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# Chapter 6

# National Income



1

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

- a) A business enterprise which belongs to a citizen of India with production units solely situated in India
- b) The unit having predominant economic interest in the economic territory of the country for one year or more irrespective of the nationality or legal status
- c) A citizen household which had been living in India during the accounting year and one whose economic interests are solely in India
- d) Households and business enterprises composed of citizens of India alone living in India during the accounting year





2

Read the following statements and answer the following question.

- I. Intermediate consumption consists of the value of the goods and services consumed as inputs by a process of production,
- II. Intermediate consumption excludes fixed assets whose consumption is recorded as consumption of fixed capital.

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



3

Read the following statements

I. 'Value added' refers to the difference between value of output and purchase of intermediate goods.

II. 'Value added' represents the contribution of labour and capital to the production process.

- a) Statements I and II are incorrect
- b) Statements I and II are correct
- c) Statement I is correct and II is incorrect
- d) Statement II is correct and I is incorrect





4

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

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



5

If net factor income from abroad is positive, then

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



6

The GDP per capita is

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





7

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



8

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

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



9

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

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







10

If the autonomous consumption equals Rs. 2,000 and the marginal propensity to consume equals 0.8. If disposable income equals Rs. 10,000, then total consumption will be Rs. \_\_\_\_\_

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





11

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

- a) level of full employment income.
- b) less than full employment level of income.
- c) equilibrium level of income which may or may not be full employment level of income
- d) autonomous level of income which may not be full employment level of income





12

Under equation  $C = a + by$ ,  $b = 0.8$ , what is the value of 2 sector expenditure multiplier?

- a) 4
- b) 2
- c) 5
- d) 1





13

Net domestic expenditure is consumption expenditure plus

- a) Net foreign investment
- b) Net foreign investment plus net domestic investment
- c) Net domestic investment
- d) Replacement expenditure





14

Which organization is primarily responsible for compiling and publishing regional accounts data in India?

- a) Reserve Bank of India (RBI)
- b) National Sample Survey Organization (NSSO)
- c) Central Statistical Office (CSO)
- d) Ministry of Finance





15

Which of the following components is used to assess the regional economic performance in India?

- a)Poverty Ratio
- b)Employment Rate
- c)Per Capita Income
- d)All of the above





16

What is the purpose of a debt-to-GDP ratio in public debt management?

- a) To measure the government's annual revenue
- b) To evaluate the proportion of debt relative to the country's economic output
- c) To assess the level of inflation in the economy
- d) To determine the amount of currency in circulation





17

In India agricultural income is calculated by :

- a) Income method
- b) Output method
- c) Expenditure method
- d) None of them.



18

Savings represent

- a) An injection to the circular flow of income
- b) A withdrawal into the circular flow
- c) Both an injection and a withdrawal
- d) None of the above.





19

Inflationary gap:

- a) raises the level of output
- b) does not impact the level of output
- c) raises the general price level
- d) both (b) and (c)







20

Which of the following is an intermediate good?

- a) The Purchase of gasoline for a ski trip to colorado
- b) The Purchase of Pizza by a college student
- c) The Purchase of baseball uniform by a professional baseball team
- d) The Purchase of Jogging Shoes by a Professor



21

National Income accountants can avoid multiple counting by:

- a) including transfers in their calculation
- b) only counting final goods
- c) counting both intermediate and final Good
- d) only counting intermediate goods





22

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





23

Given Consumption Function is  $C = 300 + 0.75 Y$ ; Investment = ₹ 800; Net Imports = ₹ 100. The equilibrium level of output is:

- a) 4000
- b) 5000
- c) 8000
- d) None of these





24

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





From the following data, calculate "Gross value added at factor cost".

S. No.	Particulars	Rs. In Crore
1.	Sale	180
2.	Rent	5
3.	Subsidy	10
4.	Change in Stock	15
5.	Purch. of Raw Mat.	100
6.	Profits	25

- a) 105
- b) 210
- c) 185
- d) None of these



26 Which of the following statements is true?

- a) NDP is greater than GDP if prices are falling
- b) NDP is greater than GDP if prices are rising
- c) NDP can be greater than GDP but only if the economy is growing
- d) NDP cannot be greater than GDP



27

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 addition to the capital stock
- d) the difference between GDP and NDP



28

Which one is a component of profit?

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



29

Increases in unwanted business inventories are counted as:

- a) a decrease in the capital stock
- b) an increase in consumption
- c) an increase in investment
- d) an increase in depreciation



30

A consumption function of the form  $C = C_0 + c YD$  has a positive vertical intercept  $C_0$ , which indicates that:

- a) some consumption is unaffected by changes in disposable income
- b) the MPC will increase as disposable income increases
- c) the APC will always increase as disposable income increases
- d) the APC will always be less than the MPC



31

Calculate GDPMP & NNPFIC from the above data:

Net indirect tax	208
Consumption of fixed capital	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







32

Compute the amount of subsidies from following data: (Rs. in crores)  
GDP at market price: 7,79,567  
Indirect Taxes: 4,54,367  
GDP at factor cost: 3,60,815

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



33

### Calculate Operating Surplus

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

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



34

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)  $MPC = 1.75$ ,  $MPS = 1.25$



35

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.

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



36

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 =  $0.2Y$

- 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





37

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

- 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





38

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) 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

39

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.





40

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

41

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





42

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





43

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

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



44

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



45 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



46

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.







47

Break even points occurs when:

a)  $Y = S$

b)  $S = 0$

c)  $Y = C$

d) both (b) and (c)



48

Deficient demand leads to:

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

49

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





50

Which one is included in three-sector model?

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



51

What can be the minimum value of investment multiplier?

- a)10
- b)1
- c)infinity
- d)0



52

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



53

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

- a) Decrease in Expenditure
- b) Decrease in Taxation
- c) Increase in Imports
- d) Both a & c





54

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

55

In an economy  $C = 300 + 0.5Y$  and  $I = \text{Rs. } 600$  (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



56

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





57

Interest on national debt is treated as:

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



58

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.





59

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

60

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
- d) None of these



61

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







62

In GDP at market price is Rs. 6,700 crore and depreciation is Rs. 530 crore, then what will be the NDP at market price?

- a)Rs. 6,200 crore
- b)Rs. 6,170 crore
- c)Rs. 7,230 crore
- d)Rs. 6,690 crore

63

What does Disposable Personal Income (DPI) represent?

- a) The total income earned by individuals before taxes
- b) The income individuals have for consumption or saving
- c) The total savings accumulated by individuals
- d) The total income of a country's government



64

Which method measures the contribution of each producing enterprise in the domestic territory of a country over an accounting year by consolidating production of each industry less intermediate purchases from all other industries ?

- a) Income Disposal Method
- b) Value Added Method
- c) Income Method
- d) Expenditure Method



65

The state-level estimates are typically prepared by State Income Units of the respective states. Which organization is primarily responsible for this task?

- a) Directorates of Economics and Statistics (DESS)
- b) Central Statistical Organization
- c) Ministry of Finance
- d) Reserve Bank of India



66

What will be the GDP at market price (GDPMP) on the basis of following information?

Particular	Amount Rs. crores
GNPMP	1100
NET FACTOR INCOME FROM ABROAD	200
DEPRECIATION	50
NET INDIRECT TAX	100

- a)Rs. 1,000 crores
- b)Rs. 1,050 crores
- c)Rs. 900 crores
- d)1,300 crores





(67-68) Using the following information

Year	Nominal GDP in crores (Rs)	Real GDP in Crores (Rs)
2020	600	600
2021	1050	650
2022	1250	850
2023	1500	940

**67** Calculate the GDP Deflator for the year 2022 and 2023

a) 147.06 & 159.57  
b) 100 & 161.54  
c) 68 & 62.67  
d) 400 & 560



(67-68) Using the following information

Year	Nominal GDP in crores (Rs)	Real GDP in Crores (Rs)
2020	600	600
2021	1050	650
2022	1250	850
2023	1500	940



68 The inflation rate between the years 2022 and 2023 is

- a) -7.84
- b) -8.51
- c) 8.51
- d) 7.84

69

Joseph had a shoe company in US. The profits earned from its manufacturing unit operating in India will come under

- a) GDP of India and GNP of US
- b) GDP of US and GNP of India
- c) GNP of US and GNP of India
- d) GDP of US and GDP of India



70

Which of the following is not a reason for leakages?

- a) Part of an increment in income used for payment of debts
- b) Distributed profits of corporation
- c) High liquidity preference
- d) Progressive rate of taxation



71

$C = 200 + 0.8Y_d$  ;  $G = T = 150$  ;  $I = 200$  ;  $TR = 75$ . Find equilibrium income.

- a) 625
- b) 2450
- c) 2250
- d) 800





72

Which of the following is true for MPC?

- a) It is always greater than one
- b) It is always less than unity but greater than zero
- c) It can be even less than zero
- d) It can attain any value depending upon the disposable income





# Chapter 7

# Public Finance

73

Which one is not a tool of Fiscal Policy:

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



74

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



75	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

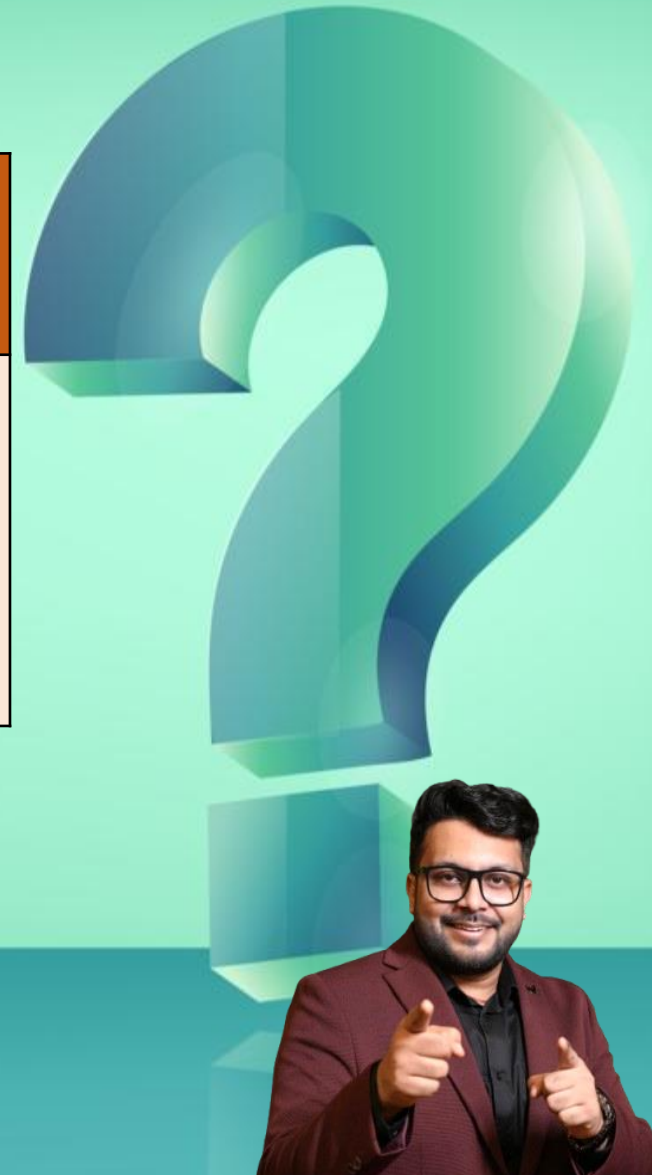




76

Government failure occurs when -

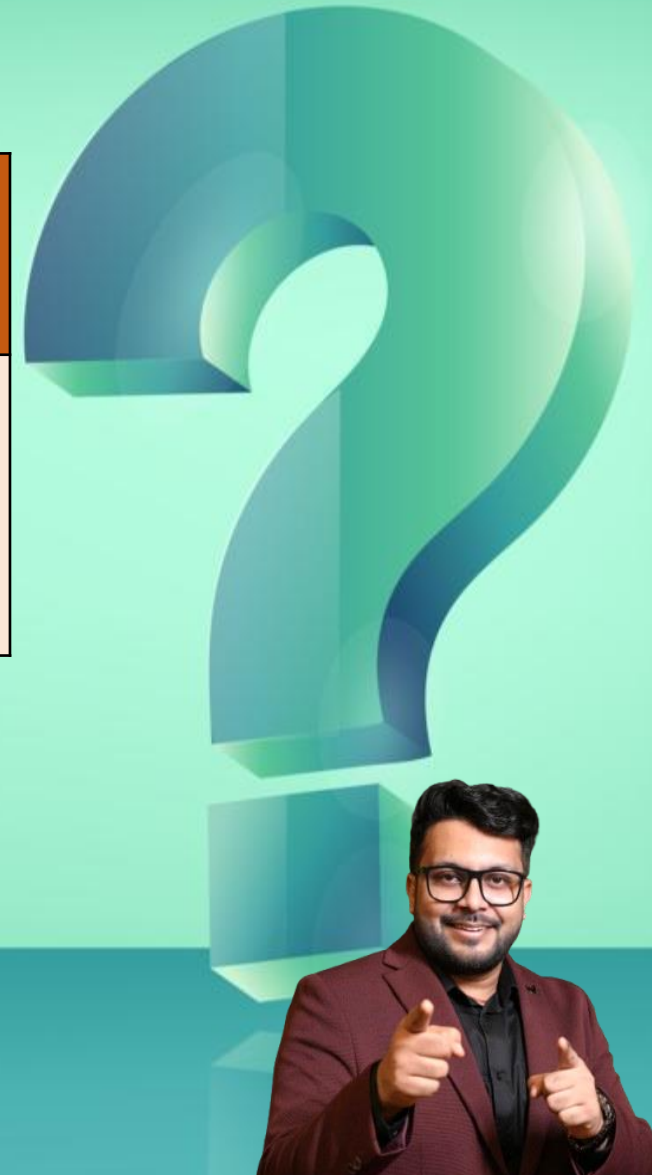
- a) Government intervention is ineffective and produces fresh and more serious problem
- b) A government is unable to get re-elected
- c) Both (a) and (b)
- d) None of these



77

PSUs are mainly driven by:

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



78

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



79

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



80	Which Articles of the Indian Constitution contain specific provisions regarding the distribution of finances among states ?
a)Articles 356 to 369 b)Articles 248 to 257 c)Articles 268 to 281 d)Articles 292 to 304	





81

Sarah is considering purchasing a used car from a private seller named John. John claims that car is in excellent condition and has never been in accident. However, John is aware that the car had significant damage in past due to an accident, but he has repaired it without disclosing this information to Sarah. Based on case described, what concept of economics does this scenario illustrate ?

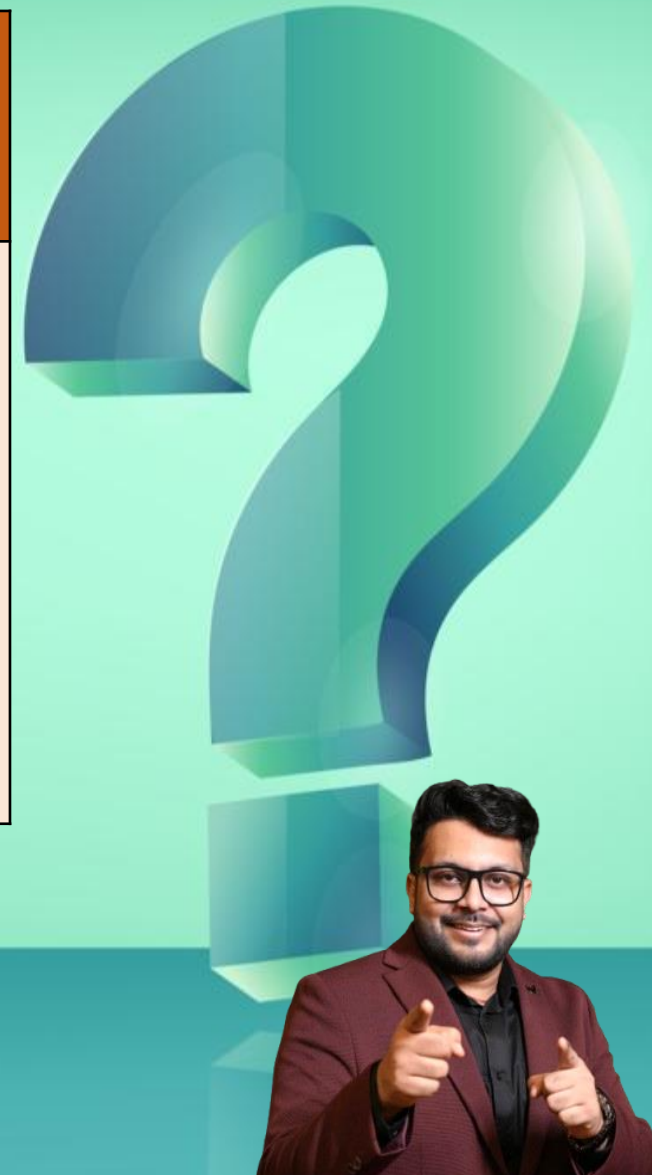
- a)Moral Hazard
- b)Lemons Problem
- c)Market Power
- d)Government Interventions



82

Richard Musgrave introduced three branch tax income describing role of govt. in market economy. What are these branches ?

