac{1}{0.64} = 1.5625$

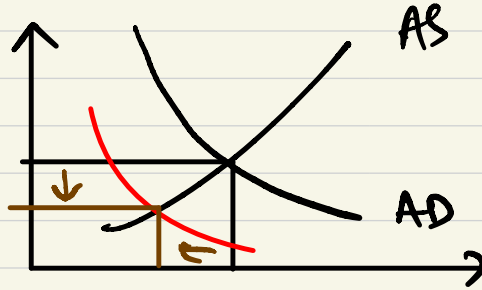
- a) It includes only monetary transactions.
- b) It does not account for income distribution.**
- c) It considers both market and non-market activities.
- d) It is not affected by inflation.

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Q10

$$\begin{aligned} \text{GDP Def} &= \frac{\text{GDPN}}{\text{GDPR}} \times 100 \\ &= \frac{5000}{6000} \times 100 \\ &= 83.33. \end{aligned}$$

Q13





MTP Apr 24

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

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

$GDP > GNP$   
 $NFIA \rightarrow -ve$

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 (Ans as per ICAI wrong)
- d) output will decrease but prices will remain the same

Follow in Exam

MTP Apr 24

14 Assume you built a new house, bought a used car, and bought some government bonds. 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  $\rightarrow GDP \uparrow$

MTP Apr 24

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

- a)  $GDP = Consumption + Investment + Government Spending$
- b)  $GDP = Consumption + Investment + Government Spending + Net Exports$
- c)  $GDP = Consumption + Investment$
- d)  $GDP = Consumption + Net Exports$

MTP Apr 24

16 Which component of National Income represents the income earned individuals and businesses before taxes and other deductions?

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

MTP Apr 24

17 Which of the following is a factor income?

- a) Profits
  - b) Transfer payments
  - c) Subsidies
  - d) Indirect taxes
- Land Labour Capital Ent  
 ↓ ↓ ↓ ↓  
 Rent wages Interest Profit

MTP May 2024

18 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. (NOT Trf Payment)

- a) The price level has risen since GDP deflator is less than 100 at 83.33
- b) The price level has fallen since GDP deflator is less than 100 at 83.33
- c) The price level has risen since GDP deflator is more than 100 at 120
- d) The price level has fallen since GDP deflator is less than 100 at 120

Div Paid to Shareh.

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.
- (Ans by ICAI is B - wrong)

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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

*inflationary*

MTP May 2024

21

If the GDP gap is positive, then:

- 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

MTP May 2024

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.

MTP May 2024

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.

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.

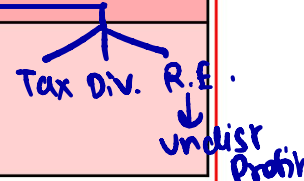
$$\begin{array}{r}
 PI \\
 - PIT \\
 - NTP \\
 \hline
 DPI
 \end{array}$$

MTP May 2024

25

Which one is a component of profit?

- a) Dividend
- b) Undistributed Profit
- c) Corporate Profit Tax
- d) All of these



MTP May 2024

26

The particular level of AD which is equal to AS is called \_\_\_\_\_.

- a) equilibrium demand →  $\otimes$
- b) effective demand
- c) derived demand
- d) None of the above

$$V.O.(+) \text{ Int. } \text{Long} = VA$$

MTP May 2024

27

Gross value method is employed in India:

- a) To avoid double counting.
- b) To avoid the impact of inflation.
- c) To capture the consumption levels.
- d) To calculate the exports.

MTP May 2024

28

Break even points occurs when:

- a)  $Y = S$
- b)  $S = 0$
- c)  $Y = C$
- d) both (b) and (c)

$$\begin{array}{l}
 Y = C \\
 \text{i.e.} \\
 S = 0
 \end{array}$$

MTP May 2024

29

Deficient demand leads to:

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

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MTP Jun 24

30 GDP includes:

- a) neither intermediate nor final goods.
- b) both intermediate and final goods.
- c) intermediate, but not final, goods.
- d) final, but not intermediate, goods.

MTP Jun 24

31 Which of the following is a final good or service?

- a) diesel fuel bought for a delivery truck
- b) fertilizer purchased by a farm supplier
- c) a haircut
- d) Chevrolet windows purchased by a General Motors assembly plant

MTP Jun 24

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.

V.O. (I.C.)

MTP Jun 24

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.

MTP Jun 24

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.

MTP Jun 24

35 Which one is included in three-sector model?

- a) Family (Household)
- b) Firm
- c) Government
- d) All of these

MTP Jun 24

36 In the Keynesian cross diagram, the point at which the aggregate demand function crosses the 45-degree line indicates the:  $AS = AD$

- 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.

MTP Jun 24

37 What can be the minimum value of investment multiplier?

- a) 10
  - b) 1
  - c) infinity
  - d) 0
- $k = \frac{1}{1-b}$   
 $\Rightarrow k = \frac{1}{1-1} = \infty$   
 $\Rightarrow k = \frac{1}{1-0} = 1$

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$$C = a + b \cdot Y$$



MTP Jun 24

38 Which one is included in National Income?

a) Transfer Earnings  $\alpha$   
 b) Sale proceeds of Shares and Bonds  $\alpha$   
 c) Black Money (Not reported)  
 d) None of the Above

MTP Jun 24

39 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

MTP Jun 24

40 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) Both a) and c) above

MTP Jul 24

41 If a farmer sells wheat to miller for Rs. 600 and miller sells flour to baker for Rs. 800. The baker sells bread to consumer for Rs. 1300, then the total value added in the process is:

a) Rs. 600  
 b) Rs. 800  
 c) Rs. 700  
 d) Rs. 1200

$600 \quad 800 \quad 1300$   
 $\underbrace{\hspace{10em}}_{VA = 200 + 500}$   
 $= 700$

MTP Jul 24

42 Which investment is made without any reference to level of income or profits?

a) Induced  
 b) Autonomous  
 c) Inventory  
 d) Gross

*dependent on Income*  
*Induced by b.Y.*

MTP Jul 24

43 The Value of National Income adjusted for inflation is called?

a) Disposable income  
 b) Per capita income  
 c) Inflation adjusted income.  
 d) Real national Income

MTP Jul 24

44 Which of the following fiscal policy measures would be suitable for addressing a deflationary gap or deficient demand?

a) Reduction in Taxes  
 b) Increase in Govt. Expenditure  
 c) Reduction in Public Debt  
 d) All of these

MTP Jul 24

45 What is the value of Investment Multiplier when saving function is represented as  $S = -60 + 0.2Y$ ?

a) 2  
 b) 5  
 c) 4  
 d) 0.2

$k = \frac{1}{1 - 0.20} = 5$   
*MPS*  $b = 0.20$

MTP Jul 24

46 "What could be the cause of the increase in Aggregate Demand within an economy?"

a) How government works  
 b) How markets work  
 c) How consumers behave  
 d) None of these

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47 Which of the following will cause a leakage in the National Income of an economy?

- a) Decrease in Expenditure (Saving ↑)
- b) Decrease in Taxation → ⓐ
- c) Increase in Imports
- d) Both a & c

MTP Jul 24

48 The per capita income in country Y increased from Rs. 50,000 to Rs. 65,000 while the per capita consumption increased from Rs. 37,500 to Rs. 48,750. Calculate the spending multiplier for this economy.

- a) 5
  - b) 4
  - c) 2.5
  - d) 8
- $\frac{\Delta C}{11,250} \quad \frac{\Delta Y}{15,000} \quad b = 0.75$   
 $k = \frac{1}{1-b} = \frac{1}{1-0.75} = 4$

MTP Jul 24

49 In an economy  $C = 300 + 0.5Y$  and  $I = Rs. 600$  (where C is consumption, Y is income or investment). The Equilibrium level of income will be:

- a) 1800
- b) 1500
- c) 1400
- d) None of these

$AS = AD$   
 $\Rightarrow Y = C + I$   
 $\Rightarrow Y = 300 + 0.5Y + 600$   
 $\Rightarrow 0.5Y = 900$   
 $\Rightarrow Y = 1800$

MTP Jul 24

50 When Investment in an economy increases from Rs. 10,000 crores to Rs. 14,000 crores and as a result of this national income rises Rs. 80,000 to Rs. 92,000 crores, Investment Multiplier will be:

- a) 5
- b) 3
- c) 2
- d) None of these

$\Delta I = 4,000$   
 $\Delta Y = 12,000 \quad k = 3$

MTP Jul 24

51 Which one makes GDP an improper index of welfare?

- a) Non-monetary transaction
- b) Externalities
- c) Composition & distribution of GDP
- d) All of these

MTP Jul 24

52 Calculate National Income from the following data:

	Rs. in Crores
Consumption	1000
Investment	+ 500
Government Purchases	+ 200
Exports	+ 200
Imports	(-) 400

- a) 1500
- b) 1800
- c) 600
- d) None of these

$GDP_{mp} = 1500$   
 $\{ Adj \rightarrow 0$   
 $\underline{NNP_{fc} \rightarrow}$

Same

MTP Jul 24

53 Interest on national debt is treated as:

- a) Transfer payment
- b) Domestic payment
- c) Govt. payment → Govt Purchases
- d) None of these

ⓧ

MTP Aug 24

54 The nominal and real GDP respectively of a country in a particular year are Rs. 3000 cr. and Rs. 4500 cr respectively. The GDP deflator will be:

- a) 55.55
- b) 66.66
- c) 44.45
- d) None of these.

$GDP_{net} = \frac{P}{P'} \times 100$   
 $= \frac{3000}{4500} \times 100$   
 $= 66.66$

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MTP Aug 24

55 An increase in investment by 600 cr leads to increase in national income by 1800 cr. "k" will be -

a) 3  
b) 4  
c) 5  
d) None of these

$\frac{\Delta I}{600cr} \rightarrow \frac{\Delta Y}{1800cr}$   
 $k = 3$

MTP Aug 24

56 Consumption expenditure according to Keynes is determined by:

a) Disposable income  $\rightarrow C = a + bY_d$   
b) Level of interest rate  
c) Extent of government taxes and subsidies  
d) None of these

MTP Aug 24

57 Who are the normal residents of the country?

a) A resident who has own house in that country  
b) A resident with a bank account in that country  
c) Ordinary residents with economic interest lying in that country  
d) None of these

MTP Aug 24

58 Government of India recently launched 'Make in India' programme. What will be its impact on Aggregate Demand of India?

a) Likely to increase  
b) Likely to fall  
c) No impact  
d) None of these

$IA \uparrow$   
 $AD \uparrow$

MTP Aug 24

59 Suppose in a country investment increases by Rs. 100 crores and consumption is given by  $C = 10 + 0.6Y$ . How much increase will there take place in income?

a) 250  
b) 200  
c) 150 (250 is wrong)  
d) None of these

$k = \frac{1}{1-0.6} = 2.50$   
 $\frac{\Delta I}{100cr} \xrightarrow{2.50 \text{ times}} \frac{\Delta Y}{250cr}$

RTP Sep - 24

60 Assume you deplete your savings to buy a new sofa and some government bonds and then take a vacation in a foreign country. Which of the following is true?

a) Consumption will increase  
b) Net exports will increase  
c) Government purchases will increase  
d) Investment will increase

RTP Sep 24

61 The difference between gross domestic investment and net domestic investment is equal to:

a) Unwanted inventory changes  
b) The difference between NDP and national income  
c) The difference between GDP and NDP  
d) None of the above

Depn

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Answer Key

1	B	11	B	21	B	31	C	41	C	51	D	61	C
2	B	12	D	22	A	32	B	42	B	52	A		
3	B	13	A	23	B	33	C	43	D	53	A		
4	A	14	D	24	C	34	B	44	D	54	B		
5	A	15	B	25	D	35	D	45	B	55	A		
6	B	16	A	26	B	36	C	46	C	56	A		
7	B	17	A	27	A	37	B	47	D	57	C		
8	A	18	C	28	D	38	D	48	B	58	A		
9	A	19	C	29	B	39	C	49	A	59	A		
10	B	20	B	30	D	40	B	50	B	60	A		

CA Mohnish Vora (MVSIR)

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Business Economics

## Chapter 7 PUBLIC FINANCE

Chapter-wise compilation of  
MCQs of 5 Latest MTPs

By CA Mohnish Vora (MVSIR)





MTP Jun 24

1 The per capita income in country Y increased from INR 50,000 to INR 65,000 while the per capita consumption increased from INR 37,500 to INR 48,750. calculate the spending multiplier for this economy? (K)

a) 5  
b) 4  
c) 2.5  
d) 8

$$b = \frac{\Delta C}{\Delta Y} = \frac{48750 - 37500}{65000 - 50000} = 0.75$$

$$k = \frac{1}{1-b} = \frac{1}{1-0.75} = 4$$

MTP Jun 24

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

MTP Apr 24

3 What was the main objective of the Fiscal Responsibility and Budget Management Act, 2003?

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

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

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?