- a) Resource allocation, income generation, and price stability
- b) Resource allocation, income redistribution, and macro economic stabilization
- c) Production efficiency, income equality, and fiscal sustainability
- d) Price regulation, employment generation, scal responsibility



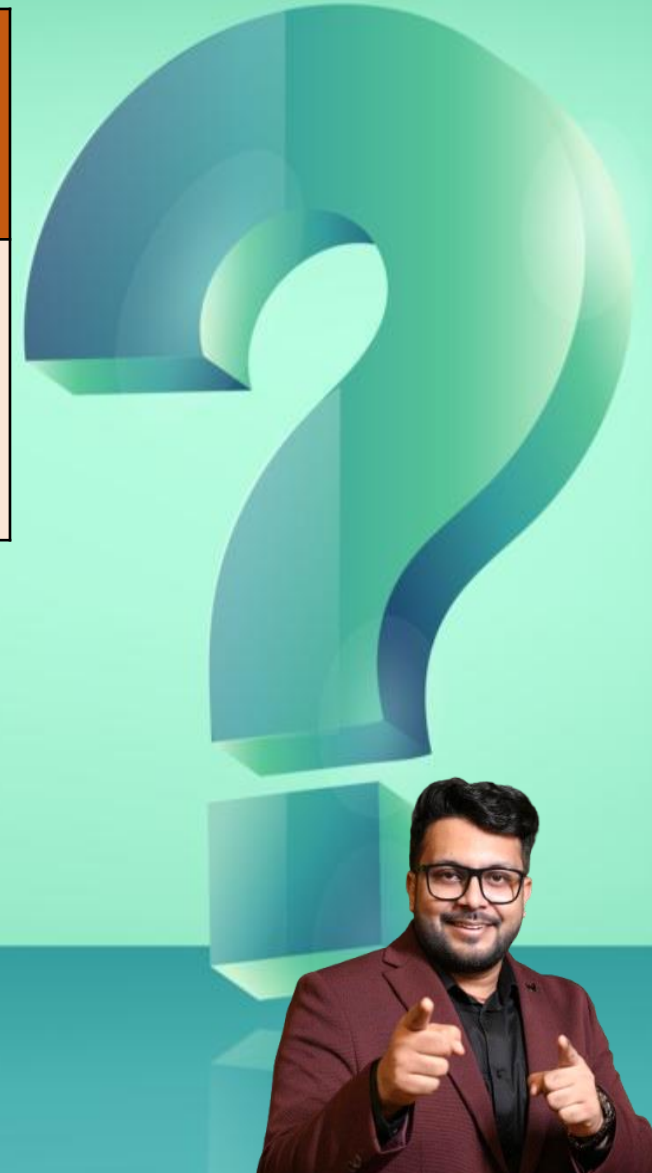
83

Under which Supreme Court verdict do the Union and State Legislatures have "equal, simultaneous and unique powers" to make laws on goods and services tax (GST)

- a) June 2020 verdict
- b) July 2021 verdict
- c) Feb. 2022 verdict
- d) May 2022 verdict



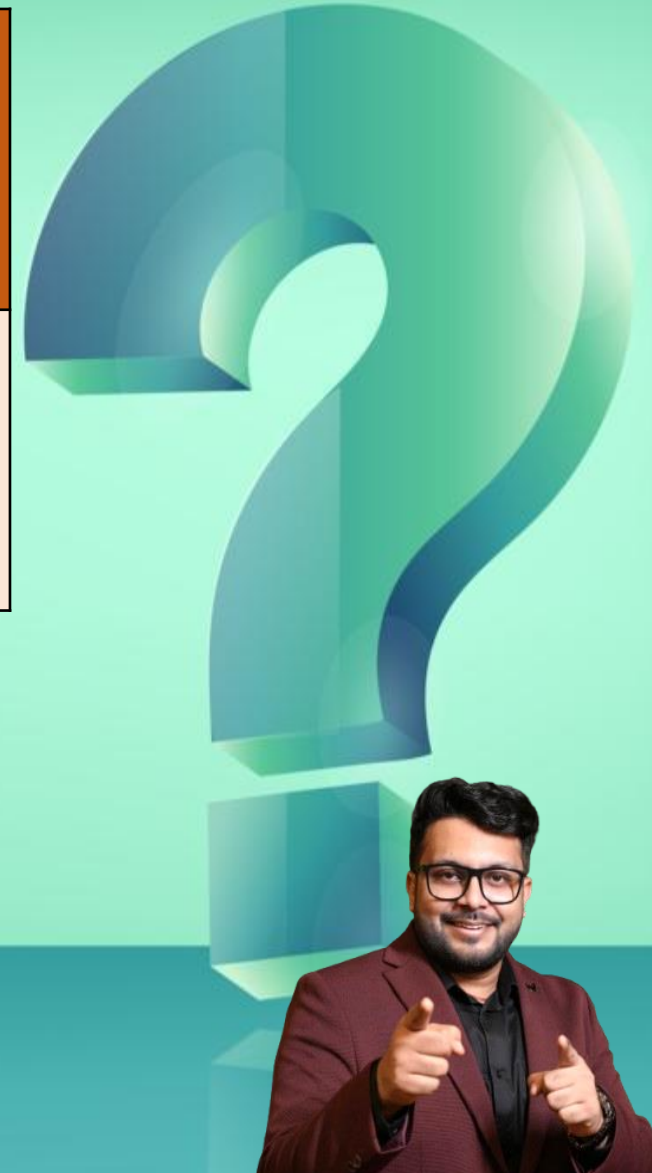
84	Under institutional responsibility for public debt management, external debt is responsibility of :
a) Reserve bank of India b) Ministry of finance c) Department of economic affairs d) State government	



85

If the primary deficit is Rs. 20,500 crores and the net interest liabilities of a country are Rs. 3,500 crores then what will be the fiscal deficit ?

- a)Rs. 17,000 crores
- b)Rs. 21,500 crores
- c)Rs. 19,500 crores
- d)Rs. 24,000 crores





86

Which of the following are considered tools of fiscal policy?

- a) Taxes, subsidies and tariffs
- b) Taxes, government expenditure, public debt and the budget
- c) Monetary policy, interest rates and inflation targeting
- d) Exchange rates, capital controls and quantitative easing



87

The following figures relate to country A for a particular financial year:

Particular	Amount Rs. crores
Revenue deficit	10,000
Fiscal deficit	24,000
Net interest liability	2,000
Borrowing	6,000
Expenditure on revenue account	3,000

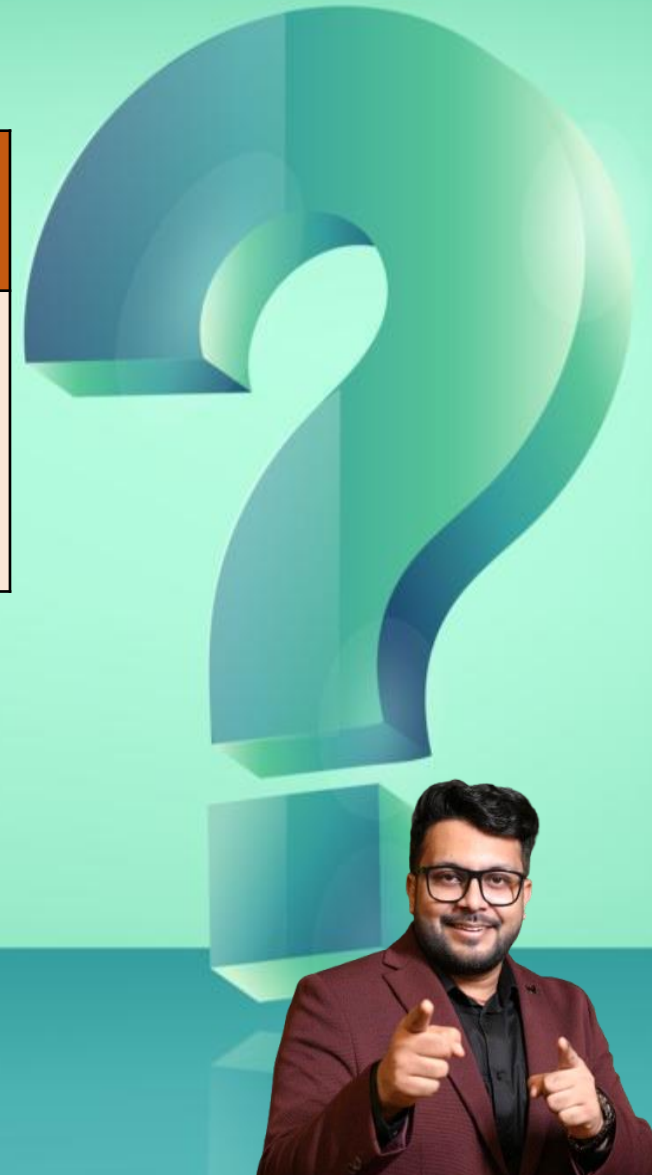
- a)Rs. 8,000 crores
- b)Rs. 22,000 crores
- c)Rs. 18,000 crores
- d)Rs. 21,000 crores



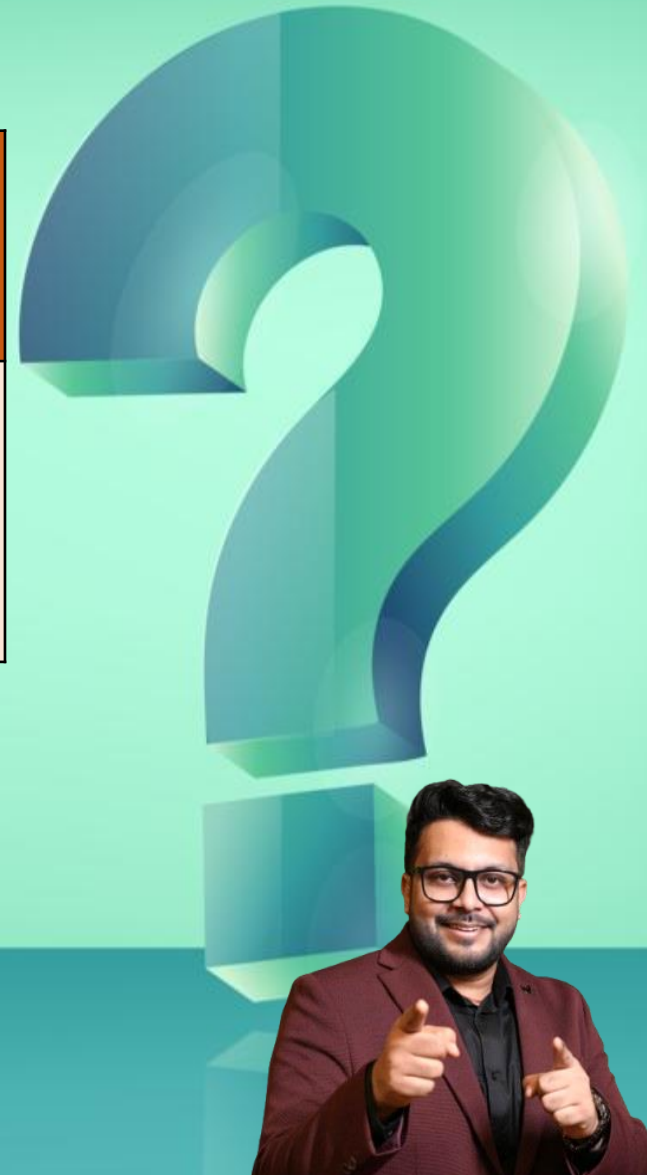
88	All revenues received, loans raised and all moneys received by the government in repayment of loans are credited to the:
	a) Consolidated fund of India b) Contingency fund of India c) Public provident fund of India d) Public Account



89	Allocative and Distributive functions of a government is a economic function.
a)Micro b)Macro c)Both d)None	



90	Who is responsible for the economic stabilization and the income redistribution in an economy?
a) State government b) Central government c) Central and state d) Central, state, local bodies	





91	When smoking is completely banned by the government in public places like bus stand, schools, parks etc., then it is an example of
<p>a) Direct control on negative production externality.</p> <p>b) Direct control on positive production externality.</p> <p>c) Command solution</p> <p>d) Direct control on positive consumption externality.</p>	



92

Externalities leads to market failure because

- a) They always result in negative outcomes for markets causing market failure
- b) They represent cost or benefit which are not reflected in the market price
- c) They are always associated with public goods and services
- d) They prevent the production of private goods harming mankind.





93

Fiscal federalism in India is maintained by?

- a) Central Government
- b) State government
- c) RBI
- d) Finance Commission

94

The policy designed to restrain the level of economic activities of the economy during the inflationary phase is known as

- a) Expansionary fiscal policy
- b) Contractionary fiscal policy
- c) Taxation policy
- d) Budgetary policy



95

In the period of sluggish economic activities, when the rate of utilization of resources is less, fiscal policy aims to compensate the deficiency in by boosting

- a) Demand, private investment
- b) Supply, export activities
- c) Effective demand, aggregate spending
- d) Production, supply