MTP Apr 24

Invr Mult (K)

6 The expenditure multiplier is used to calculate the change in:

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

MTP Apr 24

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

MTP Apr 24

8 Which of the following is an example of market failure?

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

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MTP Apr 24

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

MTP Apr 24

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.

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

MTP Apr 24

12 The **stabilization function** is concerned 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

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

MTP Apr 24

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

- a) he 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

MTP Apr 24

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

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

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

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Price floor } set above market price  
→ Sellers nulsaan  
Price bohot gir } MSP  
gaji 'hai'

---

Price ceiling } set below market price  
→ zyada mehengi } ceiling } Rent control

# Central Government

## Revenue Receipts

→ Neither create liability  
→ Nor cause any reduction  
in assets

### Tax Revenue

Corp. Tax, Income Tax,  
GST, custom Duty etc

### Non-Tax Revenue

Interest Recd, Dividend  
Recd, Surplus from RBI etc.

Ch Net Tax = Total Tax (-) SG (-) NLCD  
Revenue Recd by Ch share

## Capital Receipts

Increase in Liabilities

### Debt Capital Receipt

Market loans, Treasury Bills,  
Security against small savings,  
external debt, state Provident fund

Reduction in Assets

### Non-Debt Capital Receipt

Recovery of loans & Adv.,  
Dis-investment,  
Sale of govt. Assets.

Repayment of Debt Capital  
Receipts is Capital Expenditure

## Revenue Expenditure

- Exp which does not lead to creation of assets
- Exp for normal functioning of Govt. Departments.
- Eg - Interest on loan, Grant to SG, Salary, Rent, Electricity etc.

## Capital Expenditure

Creation of Assets

### Physical Assets

CG acquired  
Land, M/C, Bld. etc

### Financial Assets

Invr in Shares,  
Ch giving loan & adv.

Reduction in Liabilities

- Repayment of loans & Adv. (Principal Amt)
- Payment of PF etc.



**Not in syll**  
**SHU ICAI asked** → 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 → (X)  
c) Subsidies → (X)  
d) Free-market competition → (X)

MTP May 24

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.

MTP May 24

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

MTP May 24

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

MTP May 24

21 A good taxation system should be used to:

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

MTP May 24

22 Primary deficit is obtained by deducting interest payments from the:

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

*FDG → NIP  
PD*

**Repeat** MTP May 24

23 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) None of these

**Repeat** MTP May 24

24 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) None of these

MTP May 24

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

*→ unobserved action.*

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Not in syll. But still ICAI asked MTP May 24

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

MTP May 24

27 Which of the following are **capital receipts** of the government?

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

Not in syll. But still ICAI asked MTP Jun 24, RTP Sep 24

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 equity**

MTP Jun 24

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

a) market Price  
b) **support Price** (MSP) / **price floor**  
c) equilibrium Price  
d) ceiling Price

MTP Jun 24

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  
d) **All 1, 2 and 3**

MTP Jun 24

31 Which of the following is **key operational target** in a Budget?

a) **Fiscal Deficit** y Eliminate  
b) Revenue Deficit  
c) The General Government Debt  
d) The Central Government Debt

if word book mei nahi milta. MTP Jun 24

32 If a Ministry falls short of **approved budget** in a scheme, what is the **process to get additional budget** through Parliament?

a) **Supplementary** → **allg. Demand for Grant**  
b) Re-appropriation  
c) Transfer of balances  
d) Vote on account

MTP Jun 24

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**

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MTP Jun 24

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

MTP Jun 24

35 Which of the following is/are the components of Public Debt?  
 1. Market Loans  
 2. External Loans  
 3. Outstanding against saving schemes/ provident funds → Debt

a) only 1  
 b) only 2  
 c) Both 1 and 2  
 d) only 3

Not in syll. by Skill ICAI asked in MTP Jun 24

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

MTP Jun 24

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

MTP Jun 24

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

MTP Jun 24

39 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

MTP Jul 24

40 The Government adopting Progressive taxation system to tax people on the level of their income is an example of which function of public finance?

a) Redistribution Function  
 b) Allocation Function  
 c) Normative Function  
 d) Stabilization

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**Repeat** MTP Jul 24

41 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

**Repeat** MTP July - 24

42 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

MTP Jul 24

43 Which of the following is not true regarding The Minimum Support Price (MSP) mechanism in India?

**a) MSP works on the principle of Price Ceiling**  
 b) MSP works on the principle of Price Flooring  
 c) At the price fixed, there exists excess supply  
 d) Govt. procures the excess supply of farmers.

**Repeat** MTP Jul 24

44 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

MTP Jul 24

45 Which of the following is used to counter recession as part of Expansionary Fiscal Policy?

a) Increase in interest rate  
 b) Decrease in Taxes  
 c) Deficit Financing  
**d) Both b & c**

Not in syllabus still ICAI asked in MTP Jul 24

46 The share of concessional debt in total external debt of India has:

a) remained the same  
 b) doubled  
**c) reduced**  
 d) increased

MTP Jul 24

47 Budgetary deficit can be expressed as:

a) the excess of public expenditure over public revenue  
 b) the sum of deficit on revenue account and deficit on capital account  
 c) that portion of government expenditure which is financed through the sale of 91 days Treasury Bills and drawing down of cash balances  
**d) all the above**

MTP Jul 24

48 Primary deficit means:

**a) Fiscal deficit - interest payment**  
 b) Fiscal deficit + revenue deficit  
 c) Budgetary deficit  
 d) Revenue deficit - interest payments

MTP Jul 24

49 The most important aim of fiscal policy in a developing country is:

a) economic stability  
**b) economic development**  
 c) regional balance  
 d) None of these

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MTP Jul 24

**50** Deficit financing includes:

- a) Borrowing from the central bank
- b) Issues of new currency by the Government
- c) Withdrawal of past accumulated cash balance by the Government
- d) All the above

MTP Jul 24

**51** The Government accounts are maintained namely in :

- a) Consolidated fund of India
- b) Contingency fund of India
- c) Public Account
- d) All of these

MTP Jul 24

**52** By convention in an election year the budget may be presented:

- a) Twice
- b) Once
- c) Thrice
- d) Quarterly

MTP Aug 24

**53** Fiscal deficit can be remedied by:

- a) Borrowing money
- b) Printing Currency
- c) Both (a) and (b)
- d) Neither (a) nor (b)

MTP Aug 24

**54** Which of the following is not the mandatory Statement under FRBM Act 2003?

- a) Macro Economic Framework Statement
- b) Medium Term Fiscal Policy Statement
- c) Debt Statement
- d) None of these

MTP Aug 24

**55** Macro- economic stability is said to exist when:

- a) When inflation is low and stable
- b) The economy's total spending matches its total output
- c) The economy's labour resources are fully exposed
- d) All the above

MTP Aug 24

**56** Which one is not a tool of Fiscal Policy:

- a) Taxation
- b) Public Expenditure
- c) Interest Rate
- d) Public Debt

*Monetary Policy*

MTP Aug 24

**57** In a Public good context, it is difficult to measure impact of real income because:

- a) Public goods are generally free to the Public
- b) They make up a small percentage of total GDP
- c) It is hard to measure how people value to public good
- d) Inflation decreases the value of the good

MTP Aug 24

**58** Statutory Grants in aid form the Union to certain states is based on the constitutional provisions as:

- a) Article 275
- b) Article 282
- c) Article 293
- d) Article 270

MTP Aug 24

**59** Government failure occurs when -

- a) Government intervention is ineffective and produces fresh and more serious problem
- b) A government is unable to get re-elected
- c) Both (a) and (b)
- d) None of these

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MTP Aug 24

60 The Institution responsible for management of external debt is:

a) RBI  
 b) Ministry of Finance  
 c) SEBI  
 d) All of above.

MTP Aug 24

61 PSUs are mainly driven by:

a) Profit  
 b) Industrialization  
 c) Social welfare  
 d) None of these

*Public Sector Undertaking (Govt Co.)*

MTP Aug 24

62 Which of the following is not a criterion for determining distribution of Central taxes among the states for 2021-2026 period:

a) Infrastructure performance  
 b) Forest and ecology  
 c) Tax and fiscal efforts  
 d) Demographic performance

MTP Aug 24

63 A chemical factory has full information regarding the risks of a product but continues to sell it. This is possible because of:

a) moral hazard  
 b) Free riding  
 c) asymmetric information  
 d) None of these

*→ ⊕ by unobserved action*

MTP Aug 24

64 What is 'price ceiling'?

a) Minimum price that can be charged for a good  
 b) Maximum price that can be charged for a good  
 c) Minimum support price  
 d) Both (a) and (b)

**Answer Key**

1	B	11	B	21	A	31	A	41	B	51	D	61	C
2	B	12	D	22	A	32	A	42	B	52	A	62	A
3	C	13	A	23	A	33	D	43	A	53	C	63	C
4	B	14	B	24	B	34	C	44	A	54	C	64	B
5	C	15	B	25	B	35	C	45	D	55	D		
6	B	16	D	26	A	36	A	46	C	56	C		
7	B	17	A	27	D	37	C	47	D	57	C		
8	A	18	D	28	D	38	D	48	A	58	A		
9	C	19	B	29	B	39	B	49	B	59	A		
10	A	20	C	30	D	40	A	50	D	60	B		

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CA Foundation New Syllabus  
Business Economics

**Chapter 8**  
**MONEY MARKET**

Chapter-wise compilation of  
MCQs of 5 Latest MTPs

By CA Mohnish Vora (MVSIR)

$$70 \text{ bp} = \frac{70}{100} = 0.70\%$$

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



MTP Jun 24

1 Calculate velocity of money, as per quantity theory of money when,  
 Money Supply = 5000 billion  
 Price = 110  
 Volume of transaction = 200 (T)

a) 2750  
 b) 4.40  
 c) 2.75  
 d) 9.09

$MV = PT$   
 $5000 \cdot V = 110 \times 200$   
 $\Rightarrow V = 4.40$

MTP Jun 24

2 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

a) 2.75  
 b) 3.74  
 c) 2.29  
 d) 3.59

$r = \frac{RR}{D} = \frac{50}{300} = 0.17$   
 $e = \frac{ER}{D} = \frac{25}{300} = 0.08$   
 $c = \frac{C}{D} = \frac{100}{300} = 0.33$

$m = \frac{1+C}{r+e+c}$   
 $= \frac{1+0.33}{0.17+0.08+0.33}$   
 $= \frac{1.33}{0.58} = 2.29$

MTP Jun 24

3 Calculate M2

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

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

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.

MTP Apr 24

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

Repo > Reverse Repo

MTP Apr 24

6 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?

a) 7.80%  
 b) 8.30%  
 c) 3.70%  
 d) 7.30%

Repo 6%  
 (-) Diff. (0.5%)  
 New Repo 5.50%  
 (-) Diff. (1.80%)  
 New Reverse Repo 3.70%

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 P.O.  
 c) Demand deposits  
 d) Travellers' checks

MTP Apr 24

8 Empirical evidence of liquidity trap is found during :

a) COVID-19  
 b) Great recession  
 c) Global Financial crisis (2008)  
 d) None of the above

ineffective monetary policy

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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

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.

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

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.

MTP Apr 24

Not in syllabus Skill ICAZ asked in

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

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

$m = \frac{1}{r} = \frac{1}{0.2} = 5$   
 $m = \frac{M}{MB} \Rightarrow 5 = \frac{M}{1000}$

MTP May 24

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

MTP May 24

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

MTP May 24

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 the bank rate
- d) Purchase government securities in the open market

Become a CA not just for yourself, but for your parents. You are bound to be successful.