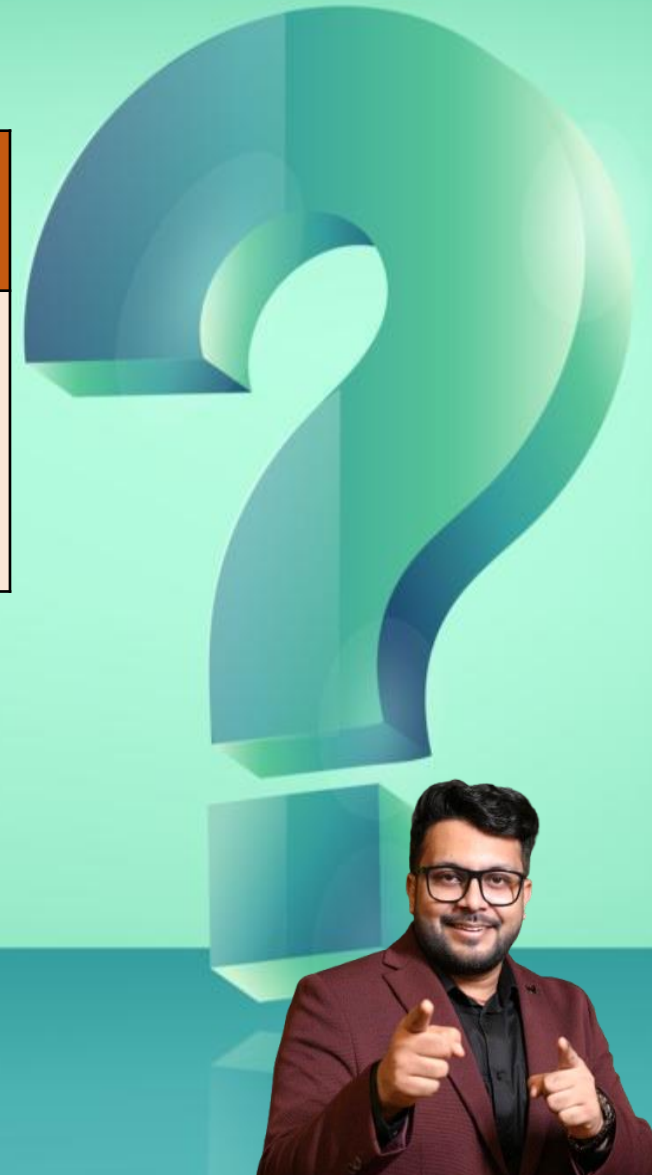




96

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

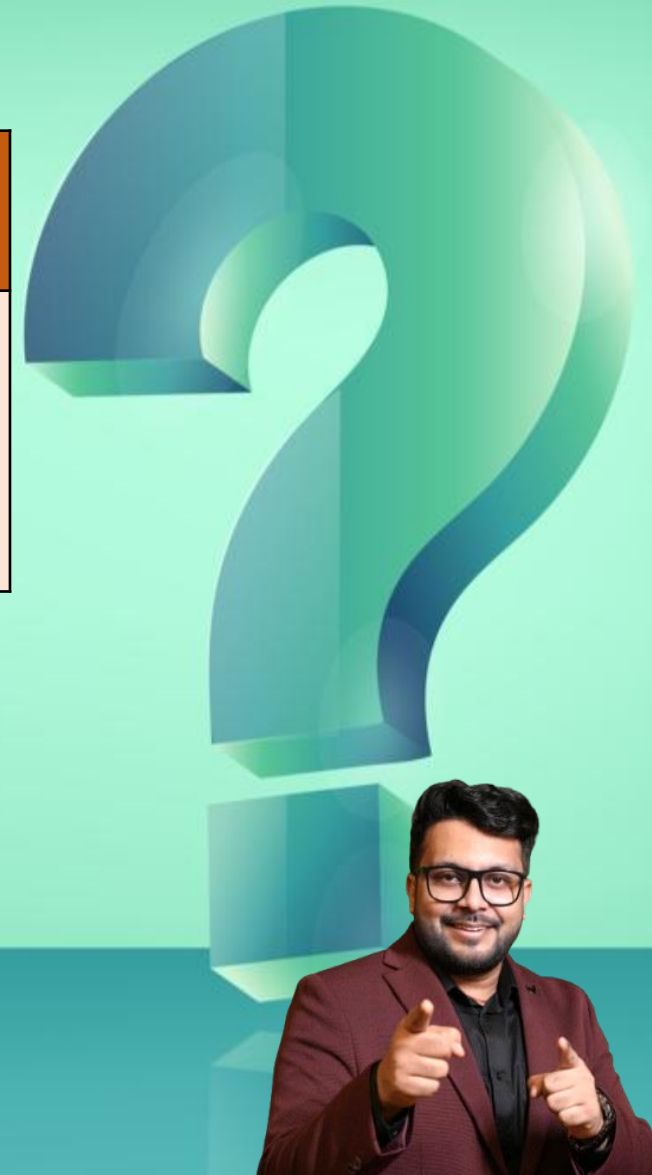
- a) Fiscal Deficit
- b) Revenue Deficit
- c) The General Government Debt
- d) The Central Government Debt



97

Which of the following is not a classification of public expenditure?

- a) Functional classification
- b) Revenue and Capital
- c) Voted and Charged
- d) Plan and Non Plan



98

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 consumers
- c) Black marketing
- d) All of the above



99

Which of the following measures of meeting deficit in a budget, leads to an increase in money supply in the economy.

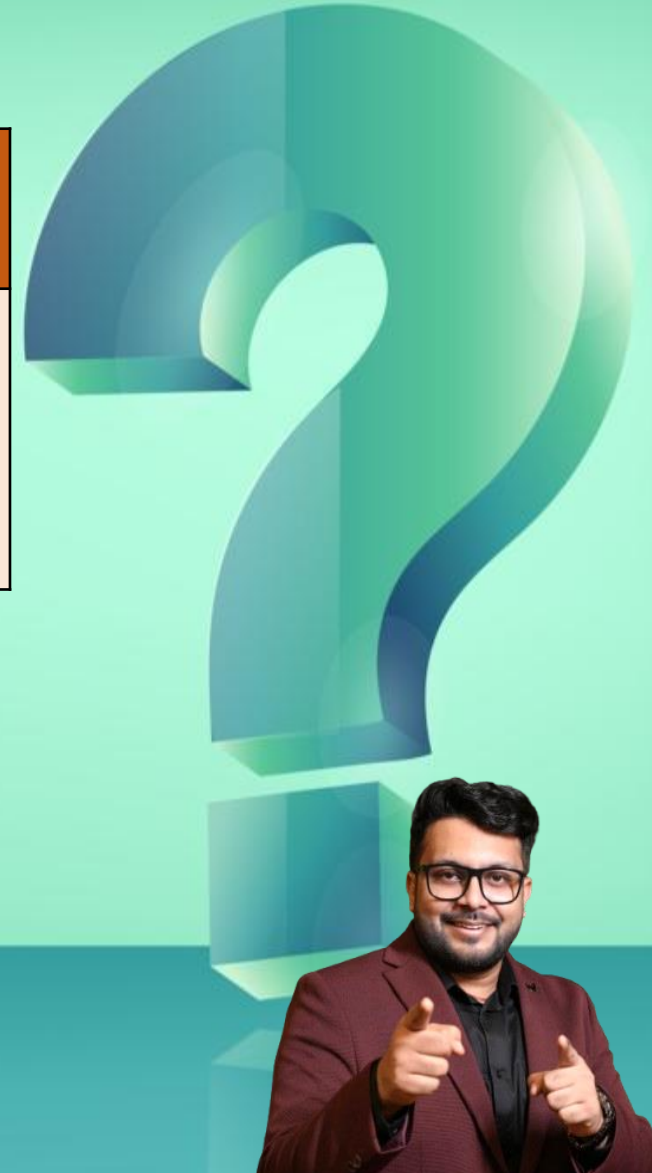
- a) Disinvestment
- b) Loan from World Bank
- c) Deficit Financing
- d) All of these



100	If government wants to contribute to capital formation, then revenue surplus should be :
a) Negative b) Positive c) Zero d) None of the above	





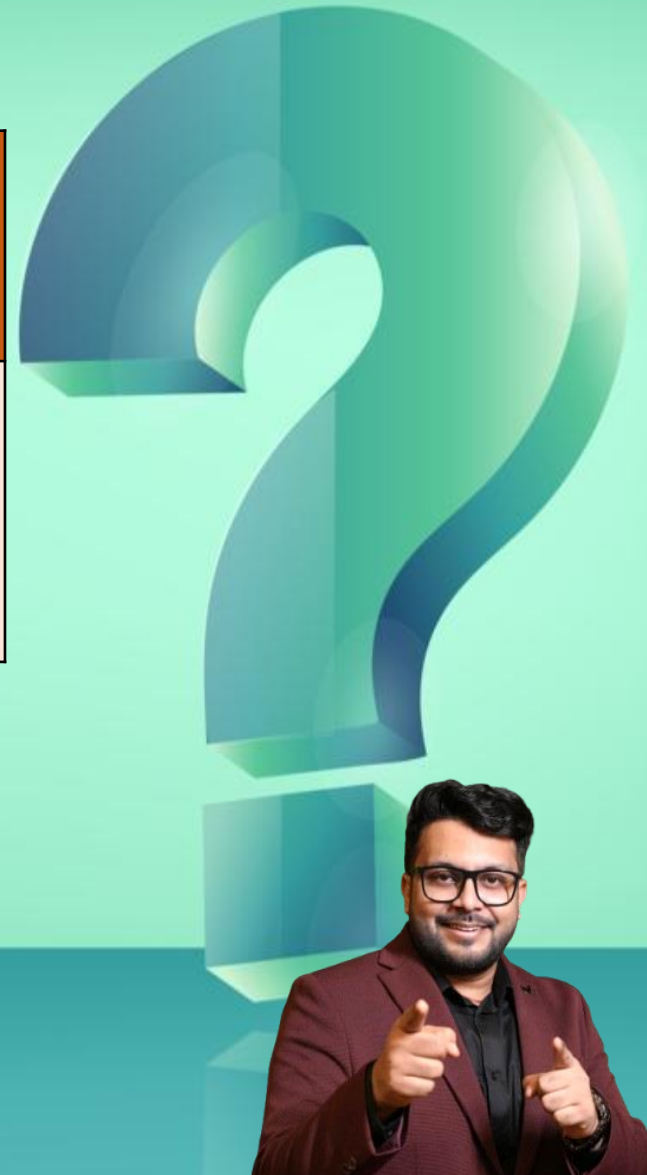


101

What is the primary purpose of the Finance Commission in India?

- a) To formulate monetary policy
- b) To allocate central taxes to state governments
- c) To recommend measures for economic planning
- d) To audit the accounts of the government

102	A Substantial increase in capital expenditure or revenue expenditure leads to _____
a)Fiscal deficit b)Budgetary deficit c)Primary deficit d)None of these	



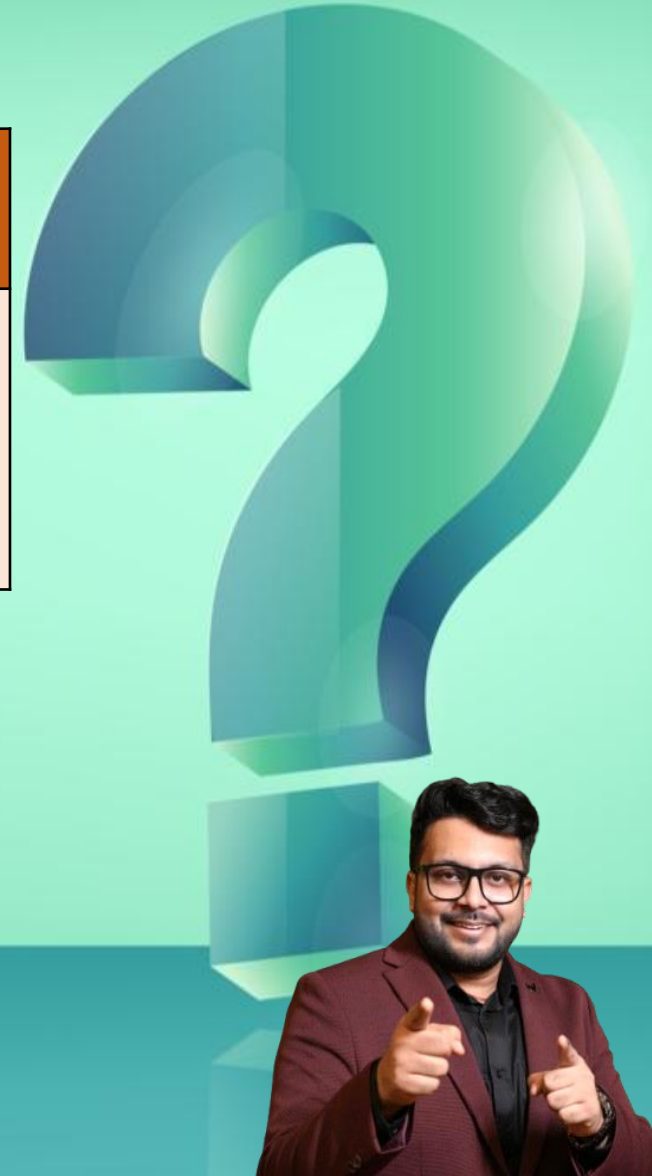


103	Tax reforms are concerned with the reforms in the government taxation and public expenditure policies which are collectively known as its _____
a) Financial reform b) Fiscal Policy c) Financial Policy d) None of these	

104	Goods and services tax (GST) was enacted by parliament vide Constitutional Amendments Act 2016.
a)103rd b)105th c)101 d)None of these	



105	Macroeconomic stabilization may be achieved through:
	a) Free market economy b) Fiscal Policy c) Monetary Policy d) Both (b) & (c)



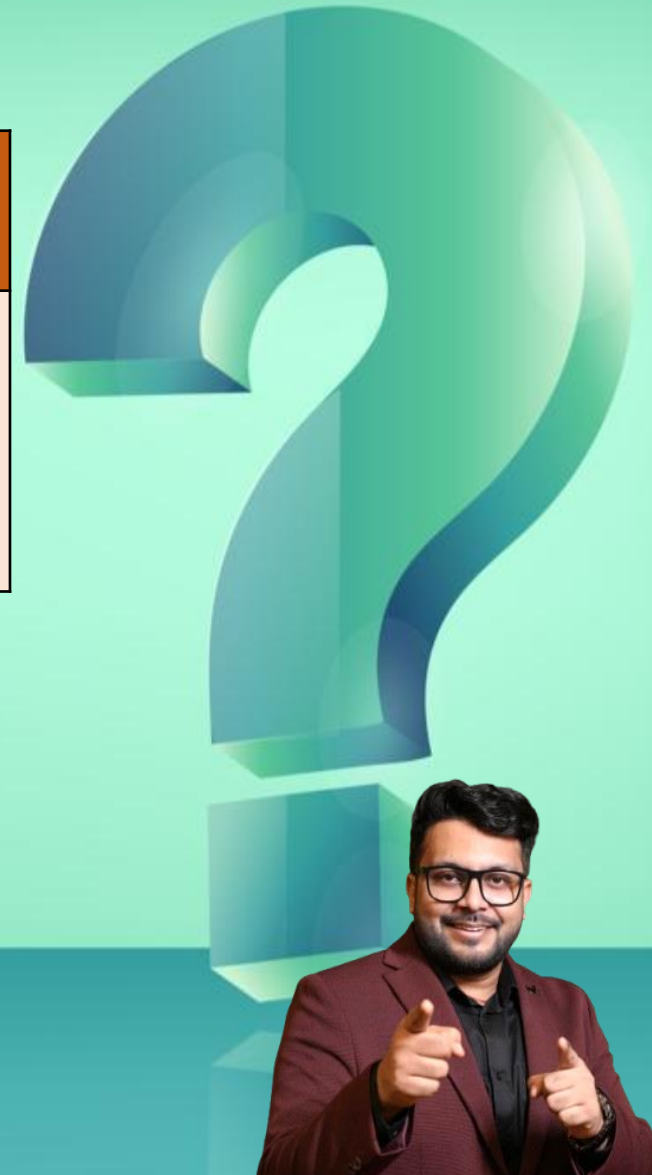


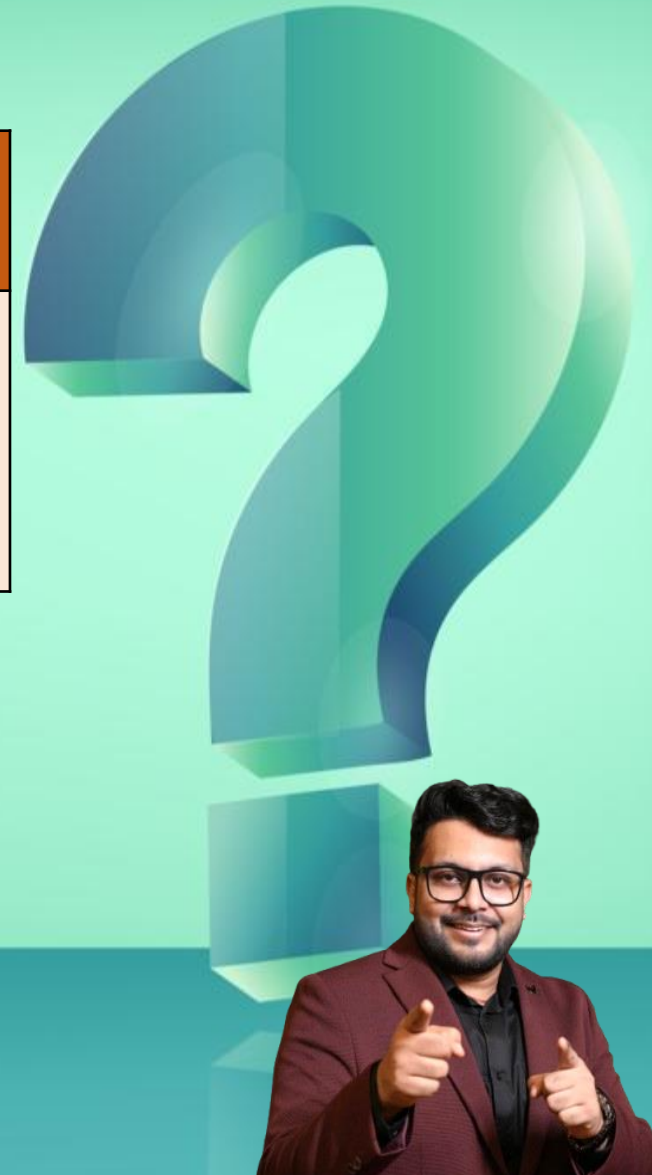


**106** Fiscal Federalism refers to:

- a) Organising and Implementing development plan
- b) The management of Fiscal Policy by a nation
- c) Division of economic functions and resources among different layers of the government
- d) None of these