MTP May 24

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

a) Margin requirements  
 b) Open market operation *(Quantitative)*  
 c) Credit rationing.  
 d) None of the above

MTP May 24

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**? *Wavy underline*

a) Bank rate  
 b) Discount window.  
 c) Marginal Standing facility  
 d) Overnight rate

MTP May 24

*Repeat*

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

a) The unpredictable behaviour of financial markets  
 b) **psychological factors influencing economic decisions.**  
 c) Government regulations affecting business confidence.  
 d) The impact of interest rates on investment

MTP May 24

21 What will be the value of **Credit Multiplier** when the **Required Reserve ratio** is 50%?

a) 4  
 b) 2  
 c) 3  
 d) 1

$M = \frac{1}{r} = \frac{1}{0.5} = 2$

MTP May 24

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

MTP May 24

23 Money Supply is **directly proportional to**:

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

MTP May 24

24 Reserve money is supplied by:

a) **RBI**  
 b) Government  
 c) Commercial banks  
 d) World bank

MTP May 24

*Not in syllabus / Still I can't asked*

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**

MTP Jun 24

*Repeat*

26 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

MTP Jun 24

*Not in syllabus / Still I can't asked*

27 **Macro-Prudential Policy Measures** can help to **overcome**:

a) **Systemic Risk**  
 b) Credit Risk  
 c) Inflation risk  
 d) None of these

MTP Jun 24

28 **Broad money** refers to:

a) M1  
 b) M2  
 c) **M3**  
 d) M4

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Chp 9 & 10 → Imp MCQs } completed (✓)

Chp 8 → 20 MCQs → completed (✓)

Dinner Break upto 10 PM



Remaining

Chp 8 → 38 MCQs

Chp 7 → 64 MCQs

---

Chp 6 → 62 MCQs (already done in earlier session)

Solved  
PDF  
will be  
shared  
on  
Telegram  
after  
class  
ends

Playlist link  
in description



MTP Jun 24

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

**Repo**

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

MTP Jun 24

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.

MTP Jun 24

31 Open Market Operations imply:

- 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

The following table relates to the revenue and expenditure figures of a hypothetical economy

In Rs. lakh Crores

Recovery of loans <b>CR</b>	5.1
Salaries of govt. servants <b>α</b>	41.1
Capital Expenditure <b>α</b>	45.0
Interest payments <b>α</b>	1.3
Payments towards subsidies <b>α</b>	3.2
Other receipts (mainly from disinvestment) <b>→ CR</b>	11.6
Tax revenue (net of states' share) <b>RR</b>	26.3
Non-tax revenue <b>- RR</b>	12.3
Borrowings and other liabilities <b>CR</b>	6.8
States' share in tax revenue <b>α</b>	11.9

MTP May 24

32 The capital receipts are

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

The following table relates to the revenue and expenditure figures of a hypothetical economy

In Rs. lakh Crores

Recovery of loans <b>CR</b>	5.1
Salaries of govt. servants <b>RE</b>	41.1
Capital Expenditure <b>CE</b>	45.0
Interest payments <b>RE</b>	1.3
Payments towards subsidies <b>RE</b>	3.2
Other receipts (mainly from disinvestment) <b>CR</b>	11.6
Tax revenue (net of states' share) <b>RR</b>	26.3
Non-tax revenue <b>RR</b>	12.3
Borrowings and other liabilities <b>CR</b>	6.8
States' share in tax revenue <b>α</b>	11.9

MTP May 24

33 Revenue deficit is

a) 23.6 **RR 38.60**

b) 13.0 **→ RE (45.60)**

c) 7.0 **RR 7**

d) 2.6

MTP Jun 24

**Chp 7**

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 **α**
- d) The time required to establish the outcomes of fiscal policy

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**Chp 7** MTP Jun 24

35 Which of the following **fiscal** remedy would you **advise** when an economy is facing recession

a) the government may **cut interest rates** to encourage consumption and investment **(Monetary Policy)**

b) the government may **cut taxes** to increase aggregate demand

c) the government may follow a policy of balanced the budget. **(a)**

d) None of the above will work

MTP Jul 24

36 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) Transactions Motive

b) Speculative Motive

c) **Precautionary Motive**

d) Conservative Motive

MTP Jul 24

37 Which of the following is **true** with regards to **Liquidity Trap**?

a) Speculative Demand is parallel to X-Axis.

b) Desire to hold bond is infinity **(a)**

c) **Ineffective Monetary Policy**

d) **Both a & c**

MTP July - 24

38 Among the following identified by **Friedman**, which one is **not** one of the **four determinants** of demand for money?

a) Average return on five asset classes

b) Price level in the economy

c) Inflation Rate

d) **Forex Trade**

MTP Jul 24

39 According to whom, **rational behaviour** induces individuals to hold an **optimally structured wealth portfolio** which is comprised of both bonds and money?

a) **Tobin**

b) Baumol

c) Keynes

d) Alfred Marshall

MTP Jul 24

40 Which of the following **monetary instruments** are **indirect instruments** of Monetary Policy?

a) Cash Reserve Ratio **& SLR, direct**

b) Open Market Operations

c) Repo Rate **—**

d) **Both (b) & (c)**

MTP July - 24

41 The central bank of a country is concerned about the **high level of household debt** and its **potential impact** on the economy. Which of the following **actions** can it take to address the issue?

a) **Increase the reserve requirement ratio** to reduce lending.

b) Decrease the reserve requirement ratio to increase lending.

c) Increase the interest rate on loans to encourage borrowing.

d) Decrease the interest rate on loans to encourage borrowing

MTP Jul 24

42 Are **fiscal & monetary policies** opposite of each other?

a) Yes, they are opposite to each other

b) Fiscal policy is superior to monetary policy.

c) **No, these policies are complementary** to each other.

d) None of these

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MTP Jul 24

43 Interest Rate Policy is a part of:

a) Fiscal Policy  
 b) Industrial Policy  
 c) Monetary Policy  
 d) None of the above

MTP Jul 24

44 \_\_\_\_\_ refers to that portion of total deposits that a commercial bank is required to keep with RBI in the forms of reserves.

a) Compulsory Reserve Ratio  
 b) Statutory Liquid Ratio  
 c) Legal Reserve Ratio  
 d) Cash Reserve Ratio

MTP Jul 24

45 Calculate M1 from the following money aggregates:

Information	Amount in crores
Currency with Public	5,02,738
Other deposits with the RBI	7016
Banker's deposits with the RBI	202,508
Demand deposits	423,120
Time deposits	23,73636

a) 9,32,874 Cr  
 b) 3,306,510 Cr  
 c) 9,25,858 Cr  
 d) 7,05,246Cr

MTP Jul 24

46 Banks earn a profit on the difference between:

a) Interest charged to depositors and interest offered to borrowers.  
 b) Interest charged on loans and interest paid on deposits.  
 c) Deposit and loan balances  
 d) Liabilities and deposits

MTP Jul 24

47 Which of the following is not a money market instrument?

a) Treasury bills  
 b) Commercial Paper  
 c) Certificate of Deposit  
 d) Equity Share (Long Term)