107	The Public debt management cell was created in:
a)2016	
b)2015	
c)2020	
d)1995	





108

The argument for education subsidy is based on:

- a) Education is costly
- b) The ground that education is merit good
- c) Education creates positive externalities
- d) (b) & (c)



109

Public financial management system in the central government and matters connected with state finance is managed by:

- a) The department of expenditure
- b) The department of financial services
- c) The department of economic affairs
- d) None of these



110

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



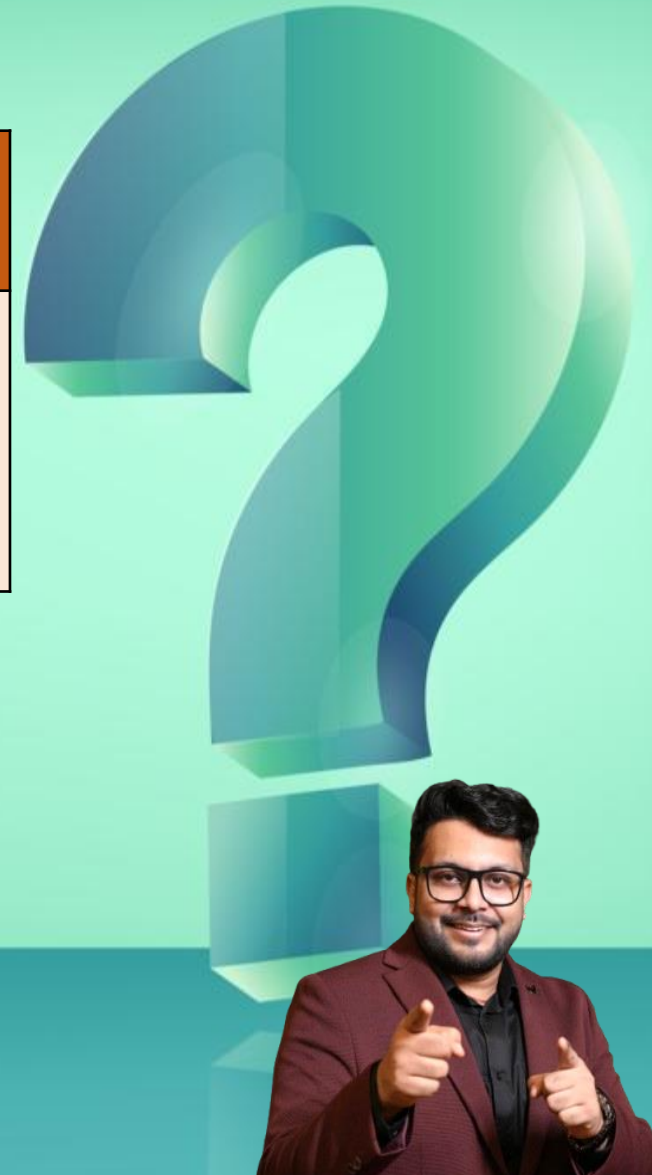




111

Which of the following is NOT a function of public finance?

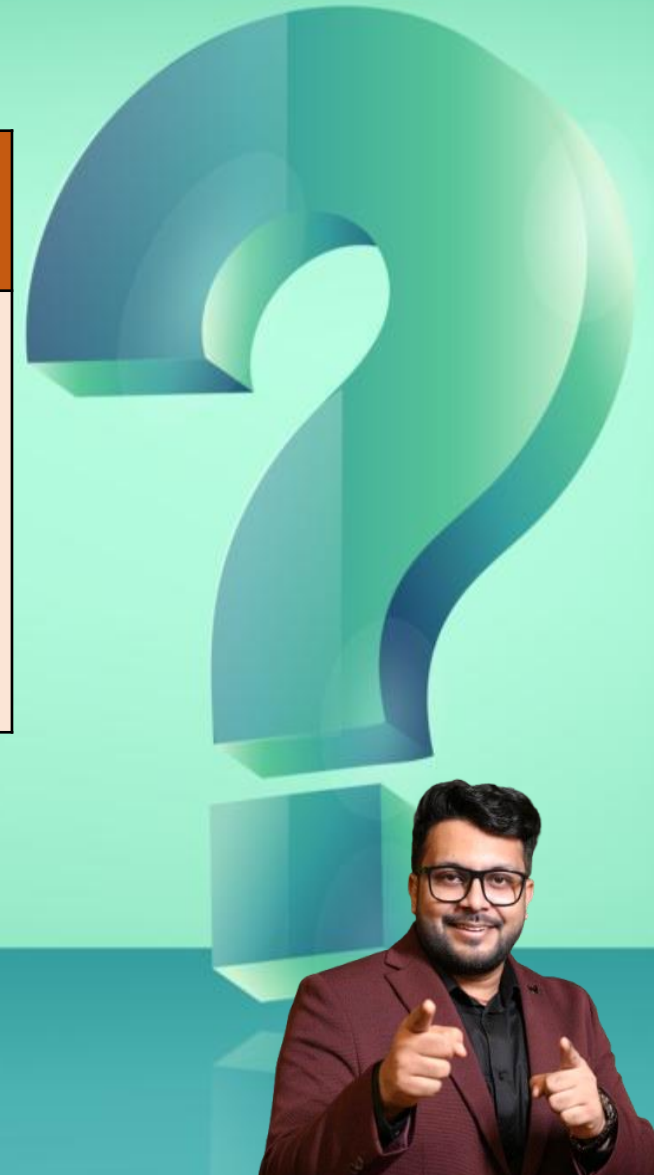
- a) Allocation of resources for public goods
- b) Income redistribution to achieve social equity
- c) Providing tax relief to corporates to boost economic growth
- d) Stabilization of the economy through fiscal measures



112

The current account deficit (CAD) in India refers to the excess of:

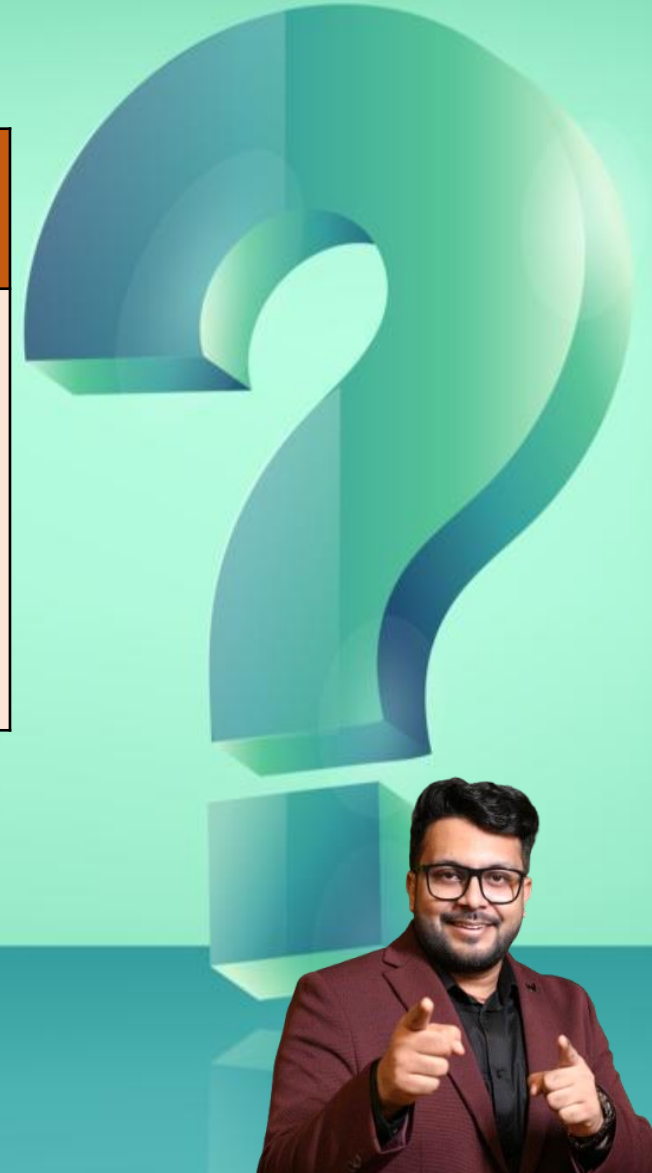
- a) Imports over exports
- b) Exports over imports
- c) Total investment over savings
- d) Government expenditure over revenue



113

Which of the following is the primary objective of India's fiscal policy?

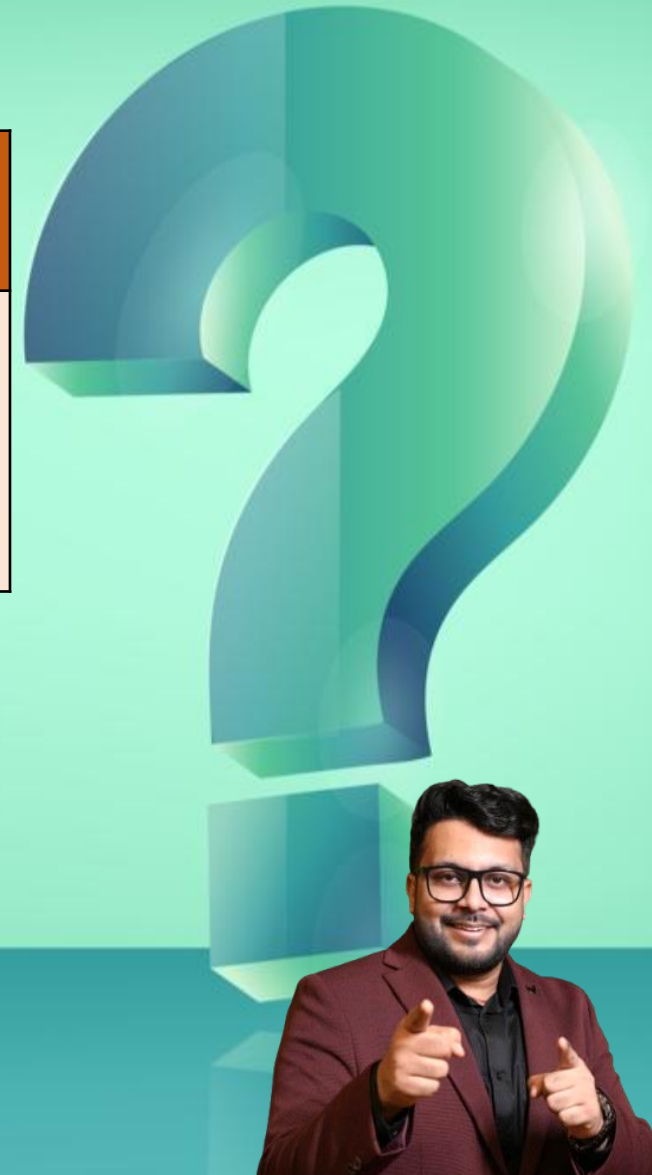
- a) To regulate foreign exchange rates
- b) To control inflation through market mechanisms
- c) To manage government expenditure and tax collection to influence the economy
- d) To encourage high savings rates among citizens



114

Which of the following is a major issue associated with the fiscal deficit in India?

- a) Increased foreign exchange reserves
- b) Higher government borrowing leading to inflation
- c) Reduced taxation leading to a decrease in government revenue
- d) Increase in foreign direct investments

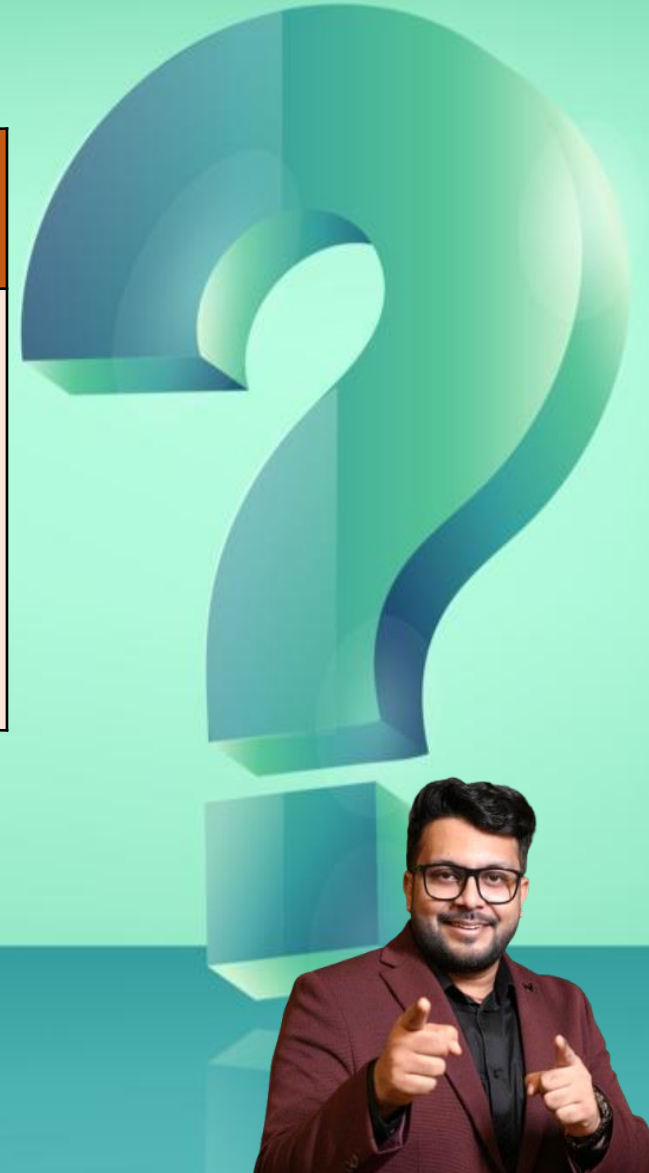


115

Which of the economists below most likely advocated activist government policies?

- a) Milton Friedman
- b) John Maynard Keynes
- c) Robert Lucas
- d) Thomas Sargent





116

Which of the following is an example of market failure?

- a) Perfect competition in the economy
- b) Non-exclusion in public goods
- c) All firms making profits in a perfectly competitive market
- d) Optimal allocation of resources by private individuals



117

When a market fails to allocate resources efficiently, leading to overproduction or underproduction of goods, it is called:

- a) Monopoly
- b) Externalities
- c) Public Goods
- d) Market Equilibrium



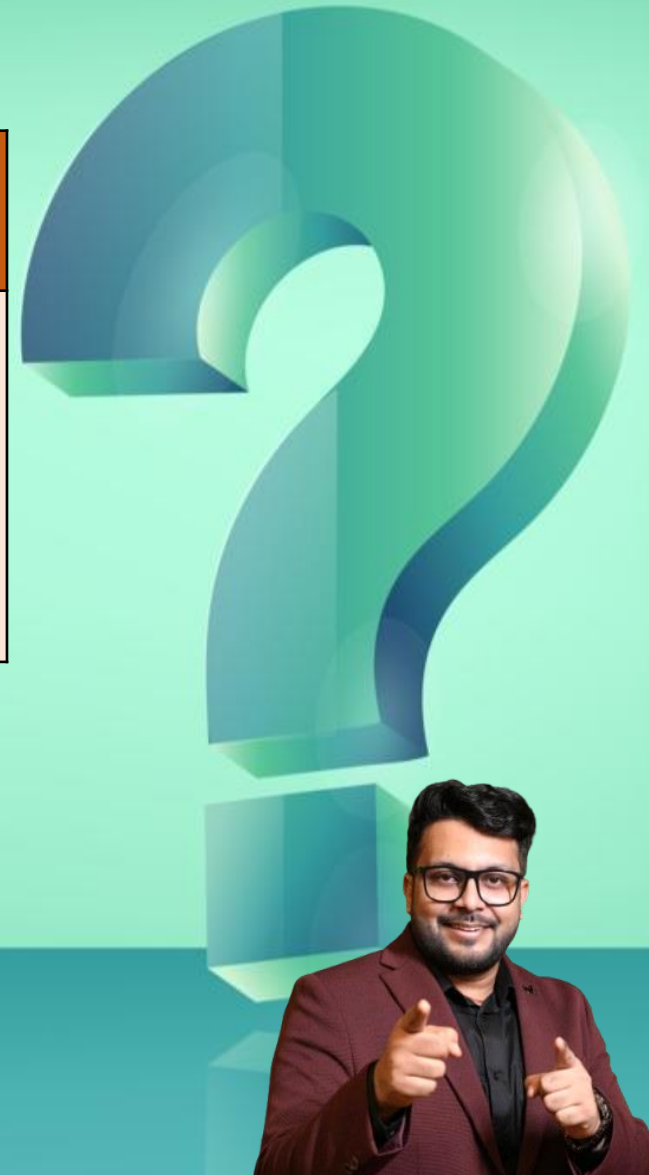
118	In the budget-making process, what is the term used to describe the government's planned expenditure exceeding its expected revenue?
a) Budget surplus b) Budget deficit c) Balanced budget d) National Debt	



119

Which of the following is the correct sequence of stages in the budget-making process?