*Short term*

MTP Jul 24

48 Quantitative easing is the common name for?

a) Asset selling by a Central Bank  
 b) Asset purchasing by a Central Bank  
 c) Lowering at the interest rate for commercial bank lending  
 d) None of these

MTP Jul 24

49 Which among the following shows a correct descending order of liquidity of M1, M2, M3?

a)  $M1 > M2 > M3$   
 b)  $M2 > M1 > M3$   
 c)  $M3 > M2 > M1$   
 d)  $M1 > M3 > M2$

*$M_1 \rightarrow$  Most liq  
 $M_2$   
 $M_3$   
 $M_4 \rightarrow$  least liq*

MTP Aug 24

50 The Cambridge approach to quantity theory is also known as:

a) Classical approach  
 b) Cash balance approach  
 c) Fisher's theory of money  
 d) None of these

MTP Aug 24

51 If commercial banks reduce their holdings of excess reserves:

a) The money supply increases  
 b) The money base falls  
 c) The money supply falls  
 d) None of these

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MTP Aug 24

52 \_\_\_\_\_ considered demand for money is an application of a more general theory of demand for capital assets. ☹

a) Baumol  
 b) Milton Friedman  
 c) J M Keynes  
 d) None of these

MTP Aug 24

53 RBI provides financial accommodation to the commercial banks through repos/ reverse repos under:

a) Statutory Liquidity Ratio (SLR)  
 b) Market stabilisation scheme (MSC)  
 c) Liquidity adjustment facility (LAF)  
 d) None of these

MTP Aug 24

54 Which of the following does not cause inflation:

a) Easy finance facility *Excess Dem*  
 b) Growth of Black Money  
 c) Decrease in public i.e. government expenditure  
 d) High growth rate of population

MTP Aug 24

55 Which of the following Policy instruments RBI normally resorts to for managing inflation in the economy

a) Bank Rate  
 b) Cash Reserve Ratio  
 c) Statutory liquidity Ratio  
 d) Repo rate

RTP Sep 24

56 In order to influence spending on the goods and services in the short run, \_\_\_\_\_ is directed at directly influencing interest rate:

a) Fiscal policy  
 b) Budgetary policy  
 c) Monetary policy  
 d) Economic policy

Repeat RTP Sep - 24

57 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 P.O.  
 c) Demand deposits  
 d) Traveler's checks

RTP Sep 24

58 Which characteristic of money refers to its ability to hold value over time?

a) Divisibility  
 b) Durability  
 c) Portability  
 d) Store of value

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Mohnish Vora (MVSIR)

Answer Key

1	B	11	B	21	B	31	A	41	A	51	A
2	C	12	C	22	B	32	A	42	C	52	B
3	B	13	B	23	B	33	C	43	C	53	C
4	A	14	A	24	A	34	C	44	D	54	C
5	B	15	A	25	D	35	B	45	A	55	D
6	C	16	B	26	A	36	C	46	B	56	C
7	B	17	D	27	A	37	D	47	D	57	B
8	C	18	B	28	C	38	D	48	C	58	D
9	C	19	A	29	A	39	A	49	A		
10	C	20	A	30	A	40	D	50	B		

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**NEW SYLLABUS**

**ULTIMATE CA**

**CA INTER**

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Business Economics

## Chapter 9

# INTERNATIONAL TRADE

Chapter-wise compilation of  
MCQs of 5 Latest MTPs

By CA Mohnish Vora (MVSIR)

1

Productivity of labour



output per hour



Units/Hr

1 unit → 2.5hr

⓪ → 1 hr

→  $\frac{1}{2.5} = 0.4$



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

MTP Jun 24

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

Hrs/units

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

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

0.5 unit/hr      0.40 unit/hr

MTP Jun 24

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
- b) Rs 4,50,000
- c) Rs 4,63,500
- d) Rs 27,000

ST      AVT  
 $4500 \times 100 = 4,50,000$        $4500 \times 50 \times 6\% = 13,500$   
 $4,50,000 + 13,500$

Use the data of table to answer next MCQ

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

EP < DP      EP < CP

MTP Jun 24

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

[Formula in ICAI SM is wrong]

MTP Jun 24

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

$RER = NER \times \frac{FPI}{DPI}$   
 $= 56 \times \frac{112}{116} = 54.07$

MTP May 24

5 An increase in REER implies that exports become \_\_\_\_\_ and imports become \_\_\_\_\_

- a) Expensive, expensive
- b) Cheaper, cheaper
- c) Expensive, cheaper
- d) Cheaper, expensive

MTP Jun 24

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

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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.

MTP Apr 24

8 The quantity of dollars supplied will decrease if:

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

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

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

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

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

MTP Apr 24

13 Which international organization is responsible for facilitating trade negotiations and resolving trade disputes among member countries?

a) World Health Organization (WHO)  
 b) International Monetary Fund (IMF)  
 c) World Trade Organization (WTO)  
 d) United Nations Educational, Scientific and Cultural (UNESCO)

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

MTP May 24

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.

*100%*  
*Colla Pessi 40% 60% 75%*

MTP May 24

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

a) Quota  
 b) Tariff  
 c) Subsidies  
 d) Dumping

*25%*

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MTP May 24

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.

MTP May 24

18 A lumps sum tax per unit on imports is known as: Qty

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

1\$ = ₹80      1\$ = ₹85      MTP May 24

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

MTP May 24

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

- a) Any article is imported into India in increased quantities 2
- 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

MTP May 24

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

MTP May 24

22 Terms of trade in developing countries are generally unfavorable because: Exp & Imp ↑

- a) They export manufacturing products. (X)
- b) They export primary products. (Raw material)
- c) They export few goods. (X)
- d) Both A and C

MTP May 24

23 Most tariffs have:

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

MTP May 24

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

- a. FDI in India under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India.
- b. 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

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MTP May 24

25 What is a Global Depository Receipt? (GDR)

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 in lieu of shares of a domestic company.  
 d) It is a receipt issued by stock exchange on investment by foreign portfolio investor.

MTP May 24

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

MTP May 24

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

MTP May 24

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

MTP May 24

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

MTP May 24

30 The Three component of FDI is:

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

MTP May 24

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  
 ↳ Bound Tariff  
 ↳ Applied Tariff

MTP May 24

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

labour value

MTP May 24

33 First mover advantage theory is related to:

a) Absolute advantage theory  
 b) Comparative cost advantage theory.  
 c) New trade theory  
 d) None of these

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MTP May 24, Jul 24

**RTA**

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

MTP May 24

35 The WTO comprises majorly:

a) developed countries  
b) under developed countries  
c) developing countries  
d) None of these.