- a) Presentation, Drafting, Execution, Approval
- b) Drafting, Presentation, Approval, Execution
- c) Execution, Presentation, Approval, drafting
- d) Presentation, Approval, Execution, drafting



120

Which of the following is a tool of expansionary fiscal policy?

- a) Increasing taxes
- b) Cutting government spending
- c) Reducing subsidies on essential goods
- d) Increasing government spending to stimulate demand



121	What was the main objective of the Fiscal Responsibility and Budget Management Act, of 2003?
a) Achieve Fiscal Surplus b) Stop Money Laundering c) Eliminate Fiscal Deficit d) Eliminate Revenue deficit	



122

Which of the following is the most accurate representation of the government's role in resource allocation according to the fiscal function of public finance?

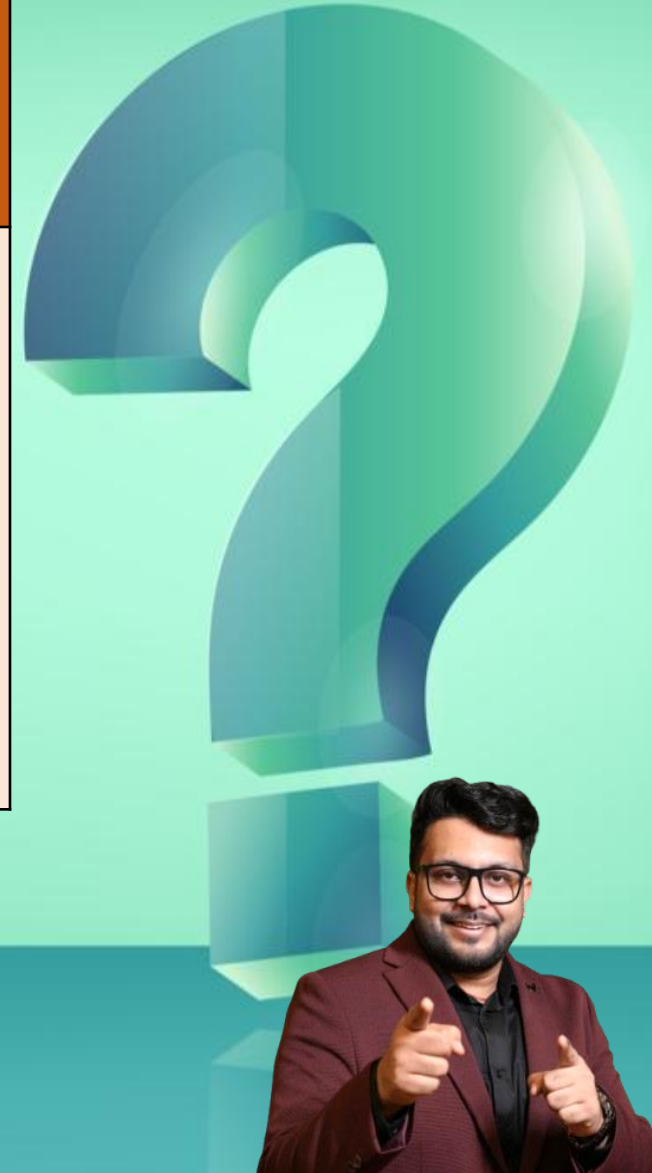
- a) The government maximizes profits by privatizing public goods.
- b) The government ensures the efficient distribution of resources in competitive markets.
- c) The government allocates resources to public goods like defence and infrastructure.
- d) The government avoids intervening in resource allocation to maintain market efficiency.



123

Which of the following situations best demonstrates a market failure due to asymmetric information?

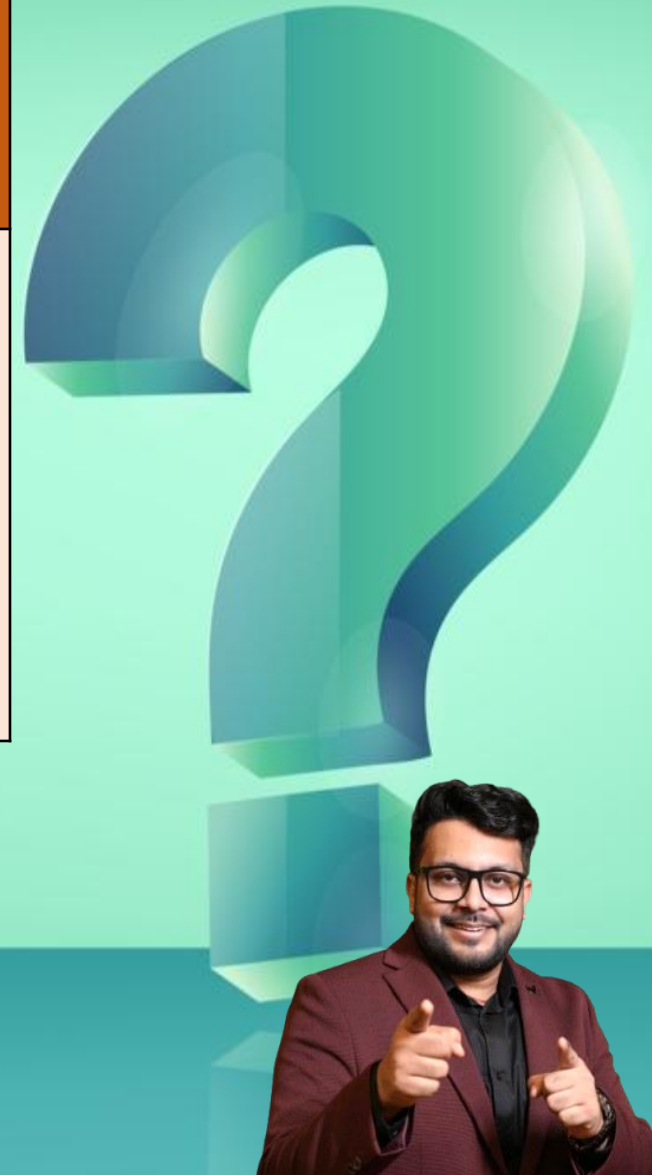
- a) A monopolist exploiting market power by reducing supply
- b) Consumers buying substandard products because they lack information about quality
- c) The government providing public goods like street lighting
- d) A natural monopoly where economies of scale drive market concentration



124

Which of the following would be an example of a counter-cyclical fiscal policy during a period of recession?

- a) Increasing taxes and reducing government spending
- b) Cutting taxes and increasing government expenditure
- c) Reducing the public debt by increasing savings
- d) Avoiding changes in taxes and government spending





125

Which of the following government interventions is most appropriate to correct the market failure caused by positive externalities?

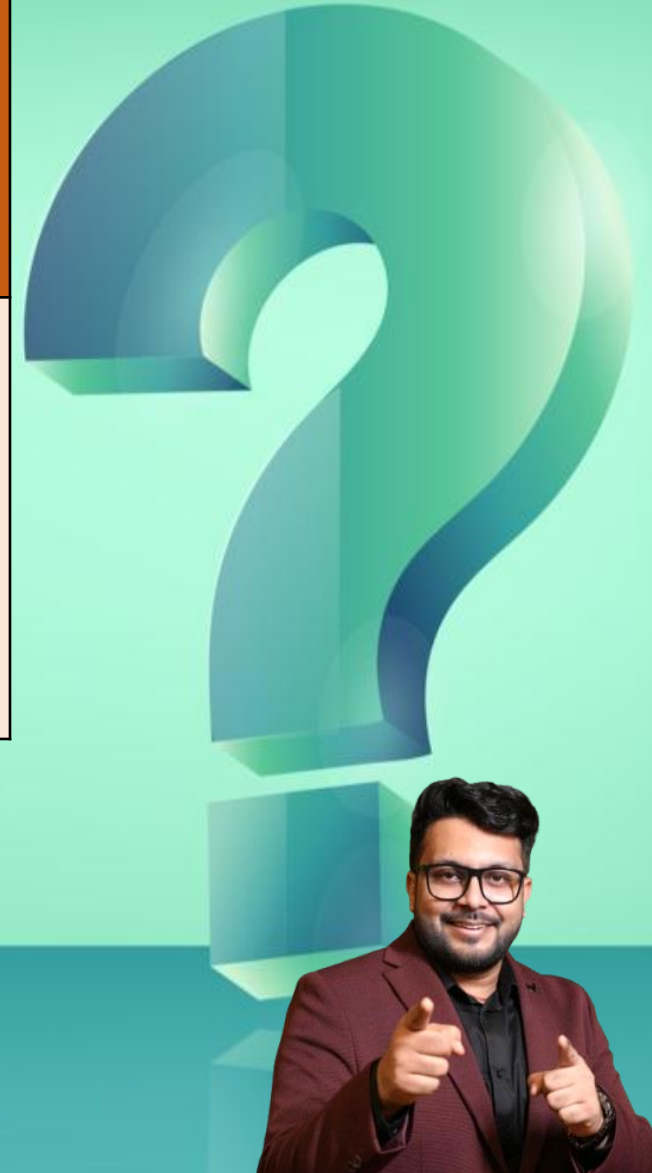
- a) Implementing taxes on consumption of the good
- b) Subsidizing the production of the good
- c) Imposing strict regulations on production
- d) Reducing government spending on the good

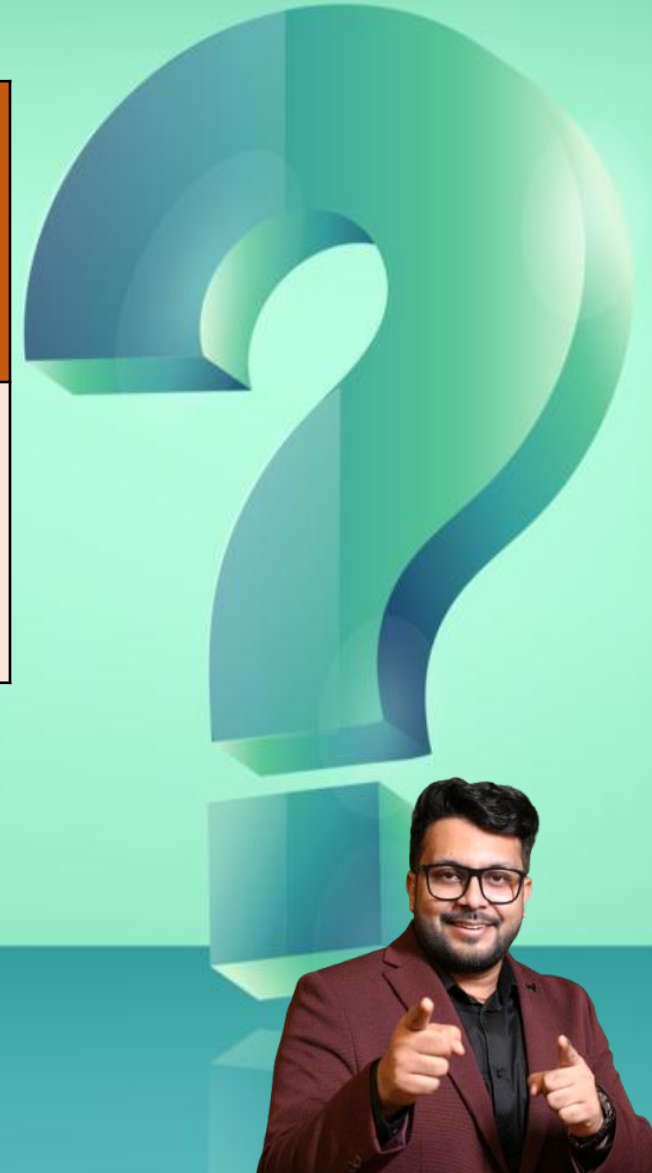


126

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





127

Which of the following budget types specifically aims to reduce the deficit by either increasing taxes or reducing government spending?

- a) Balanced budget
- b) Expansionary budget
- c) Contractionary budget
- d) Surplus budget

# Chapter 8

# Money Market

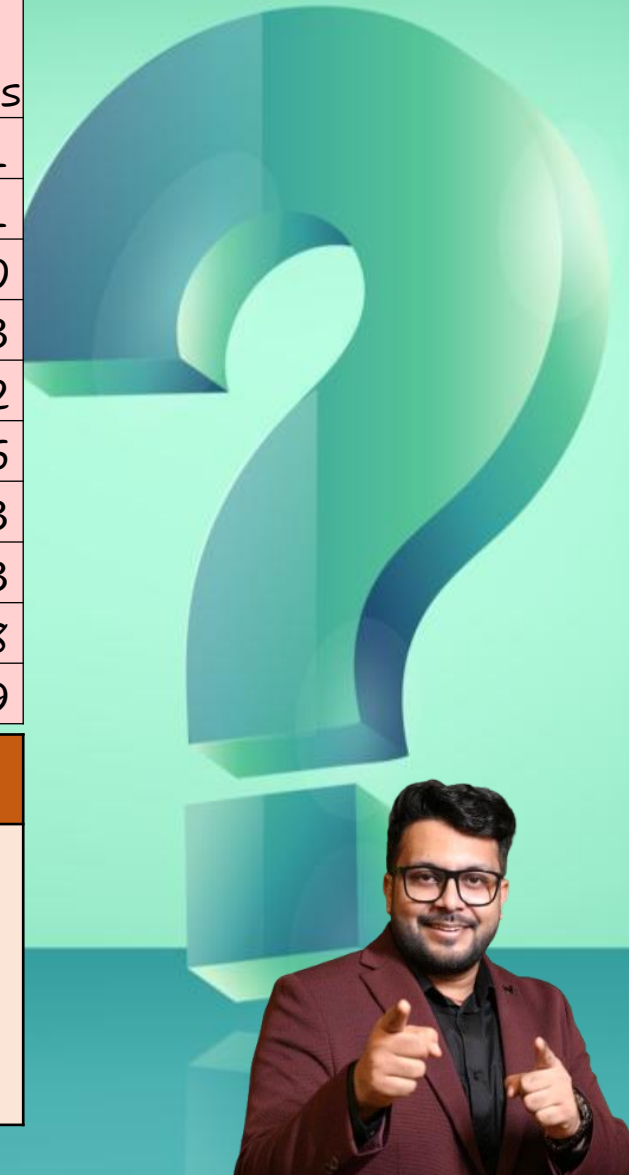


The following table relates to the revenue and expenditure figures of a hypothetical economy

	In Rs. lakh Crores
Recovery of loans	5.1
Salaries of govt. servants	41.1
Capital Expenditure	45.0
Interest payments	1.3
Payments towards subsidies	3.2
Other receipts (mainly from disinvestment)	11.6
Tax revenue (net of states' share)	26.3
Non-tax revenue	12.3
Borrowings and other liabilities	6.8
States' share in tax revenue	11.9

**128**    **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	5.1
Salaries of govt. servants	41.1
Capital Expenditure	45.0
Interest payments	1.3
Payments towards subsidies	3.2
Other receipts (mainly from disinvestment)	11.6
Tax revenue (net of states' share)	26.3
Non-tax revenue	12.3
Borrowings and other liabilities	6.8
States' share in tax revenue	11.9

129	Revenue deficit is
a)23.6	
b)13.0	
c)7.0	
d)2.6	





130

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



131

\_\_\_\_\_ 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



132

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) 7,05,246 Cr





134	If the monetary base in an economy is Rs. 250 crores through an open market operation by the central bank, and the money supply is Rs. 1,000 crores, calculate the money multiplier.
a) 0.25 b) 1 c) 4 d) 0.40	



135	If the reserve ration (R) is 0.10 and there is an increase in the reserves by Rs. 1,000, what will be the change in the money supply?
a)Rs. 10,000 b)Rs. 1,000 c)Rs. 100 d)Rs. 10	



136

Which of the following is not a function of money ?