MTP May 24

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

MTP May 24

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

MTP Jun 24

**Repeat**

38 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.

MTP Jun 24

**Repeat**

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

MTP Jun 24

**Repeat**

40 Most tariffs have:

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

MTP Jun 24

**Repeat**

41 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

MTP Jun 24

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

MTP Jun 24

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

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MTP Jun 24

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

MTP May 24

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

MTP Jul 24

46 Which of the following is a disadvantage of international trade?

a) Increased choice for consumers  
 b) Risk of dependence on imports  
 c) Increased specialization  
 d) None of the above

MTP Jul 24

47 Which of the following is an example of a local content requirement?

a) A limit on the quantity of imports  
 b) A subsidy for domestic producers  
 c) A requirement that a certain percentage of a product be produced domestically.  
 d) All of these

Repeat MTP Jul 24

48 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

MTP Jul 24

49 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  
 b) Brownfield Investment  
 c) Greenfield Investment  
 d) Licensing

Repeat MTP Jul 24

50 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.

Risk ko kam karna. MTP Jul 24

51 What is hedging?

a) Protection against extreme weather condition  
 b) Protection against risk related to variation in Price movement in an asset.  
 c) When exchange rate is unlocked for future supplies of foreign exchange  
 d) None of these

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MTP Jul 24

52 Export led growth strategy does not include:

- a) outward oriented growth
- b) export promotion
- c) import restrictions
- d) Emphasising comparative advantage

MTP Jul 24

53 One of the reasons mentioned below doesn't justify imposition of tariffs:

- a) It will enhance consumer sovereignty
- b) It helps in curbing BoP deficit.
- c) It raises government revenue.
- d) It is used to protect domestic industry from subsidized imports.

MTP Jul 24

54 Dumping Refers to:

- a) Reducing tariffs
- b) Sale of goods abroad at a lower price below their cost and price in their home market
- c) Buying goods at low prices abroad and selling at higher price locally
- d) Expenditure goods selling for low prices

MTP Jul 24

55 Which of the following theories suggests that firms seek to penetrate new markets over time?

- a) Theory of comparative advantage
- b) Product Market theory
- c) Imperfect Market theory
- d) None of these

MTP Jul 24

56 Who Propounded the Price Equalization Theorem?

- a) Paul Samuelson
  - b) Alfred Marshall
  - c) Irving Fisher
  - d) Marx
- H.O Theory } corollary } PET*

MTP Jul 24

57 The World Trade Organization (WTO) was established to implement the final act of round agreement of GATT.

- a) Geneva
- b) Uruguay
- c) Tokyo
- d) None of these

Repeat (Similar)

MTP Aug 24

58 Ricardo explained the law of comparative advantage on the basis of-

- a) Economies of scale
- b) The labour theory of value
- c) Opportunity costs
- d) None of these

MTP Aug 24

59 Escalated tariffs refer to:

- a) Nominal tariff rate on raw materials which are greater than tariffs on mfg. product
- b) A tariff which is escalated to prohibit imports of a particular good to protect domestic Industries
- c) Normal tariff rate on mfg. products which are greater than tariffs on raw material
- d) None of these

MTP Aug 24

60 The most controversial topic in the yet to conclude Doha Agenda is:

- a) Trade in agricultural goods
- b) Trade in manufactured goods
- c) market access to goods from developed countries
- d) None of these

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POL



Output per hr



Units/hr

1 unit → 4 Hr

$\textcircled{?}$  → 1 Hr

→  $\frac{1}{4} = 0.25$  Units



MTP Aug 24

↗ US Dollar

61 "Vehicle currency" refer to

a) 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.

b) a currency that is traded internationally and therefore is in high demand

c) either a or b

d) None of these

MTP Aug 24

62 Creation of fresh assets and production are included in which type of FDI:

a) Strategic Alliance

b) Merger and Acquisition

c) Brownfield Investment

d) Greenfield Investment

RTP Sep 24

63 What is the primary purpose of an import quota?

a) To encourage domestic production.

b) To reduce government spending.

c) To limit the quantity of imports.

d) To increase the trade deficit.

RTP Sep 24

64 Which exchange rate regime is adopted by highest no of IMF members

a) Hard Peg

b) Floting

c) Free Floating

d) Soft Peg (Managed floating)

65 As per which theory, mutually gainful trade is not possible

a) Mercantilists' View of International Trade

b) Theory of Absolute Advantage

c) Theory of Comparative Adv.

d) Heckscher-Ohlin Theory of Trade

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

Mrs Junit

Commodity	Country X	Country Y
1 unit of cloth	4 0.25	1.0 1
1 unit of wheat	2 0.50	2.5 0.4

Answer the following MCQs 66 to 69 using above table-

66 What is productivity of labour of country X in producing cloth

a) 4.00

b) 0.40

c) 0.50

d) 0.25

$\frac{1}{4} = 0.25$

67 What is productivity of labour of country Y in producing wheat

a) 1.00

b) 2.50

c) 0.40

d) 0.50

$\frac{1}{2.5} = 0.40$

68 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

69 Which country shall specialize in production of cloth & export it?

a) Country X

b) Country Y

c) Both X & Y

d) None of the above

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## Productivity of Labour (units/hr)

	Rose Land	Daisy Land
Shirt	$\frac{800 \text{ shirts}}{2000} = 0.40$	$\frac{500 \text{ shirts}}{2000} = 0.25$
Trouser	$\frac{500 \text{ Trouser}}{2000} = 0.25$	$\frac{250 \text{ Trouser}}{2000} = 0.125$

4000 Hrs  
 ↙ 2000 Hr  
 ↘ 2000 Hr

$$\left. \begin{array}{l} \text{Shirt} \\ \text{Trouser} \end{array} \right\} \frac{0.40}{0.25} = 1.60$$

$$\left. \begin{array}{l} \text{Shirt} \\ \text{Trouser} \end{array} \right\} \frac{0.25}{0.125} = 2$$

2000 Hrs → 800 shirt

1 Hr → (?) x



Countries Rose Land and Daisy land have a total of 4000 hours each of labour available each day to produce shirts and trousers. Both countries use equal number of hours on each good each day. Rose Land produces 800 shirts and 500 trousers per day. Daisy land produces 500 shirts and 250 trousers per day.