- a) Providing a common measure of value
- b) Acting as a medium of exchange
- c) Serving as a unit of account
- d) Easily reproducible by people



137

The concept of "aversion of risk" is propounded by:

- a) James Tobin
- b) Milton Friedman
- c) John Maynard Keynes
- d) Alfred Marshall



**138** What actions can be taken during Inflation?

- a) Introduce subsidies and reduce tax rates
- b) Implement austerity measures and reduce government spending.
- c) Levy new taxes and raise the rates of existing taxes.
- d) Increase government borrowing and stimulate demand.



139

What type of currency is issued by the central bank ?

- a) Commodity money
- b) Digital money
- c) Fiat money
- d) Representative money



140

In an economy, the money supply (M) is 500 crores, the velocity of money (V) is 5 and the total number of transactions (T) is 10,000. Calculate the average price level (P) in the economy.

- a) 25 thousand
- b) 25 lakhs
- c) 50 lakhs
- d) 50 thousand





141

What does RBI publish every six months, providing explanations of the sources of inflation and forecasts for the upcoming period of six to eighteen months ?

- a) Economic outlook report
- b) Financial stability report
- c) Monetary policy report
- d) Inflation targeting framework



142

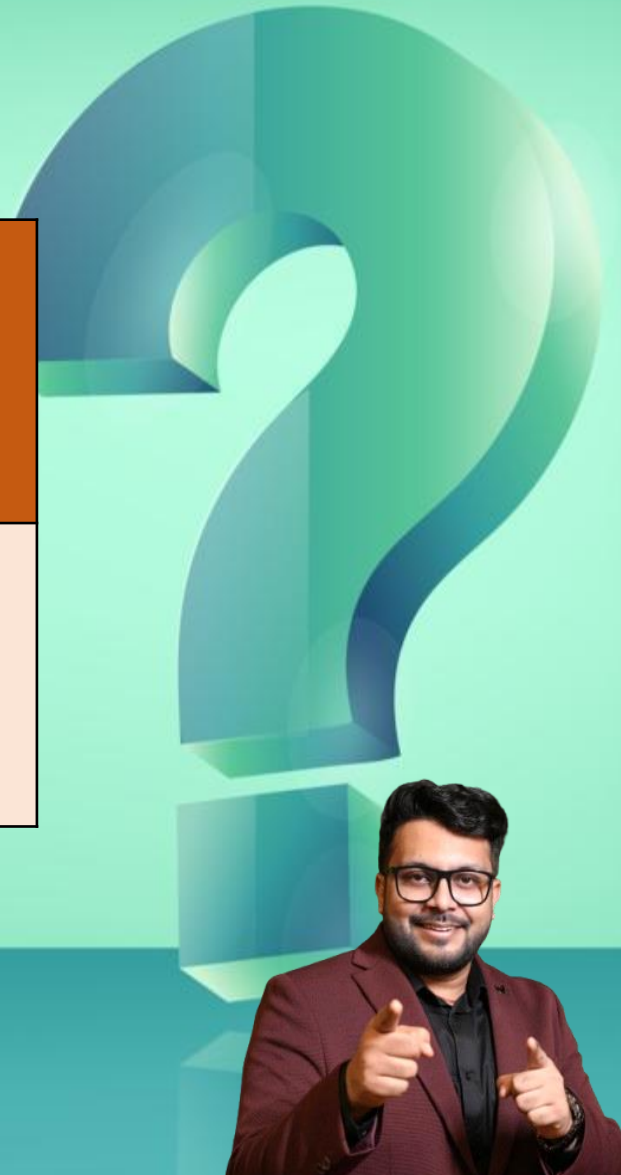
Reverse Repo rate is linked to repo rate in the following way:

- a) Reverse Repo Rate = Repo Rate + 1
- b) Reverse Repo Rate = Repo Rate - 1
- c) Reverse Repo Rate = Repo Rate  $\times$  0.1%
- d) Reverse Repo Rate = Repo Rate  $\times$  0.01%



143 Real money refers to:

- a) Real national income
- b) Money demanded at given rate of interest
- c) Nominal GNP divided by price level
- d) Nominal money adjusted to the price level



144

Which of the following is the correct formula to calculate Excess Reserves ?

- a) Excess Reserves = Total reserves - Required reserves
- b) Excess Reserves = Total reserves + Required reserves
- c) Excess Reserves = Total reserves / Required reserves
- d) Excess Reserves = Total reserves x Required reserves





145	If Velocity=20, Average Price = 120 and volume of transactions $T = 150\text{Cr}$ then money supply will be
a)2500 Cr b)25 Cr c)900 Cr d)1000 Cr	



146

Which of the following is a fiat money?

- a) Gold Coins
- b) Silver Coins
- c) Currency Notes
- d) Gold coins, Silver Coins as well as currency notes

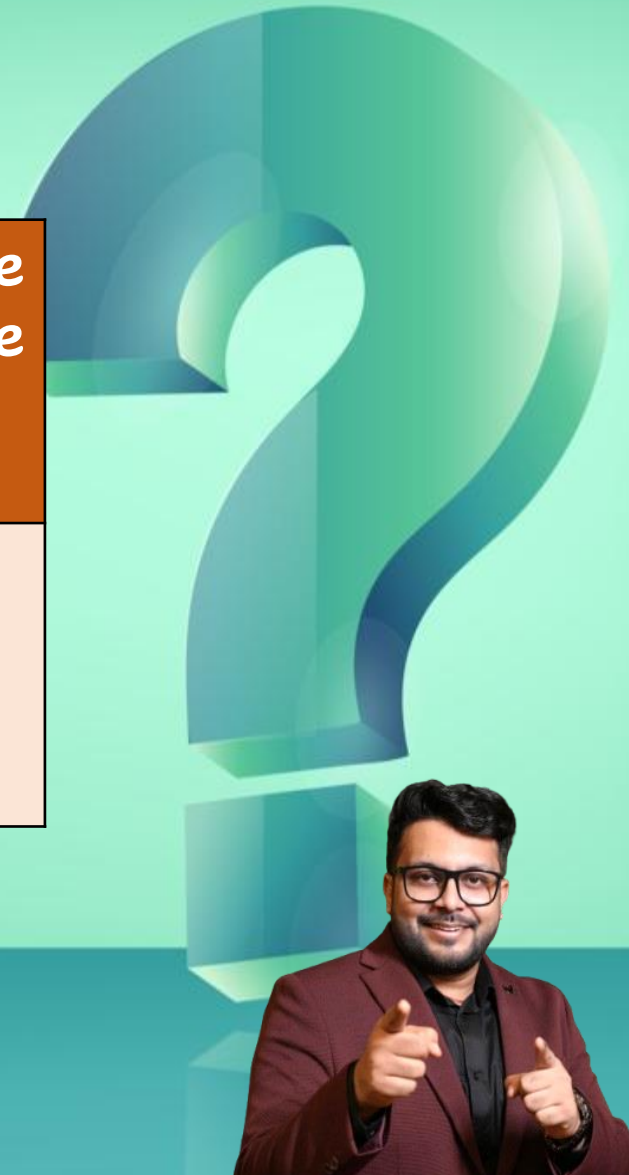


147

The transactionary demand for money is directly proportional to and is a positive function of

- a) Level of price
- b) Level of income
- c) Level of demand
- d) Level of interest rate





148	People's desire to hold cash in order to be equipped to Exploit any attractive investments opportunity requiring cash expenditure reflects
a)Transaction Motive b)Speculative motive c)Precautionary motive d)Personal and business exchange	

149

What does the concept of liquidity trap mean?

- a) Liquidity trap is a situation where the desire to hold bonds is very low and approaches zero; and the demand to hold money in liquid form as an alternative approaches infinity
- b) Even if the public fear adverse events (deflation, war), then they prepare to hold only bonds at a given rate of interest.
- c) The speculative money demand curve becomes parallel to the Y axis
- d) None



150 Calculate broad money M3?

- a) Currency with public + demand deposits with banks
- b) Currency with public + demand deposits with banks + net time deposits with the banking system
- c) Currency with public Savings with government banks
- d) Currency with public + Demand Deposits with banks + other deposits with RBI



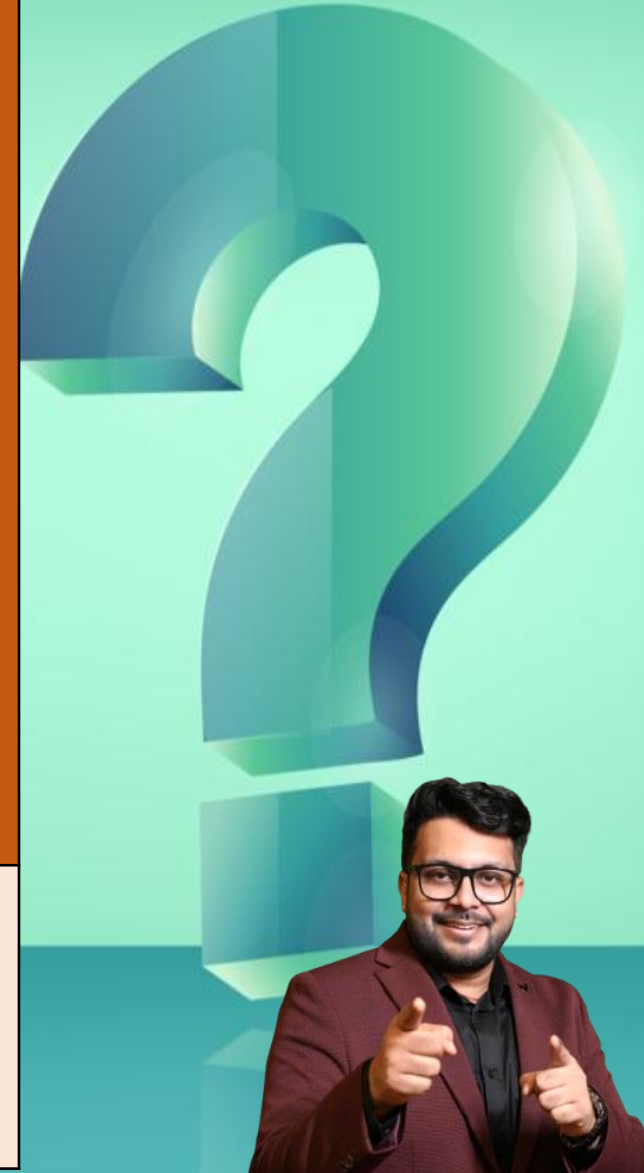


151

Calculate currency with public

Particulars	( in crores)
Notes with public in circulation	23,26,500
currency of small coins in Circulation	500
currency of rupee coins in Circulation	34,500
cash in hand with banks	80,615

- a) 22,80,885 Crores
- b) 24,42,115 Crores
- c) 22,45,885 Crores
- d) 23,62,000 Crores



152 Money Multiplier means

- a) It decreases the total money supply for a given monetary base
- b) It dictates interest rates set by RBI
- c) The ratio of money supply to monetary base
- d) It controls amount of gold reserves held by bank



153

Which of the following is not a channel of monetary transmission mechanism?

- a) Savings & investments channel
- b) Cash Flow Channel
- c) Exchange rate channel
- d) International Trade Channel



154

Open Market purchases of government securities by RBI will

- a) Reduce the Money Supply
- b) Reduce the reserves
- c) Increase reserves
- d) Reduce the reserves and there by reduces the money supply



155

In the Cambridge equation for money demand, what does "k" represent?

- a) The velocity of money
- b) The money supply
- c) The income elasticity of money demand
- d) The proportion of income held as money





156

Which measure of the money supply includes M1 and all other forms of near money that are less liquid than M1?

- a) M3
- b) M2
- c) L
- d) M0



157

Which economic indicator is commonly used to measure inflation in India?

- a) Gross Domestic Product (GDP)
- b) Consumer Price Index (CPI)
- c) Producer Price Index (PPI)
- d) Index of Industrial Production (IIP)



158

\_\_\_\_\_ 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



159

The ratio that relates the change in the money supply to a given change in the monetary base is called the:

- a) required reserve ratio
- b) money multiplier
- c) Deposit ratio
- d) None of these



160

Which of the following component of monetary policy can be adopted to correct excess demand?

- a) Increase in repo rate
- b) Increase in CRR
- c) Increase in margin requirement
- d) All of these



161 Reverse repo rate:

- a) generate interest income
- b) is increased to curb inflation
- c) is not a policy rate
- d) both (a) & (b)





162

The RBI is mandated to Publish a monetary policy report every:

- a) Six months
- b) Three months
- c) Twelve months
- d) None of these



163 The Liquidity Trap is the extreme effect of:

- a) Monetary Policy
- b) Fiscal Policy
- c) Either (a) or (b)
- d) None of these



164

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

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



165

If the required reserve ratio is 20 percent, currency in circulation is Rs. 800 billion, demand deposits are Rs. 2000 billion, and excess reserves total Rs. 2 billion, find the value of money multiplier

- a) 2.50
- b) 2.90
- c) 2.60
- d) 2.40



166 Money Supply is directly proportional to:

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



167

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





168

Which of the following is NOT a part of the money supply in an economy?

- a) Currency held by the central bank
- b) Demand deposits in commercial banks
- c) Saving accounts in commercial banks
- d) Time deposits in commercial banks



169

Which of the following is NOT a typical tool of monetary policy used by a central bank?

- a) Open market operations
- b) Changing the reserve requirements of commercial banks
- c) Adjusting the tax rates in the economy
- d) Changing the discount rate



170

Which of the following is the most effective monetary policy tool for managing short-term fluctuations in the economy?

- a) Open market operations
- b) Changing tax rates
- c) Changing government expenditure
- d) Price control measures



171

Which of the following factors does NOT directly affect the demand for money?

- a) Interest rates
- b) The level of income or output
- c) The price level in the economy
- d) The government's fiscal deficit



172

The transaction motive for holding money implies that money is held to:

- a) Make speculative investments in financial markets
- b) Provide liquidity for daily transactions and purchases
- c) Protect wealth against inflationary risks
- d) Save for future investment in assets



173

In an economy, a change in the reserve ratio will directly affect the:

- a) Level of interest rates in the market
- b) Supply of money in circulation
- c) Demand for money at different income levels
- d) Government's budgetary balance





174

Which of the following is the primary objective of monetary policy in a country?

- a) To reduce government expenditure
- b) To regulate the money supply to achieve macroeconomic goals like controlling inflation
- c) To provide interest-free loans to the private sector
- d) To balance the national budget



175

According to the Quantity Theory of Money, if the money supply increases while the velocity of money and output remain constant, the general price level will:

- a) Decrease
- b) Increase proportionately
- c) Stay the same
- d) Increase, but unpredictably



176

If the central bank implements an expansionary monetary policy by lowering the reserve requirement, the immediate effect on the money supply will be:

- a) A decrease in the money supply
- b) An increase in the money supply
- c) No change in the money supply
- d) A reduction in interest rates without affecting money supply



177

Which of the following actions would the central bank most likely take to combat inflationary pressure in the economy?

- a) Decrease the interest rate
- b) Increase the money supply
- c) Raise the reserve ratio for commercial banks
- d) Lower the statutory liquidity ratio



178

If the central bank wants to decrease the money supply, which of the following tools of monetary policy is most likely to be used?

- a) Lowering the discount rate
- b) Conducting open market purchases of government bonds
- c) Increasing the reserve requirement for commercial banks
- d) Reducing taxes to increase consumer spending





179

Which of the following is a primary objective of India's monetary policy?

- a) To reduce the overall level of taxation in the economy
- b) To control the money supply and curb inflation
- c) To promote export-led growth through currency devaluation
- d) To ensure a balanced budget for the government





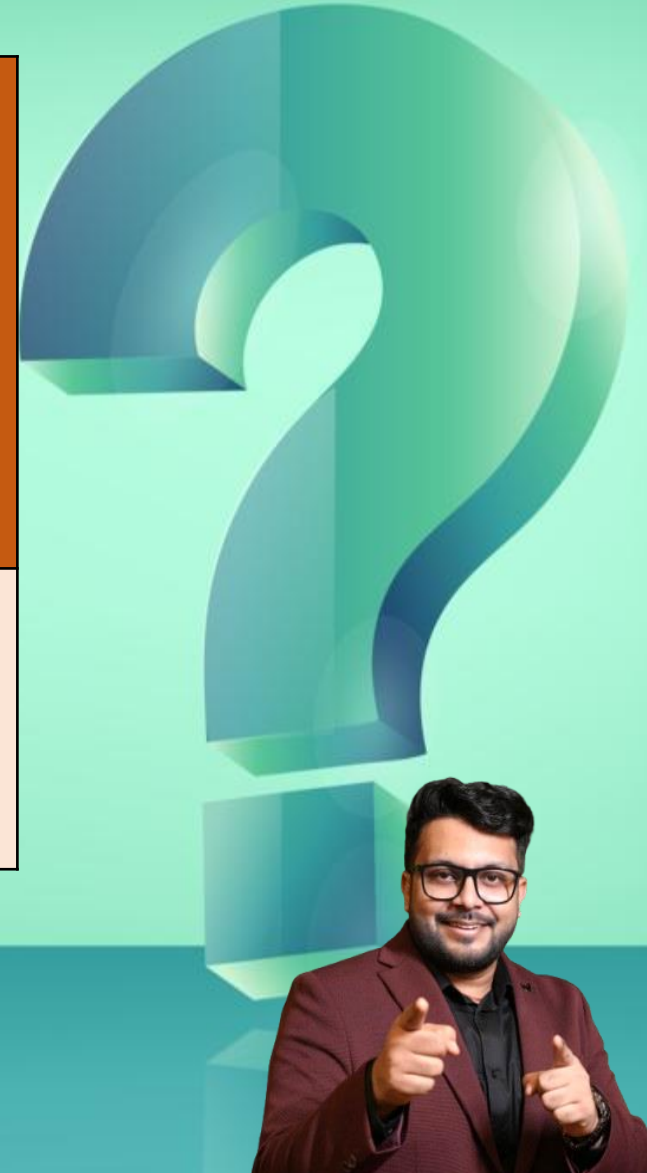
# Chapter 9

# International Trade

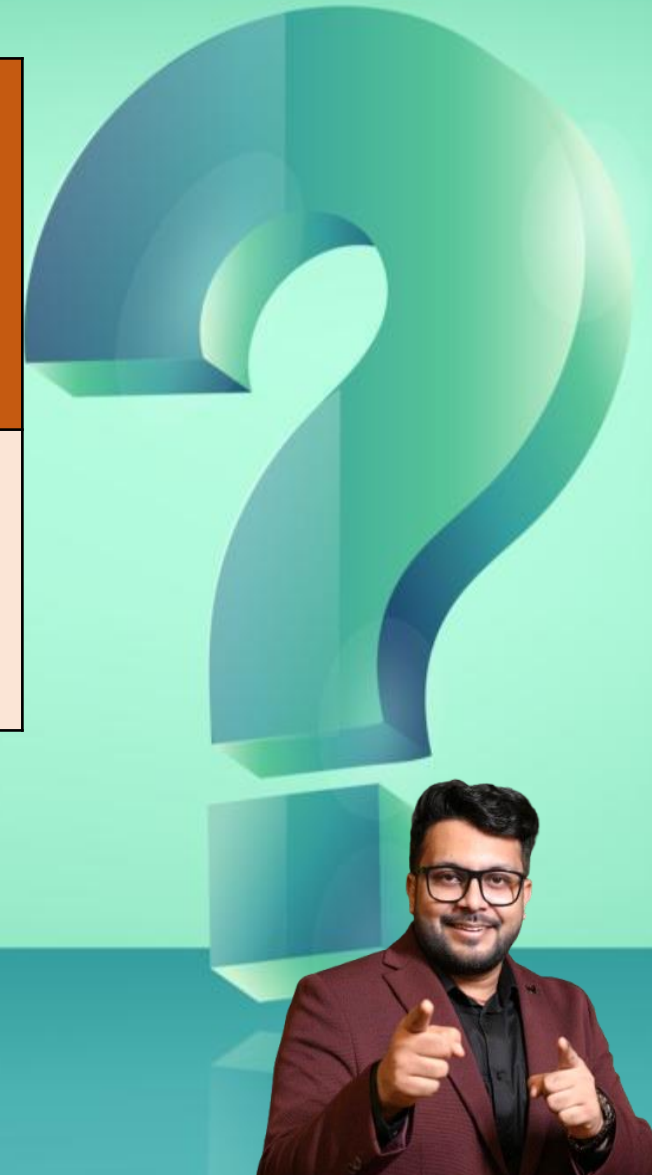


180	Which country has absolute advantage in the production of wheat ?		
	Commodity	Country X	Country Y
	1 unit of cloth	4	1.0
1 unit of wheat	2	2.5	

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



181	Calculate compound tariff if- Specific Tariff ( $t_s$ )= 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	



Use the data of table to answer next MCQ

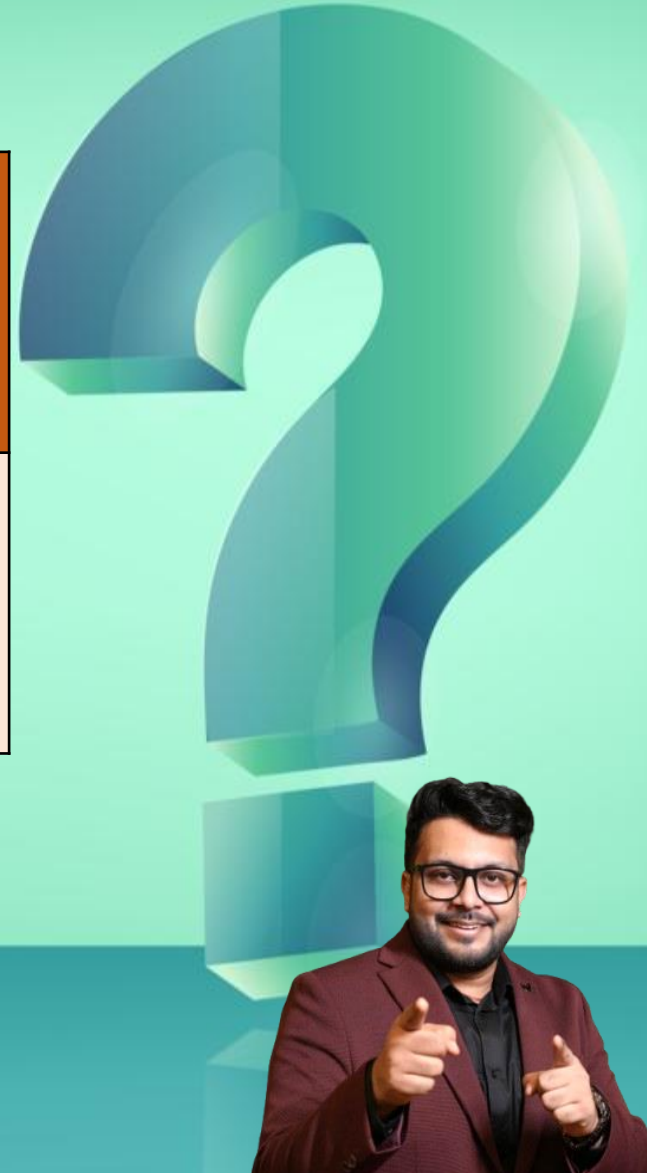
Goods X	Country A (in \$)	Country B (in \$)	Country C (in \$)
Average Cost	30.5	29.4	30.9
Price per Unit for domestic Sales	31.2	31.1	30.9
Price charged in country D	31.9	30.6	30.6

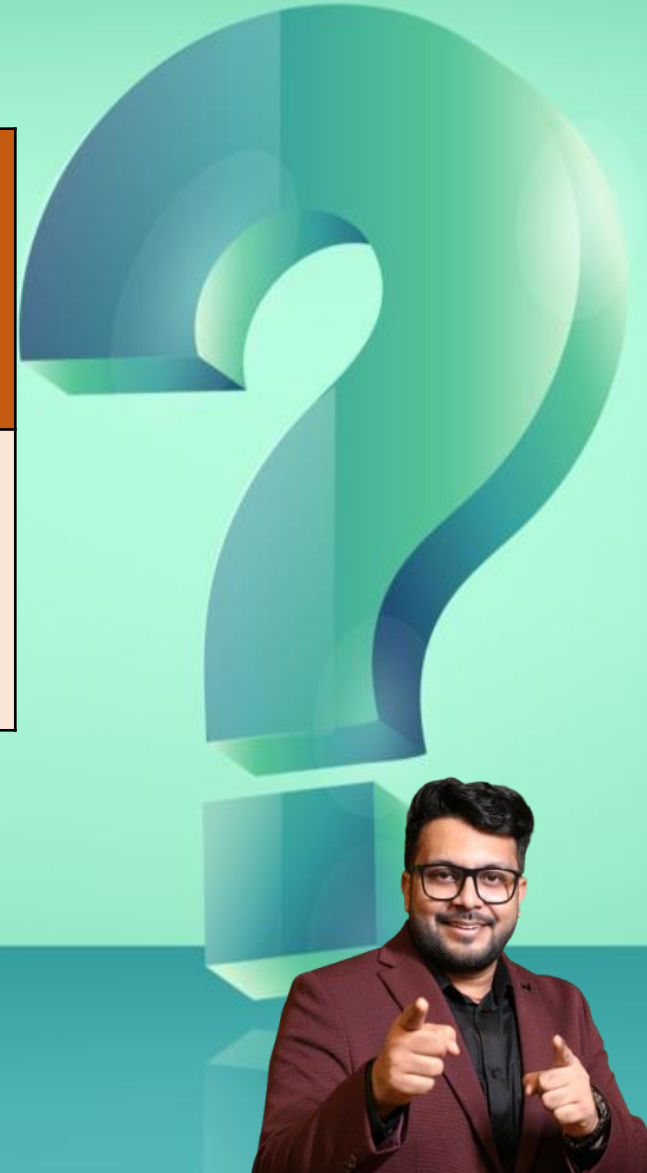


182

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



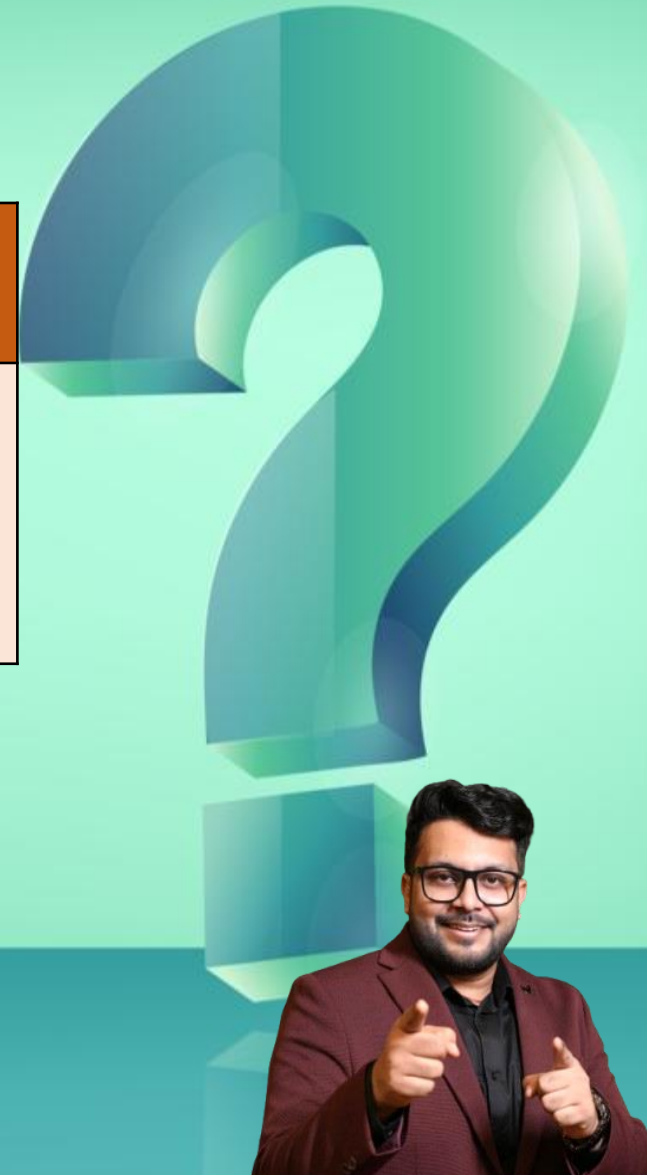


183

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





184

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

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

Explain the implications of the following on the exchange rate-

185

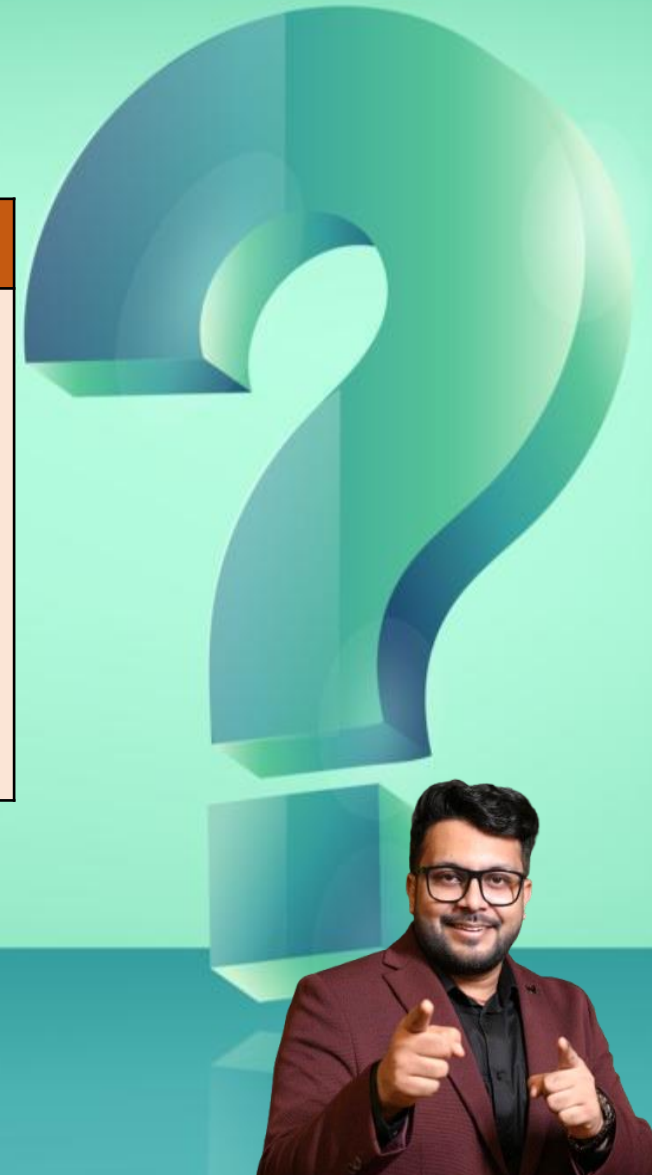
Investors in Australia perceive that the returns on investments in the US would be much more lucrative than elsewhere. As a result there is a huge increase in demand for investments in US dollar denominated financial investments

- 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



**186** 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



187

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



188 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





189 As of 1<sup>st</sup> February 2021, how many Regional Trade Agreements (RTAs) were in force worldwide?

- a) 239 RTAs
- b) 339 RTAs
- c) 439 RTAs
- d) 539 RTAs





**190** What does the principle of Absolute Advantage refer to ?

- a) The ability to produce a greater quantity of a goods using fewer resources
- b) The ability to produce a greater quantity of a goods using the same amount of resources as competitors
- c) The ability to produce a lesser quantity of a goods using the same amount of resources as competitors
- d) The ability to produce a greater variety of goods than competitors



**191** The North American Free Trade Agreement signed between

- a) United States of America and Canada
- b) United States of America, Canada, and Mexico
- MUSIR by
- c) United States of America and Mexico
- d) Canada and Mexico



**192** What does TRIPS stand for ?

- a) Trade – related agreement on investment policies.
- b) Trade-Related Aspects of Intellectual Property Rights
- c) Transnational Regulations for International Product Standards
- d) Trade Regulations for International Patent Systems



193 Suppose the exchange rate between INR and EUR changes from 1 EUR = 80 INR to 1 EUR = 85 INR. What can be said about the change in the value of the INR relative terms to the EUR?

- a) INR has appreciated against EUR.
- b) INR has depreciated against the EUR.
- c) EUR has no effect against INR.
- d) EUR has depreciated against INR.