Answer the following MCQs 70 to 72 using above table.

70 Which country has absolute advantage in producing shirts ?

a) Rose Land  
 b) Daisy Land  
 c) Both Rose Land & Daisy Land  
 d) None of the above

71 Which country has absolute advantage in producing trousers

a) Rose Land  
 b) Daisy Land  
 c) Both Rose Land & Daisy Land  
 d) None of the above

72 As per theory of comparative advantage, daisy land should specialize in production and export which good ?

a) Trousers  
 b) Shirts  
 c) Both shirts & trousers  
 d) None of the above

73 Assume that Rs 0.15/unit specific tariff is levied by the government on every sunglass which is imported into India, and if 2000 sunglasses are imported and price of each sunglass is Rs 1000/-, then find out the amount of total tariff revenue collected by the government?

a) Rs 20,00,000  
 b) Rs 150  
 c) Rs 300  
 d) Rs 3,00,000

*Handwritten:  $2000 \times 0.15 = 300$*

74 Assume that Rs. 70 is needed to buy one US dollar in foreign exchange market (i.e. the nominal exchange rate is Rs. 70/US \$). Suppose that a price index of standardized basket of goods and services is Rs. 200 in India and US \$ 100 in United States, find out the real exchange rate? (Treat India as a domestic country and United States as a foreign country)

a) 35  
 b) 70  
 c) 140  
 d) 280

*Handwritten: ICAI ka formula galat hai book mei  
 follow this  $RER = NER \times \frac{PPI}{DPI} = 70 \times \frac{100}{200} = 35$*

75 According to Adam Smith International Trade is :

a) Zero sum game  
 b) Non a zero sum game  
 c) All of the above  
 d) None of the above

76 The total member countries under WTO currently:

a) 164  
 b) 171  
 c) 169  
 d) 161

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Answer Key

1	A	11	B	21	D	31	B	41	B	51	B	61	A	71	A
2	C	12	A	22	B	32	A	42	B	52	C	62	D	72	B
3	D	13	C	23	C	33	A	43	C	53	A	63	C	73	C
4	A	14	A	24	C	34	A	44	A	54	B	64	D	74	A
5	C	15	B	25	C	35	C	45	C	55	D	65	A	75	B
6	B	16	D	26	B	36	C	46	B	56	A	66	D	76	A
7	A	17	C	27	B	37	A	47	C	57	B	67	C		
8	D	18	A	28	D	38	D	48	D	58	B	68	A		
9	C	19	A	29	B	39	B	49	C	59	C	69	B		
10	B	20	D	30	D	40	D	50	B	60	A	70	A		

CA Mohnish Vora (MVSIR)

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CA Foundation New Syllabus  
Business Economics

## Chapter 10 INDIAN ECONOMY

Chapter-wise compilation of  
MCQs of **5 Latest MTPs**

By CA Mohnish Vora (MVSIR)



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

MTP May 24

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

MTP May 24

3 The earliest known treatise on ancient Indian economic philosophy is \_\_\_\_\_

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

MTP Jun 24

4 The period of British rule can be divided into two sub periods: The rule of East India Company was from \_\_\_\_\_

a) 1758 to 1857  
 b) 1757 to 1858  
 c) 1756 to 1858  
 d) 1758 to 1856

MTP Jun 24

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

MTP Jun 24, Jul 24

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

MTP Jun 24

7 India is among the top \_\_\_\_\_ World Trade Organization (WTO) members in service exports and imports.

a) 5  
 b) 10  
 c) 15  
 d) 20

MTP Jun 24

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

MTP Jun 24

9 The Indian government nationalized \_\_\_\_\_ banks in 1969 and then followed it up with nationalizing another \_\_\_\_\_ in 1980

a) 20 , 6  
 b) 6 , 20  
 c) 14 , 6  
 d) 6 , 14

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MTP Apr 24

10 The National Manufacturing Policy 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%

MTP May 24

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.

MTP May 24

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

MTP May 24

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

MTP May 24

14 India's Rank in Ease of Doing Business is:

a) 45  
 b) 54  
 c) 63  
 d) None of these.

MTP May 24

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

MTP May 24

16 SEBI was given statutory recognition in:

a) 1985  
 b) 1990  
 c) 1992  
 d) None of these

1988  
 1992

MTP Jun 24

17 Indian financial system is skewed towards Commercial Banks with no interdependence on NBFCs:

a) Yes  
 b) No  
 c) Partly Right  
 d) None of the above

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MTP Jul 24

18 The Indian industry faced the process of retrogression and deceleration because of:

*Not in syllabus*

- a) unsatisfactory performance of agriculture
- b) slackening of real investment in public sector
- c) narrow market for industrial goods, especially in rural areas
- d) all the above.

MTP Jul 24

19 Agrarian reforms in Agriculture brought:

- a) Institutional reforms
- b) Technical reforms
- c) Land reforms
- d) All the three mentioned

MTP Jul 24

20 What is the expansion of the term NITI in NITI Aayog?

- a) National Institution for Transforming India
- b) National Institution for Total Improvement
- c) National Institution for Technological Improvement
- d) None of these

MTP Jul 24

21 As per the economic survey 2023-24 the contribution of service sector is \_\_\_\_\_.

- a) 55%
- b) 60%
- c) 45%
- d) None of these

MTP Jul 24

22 Measure of fiscal reforms includes:

- a) Ensuring better tax compliance
- b) Encouraging private sector participation
- c) Reduction in subsidies and abolition of unnecessary subsidies
- d) All of these

MTP Jul 24

23 Parallel economy emerges because of what?

- a) Tax Estimation
- b) Tax Compliance
- c) Tax Avoidance
- d) Tax Evasion y Black Money.

MTP Aug 24

24 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

RTP Sep 24

25 Globalization indicate rapid \_\_\_\_\_ between countries:

- a) Competition
- b) Investment
- c) Integration
- d) None of these

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Answer Key

1	D	11	D	21	A
2	B	12	C	22	D
3	A	13	C	23	D
4	B	14	C	24	D
5	A	15	D	25	C
6	B	16	C		
7	B	17	B		
8	A	18	D		
9	C	19	D		
10	B	20	A		

• Summary by @camosir

• ICAI SM → MCQs

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