194 What is the main difference between foreign direct investment (FDI) and foreign portfolio investment (FPI) ?

- a) FDI creates physical assets, while FPI involves only financial assets.
- b) FDI involves financial assets, while FPI creates physical assets.
- c) Both FDI and FPI create physical assets.
- d) Both FDI and FPI involve only financial assets.





195 Foreign corporations invest in India to benefit from the country's particular investment privileges such as tax breaks and comparatively lower salaries. This type of investment is an example of :

- a) Foreign Portfolio Investment
- b) Joint Venture
- c) Foreign Direct Investment
- d) Strategic Alliance





196 A tariff which a WTO member binds itself with a legal commitment not to raise tariff rate above a certain level is known as:

- a) Applied tariff
- b) Bound tariff
- c) Specific tariff
- d) Most- favored nation tariffs



197 Which of the following is covered under Technical Barriers to Trade (TBT)?

- a) Only food products.
- b) Only non-food traded trade products.
- c) Only technical standard products.
- d) Both food and non-food traded products.



198

What term is used for the rate between currencies Y and Z, which is derived from the given rates of another set of two pairs of currency (say X and Y, and, X and Z)?

- a) Bid rate
- b) Ask rate
- c) Spot rate
- d) Cross rate



199 Theory of Comparative cost advantage is \_\_\_\_\_ in nature and it \_\_\_\_\_ takes into account of factor price difference

- a) Positive; does
- b) Normative; does not
- c) Positive; does not
- d) Normative; does



**200** Mercantilism advocates

- a) Aggressive exports over imports to accumulate wealth
- b) Comparative advantage
- c) Absolute cost advantage
- d) Factor endowment



201 GATT was established in the year

- a)1945
- b)1948
- c)1995
- d)2014





202 discriminate between their trading partners.  
This is referred to as

- a) National Treatment (NT)
- b) Most Favoured Nation (MFN)
- c) Promoting Fair Competition (PFC)
- d) Free Trade through negotiation (FTN)



203

Group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries is referred as

- a) Trading Block
- b) Free-trade area
- c) Customs union
- d) Economic and monetary union



204

A total ban imposed by the government on imports or export of some or all commodities to particular country or regions for a specified or indefinite period is termed as

- a) Embargos
- b) Safeguard measure
- c) Distribution restrictions
- d) Restrictive measures



205 Which of the following is levied as a fixed/constant percentage on the money value of an imported or exported good?

- a) Advalorem Tariff
- b) Compound Tariff
- c) Specific Tariff
- d) Bound Tariff



206 Which of the following is not a negative outcome of tariff?

- a) Decreases revenue to the government
- b) Producers of the importing country increases the well being
- c) Domestic consumers suffer a loss in consumer surplus
- d) By ignoring comparative advantage, tariffs discourage efficient production in the rest of the world



207 An increase in Real Effective Exchange Rate indicates

- a) A loss in trade competitiveness
- b) An increase in trade competitiveness
- c) Exports become more cheaper
- d) Imports become more costlier





208 Number of units of a foreign currency can be exchanged for one unit of local currency is referred to as \_\_\_\_\_

- a) Direct Quote
- b) Indirect Quote
- c) European Currency
- d) Cross Quotes



209 Not a component of FDI according to IMF:

- a) Equity capital
- b) Reinvestment earnings
- c) Portfolio investments
- d) Intra company loans



210 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



211 Most Favoured Nation (MFN) clause was introduced by:

- a) WTO
- b) GATT
- c) ADB
- d) IBRD



212 Which term describes the movement of capital from one country to another to exploit investment opportunities?

- a) Foreign Direct Investment (FDI)
- b) Foreign Portfolio Investment (FPI)
- c) Exchange Rate Speculation
- d) Capital Flight



**213** 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.





214 In Heckscher Ohlin theory factors of production are---in number.

- a)one
- b)two
- c)three
- d)four



215 Which of the following holds that a country can increase its wealth by encouraging exports and discouraging imports:

- a) Capitalism
- b) Socialism
- c) Mercantilism
- d) None of these



216 Which of the following is not a non-tariff barrier:

- a) Complex documentation requirement
- b) Countervailing duties charged by importing country
- c) Pre -Shipment product inspection and certification on requirements
- d) None of these



217 At any point of time all markets tend to have the same exchange rate for a given currency due to:

- a) Hedging
- b) Arbitrage
- c) Speculation
- d) None of these



218 A group of countries that have a free trade agreement between themselves and may apply a common external tariff to other countries:

- a) Free trade area
- b) Custom union
- c) Trade bloc
- d) Regional preferential trade agreements



**219 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





**220** The terms revaluation is applied to:

- a) Flexible exchange rate
- b) Fixed exchange rate
- c) Gold
- d) ECB



221 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



222 According to the Heckscher-Ohlin theory, a country will have a comparative advantage in the production of goods that:

- a) Require labour-intensive techniques if the country has a surplus of capital.
- b) Utilize abundant factors of production that the country has in large supply.
- c) Require advanced technology in which the country is technologically superior.
- d) Require high labour costs in a country with low wages.



223 Which of the following is the main motivation for companies to engage in Foreign Direct Investment (FDI)?

- a) To reduce foreign competition in domestic markets
- b) To gain access to new markets and resources
- c) To avoid taxes in the home country
- d) To lower labour costs by outsourcing to developing countries



224

Which of the following would be an effect of a revaluation of a country's currency?

- a) Increased demand for the country's exports
- b) A decrease in the cost of imports for consumers
- c) Increased competitiveness of the country's exports in the global market
- d) A higher cost of living for consumers due to decreased purchasing power





225 In the context of trade negotiations, the term “Most-Favoured-Nation (MFN)” status refers to:

- a) A preferential treatment granted to one country over others in trade agreements.
- b) The obligation to trade exclusively with a particular country.
- c) A policy that allows countries to impose tariffs on imports from specific nations.
- d) A requirement to offer the same trade terms to all trading partners.





226 Which of the following is NOT a key assumption of Ricardo's theory of comparative advantage?

- a) Two countries, each specializing in the good it can produce most efficiently, will both gain from trade.
- b) Resources are immobile between countries but mobile within a country.
- c) Trade occurs only due to differences in technology between countries.
- d) Both countries in trade can benefit even if one country is less efficient in producing both goods.



227 Which of the following is a potential benefit of Foreign Direct Investment (FDI) for the host country?

- a) Increased inflation due to higher government expenditure
- b) Reduction in technological transfer to local industries
- c) Creation of employment opportunities and skill development
- d) Increased dependence on foreign companies for resources



**228** If a country's currency is depreciating, it means that:

- a) The domestic currency is increasing in value relative to foreign currencies.
- b) The country's exports will become more expensive to foreign buyers.
- c) The country's exports become cheaper for foreign buyers, potentially boosting trade.
- d) The central bank is actively increasing the supply of money.



229

In international trade negotiations, which of the following is the most common objective for countries involved in multilateral trade talks?

- a) To increase tariffs and protect domestic industries
- b) To reduce trade barriers and promote free trade
- c) To restrict foreign competition through quotas
- d) To enhance domestic subsidies for agricultural sectors



230

Which of the following is an example of a multilateral trade agreement?

- a) North American Free Trade Agreement (NAFTA)
- b) European Union (EU) Trade Policies
- c) World Trade Organization (WTO) agreements
- d) Bilateral Trade Agreement between two countries





231

Which of the following is the primary objective of bilateral trade agreements?

- a) To create trade barriers between the two countries involved
- b) To establish free trade between two countries by eliminating tariffs and restrictions
- c) To focus on mutual military cooperation between the countries
- d) To standardize monetary policies between two countries





# Chapter 10

# Indian Economy



232

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

- 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.



**233 Agrarian reforms in Agriculture brought:**

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



234 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



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

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



**236** 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





**237** Parallel economy emerges because of what?

- a) Tax Estimation
- b) Tax Compliance
- c) Tax Avoidance
- d) Tax Evasion



**238 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



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

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



240 Which of the following statement is true in relation to the object of The National Data and Analytics Platform (NDAP) ?

- a) To ensure data security.
- b) To facilitate and improve access to Indian government data.
- c) To convert all government data in electronic form.
- d) To formulate national cyber security law



241 The India Development Update (IDU) report published in November 2022 is published by:

- a) United Nations Development Programme (UNDP)
- b) International Monetary Fund (IMF)
- c) World Bank
- d) Asian Development Bank (ADB)



242 Which of the following is a feature of green revolution?

- a) Grow more crops by redistributing land to landless people
- b) Use of soil friendly green manure to preserve fertility of soil
- c) Diversification to horticulture
- d) Use of high yielding varieties of seeds and scientific cultivation





243 On which date was the 'New Industrial Policy' announced by Government of India?

- a) 15th August 1947
- b) 24th July 1991
- c) 26th January 1950
- d) 5th September 1992



244 On which date was the apex policy-making body, the Planning Commission, replaced by the National Institution for Transforming India (NITI) Aayog?

- a) 1 April 2015
- b) 1 July 2015
- c) 1 January 2015
- d) 1 July 2016



245 Which government scheme supports and promotes organic farming, as well as the improvement of soil health?

- a) National Rural Employment Guarantee Act (NREGA)
- b) Rastriya Krishi Vikas Yojana (RKVY)
- c) Pradhan Mantri Fasal Bima Yojana (PMFBY)
- d) Paramparagat Krishi Vikas Yojana (PKVY)



246 Which initiative aims at the empowerment of Micro Small and Medium Enterprises (MSMEs)?

- a) Udyami Bharat
- b) Start-up India
- c) Make in India
- d) Digital India



247	Transportation and storage, real estate service, public administration and education are the activities in India which are covered by:
a) Primary sector b) Secondary sector c) Tertiary sector d) Private sector	



**248** What is the full form of DPIIT?

- a) Department for Promotion of Industry and International Trade
- b) Department for Promotion of Industrial and Internal Trade
- c) Directorate for Promotion of Industry and Internal Trade
- d) Department for Promotion of Industry and Internal Trade





249 Which of the following is not the aim of Methanol Economy programme ?

- a) Converting coal reserves and municipal solid waste into methanol.
- b) Reducing Greenhouse gas (GHG) emissions.
- c) Reducing India's oil import bill.
- d) Converting industrial waste into methanol.



**250** E-Amrit is related to

- a) One-stop destination for all information on electric vehicles
- b) Facilitates and improve access to Indian government data
- c) Improves air quality in India by accelerating the deployment of electronic vehicles.
- d) Provides a stimulus to exports and economic growth



251 Which revolution was materialized by innovative farm technologies including high yielding seed varieties and intensive use of water, fertilizers & pesticides?

- a) The Green revolution
- b) The Kisan revolution
- c) The Agriculture revolution
- d) The Fasal revolution



**252** PM Gati Shakti is related to

- a) Empowerment of MSMEs
- b) Data based decisions related to integrated planning of multimodal infrastructure there by reducing the logistic cost.
- c) Manufacturing of electric and hybrid vehicle technology
- d) Automatic route for FDI



253

Which of the following Sector contributes maximum to India's Gross value added?

- a) Primary sector
- b) Secondary sector
- c) Tertiary sector
- d) All of the above



**254 APEDA-full form**

- a) Agricultural product export development agency
- b) Agricultural produce economic development association
- c) Animal product export development authority
- d) Agricultural & Processed food export development authority





255

What does the E-NAM (Electronic National Agriculture Market) aim to achieve?

- a) Increase farm productivity
- b) Create a unified national market for agricultural commodities
- c) Provide financial support to farmers
- d) Promote organic farming



256 Which of the following cause is reducing the ability of Indian agriculturalists to participate in domestic as well as export market?

- a) Low farming productivity and subsistence farming.
- b) Large amount of marketable surplus with farmers
- c) Dominated by big farmers and farm productivity
- d) Big landholdings by small farmers



257 MRTP act, 1969, is aimed at regulation of \_\_\_\_\_ which had relatively \_\_\_\_\_ market power.

- a) Large Firms, large
- b) Large firms, small
- c) Small firms, small
- d) Small firms, medium



258

What is the main cause attributed to the immediate need for economic reforms in 1991?

- a) Fiscal deficit was financed by huge amounts of domestic and external debts
- b) Forex reserves touched the highest point
- c) Persistent huge deficit led to declining public debt
- d) Government's revenue expenditure consistently lowering revenue receipts.



259 The Government of India has allowed 100% FDI in marketing of food products and in food product E-commerce under the \_\_\_\_\_ route.

- a) Automatic
- b) Green channel
- c) Government
- d) Trade





260

To develop the mechanism to formulate credible plans at village level and aggregate these progressively at higher level of government is an objective of

- a) Ministry of rural development
- b) NITI Aayog
- c) Commission of policy and planning
- d) Planning commission





261

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**263 Nationalization means:**

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- 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



264

What is the primary objective of the Indian government's "Make in India" initiative?

- a) To increase imports from other countries
- b) To promote local manufacturing and attract foreign investment
- c) To reduce domestic production costs
- d) To expand the agricultural sector



265 Which of the following is NOT a function of NITI Aayog?

- a) Formulating five-year plans
- b) Promoting sustainable development
- c) Facilitating cooperative federalism
- d) Providing policy and technical advice to the central and state governments





266 The Indian government's policy of "Import Substitution Industrialization" (ISI) primarily aimed to:

- a) Increase imports to stimulate economic growth
- b) Reduce dependence on foreign goods by promoting domestic industries
- c) Encourage foreign investment in local industries
- d) Expand the agricultural sector for export





267 Who maintains a buffer stock of foodgrains in India ?

- a) FCI
- b) NAFED
- c) Ministry of Agriculture
- d) None of these



**268** The minimum support price is declared by :

- a) Ministry of Agriculture
- b) Ministry of Finance
- c) The Cabinet Committee on economic affairs
- d) None of these



269 Atal Tinkering lab is an initiative by which of the following institution ?

- a) Niti Aayog
- b) CBSE
- c) National Ayush Mission
- d) Reserve bank of India



270

Assertion (A). New Economic Policy is to expand the economic wings of the country.

Reason

(R) : Due to economic liberalisation or relaxation in the import tariffs, deregulation of markets or opening the markets for private and foreign players, and reduction of taxes a.

Both Assertion

a) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

b) Both Assertion (A) and Reason (R) are true, and Reason (R) is not the correct explanation of Assertion (A).

c) Assertion (A) is true, but Reason (R) is false.

d) Assertion (A) is false but Reason (R) are is true.



271

Which of the following is a primary objective of India's Five-Year Plans?

- a) To regulate and control foreign trade
- b) To promote balanced economic growth across all regions
- c) To discourage the private sector in favour of public enterprises
- d) To ensure foreign aid and capital inflows into the country



**272** The Green Revolution in India focused primarily on increasing the production of:

- a) Oilseeds
- b) Food grains, especially wheat and rice
- c) Fruits and vegetables
- d) Cash crops like cotton and sugarcane





273 Which of the following policies has the Indian government adopted to promote small-scale industries?

- a) Granting subsidies to large multinational corporations
- b) Providing financial and technical assistance to small businesses
- c) Encouraging imports of capital goods for industrial use
- d) Abolishing labour laws to increase industrial output



274 Which of the following is the most important source of India's foreign exchange earnings?

- a) Industrial exports
- b) Remittances from Indians working abroad
- c) Tourism
- d) Services exports, especially IT and software



275

Which of the following is a correct measure of unemployment in India?

- a) Labour force participation rate
- b) Gross Domestic Product per capita
- c) Inflation rate
- d) Poverty headcount ratio



**276 Economic globalization has seen:**

- a) business cycles in the rest of the world synchronize with those of India.
- b) financial markets become more integrated over time.
- c) financial disruptions spread more easily among countries.
- d) all the above.



277

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



278 Which of the following is considered a major challenge to the Indian agricultural sector?

- a) Over-reliance on capital-intensive machinery
- b) Low level of technological adoption and irrigation facilities
- c) Excessive imports of agricultural products
- d) Lack of foreign investments in the sector





279 Which of the following sectors saw the highest growth rate after the economic reforms of 1991 in India?

- a) Agriculture
- b) Industrial Sector
- c) Services Sector
- d) Mining and Quarrying



280 Which of the following is the most accurate reason for the persistence of poverty in India despite economic growth?

- a) Low level of foreign investment in rural areas
- b) High inequality in the distribution of income and resources
- c) Limited development in urban sectors
- d) Lack of a social security system for the working population

