

# CA FOUNDATION - MACRO ECONOMICS



CA HARDIK MANCHANDA

## MOST IMPORTANT MCQs

### ECONOMICS MARATHON

Chapter - 6, 10, 8, 7 & 9  
35 M L 5 units - 10 units

Study Mat, MTP & PYQ

6.15 Milte Hai  
L 4 - 1088 ↓



## Chapter 6

1. The concept of 'resident unit' involved in the definition of GDP denotes
- A business enterprise which belongs to a citizen of India with production units solely situated in India
  - The unit having predominant economic interest territory in the country for one year or more irrespective of the nationality or legal status
  - A citizen household which had been living in India during the accounting year and one whose economic interests are solely in India
  - Households and business enterprises composed of citizens of India alone living in during the accounting year India



2. Non-economic activities are
- those activities whose value is excluded from national income calculation as it will involve double counting
  - those which produce goods and services, but since these are not exchanged in a market transaction they market do not command any value
  - those which do not involve production of goods and services as they are meant to provide hobbies activities and leisure time
  - those which result in production for self therefore consumption not included national income calculation and in

3. Which of the following does not enter into the calculation of national income?

- ✓
- Exchange of previously produced goods ✗
  - Exchange of second hand goods ✗
  - Exchange of stocks and bonds
  - All the above

Includes Dep ✓

$$\text{Net} = \text{G} - \text{Dep}$$

4. Gross Domestic Product (GDP) of any nation

- excludes capital consumption and intermediate consumption ✗
- is inclusive of capital consumption or depreciation
- is inclusive of indirect taxes but excludes subsidies - MP & FC
- None of the above

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

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



GNP <sub>National</sub> → NFIA

$$G_j = N + D$$
$$N = G_i - Dep$$

6. Choose the correct statement

- a) GNP includes earnings of Indian corporations overseas and Indian residents working overseas, but GDP does not include these
- b)  $NNP_{FC} = \text{National Income} = \text{FID income (factor earned domestic territory)} - \text{NFIA}$
- c) Capital goods and inventory Investment are excluded from computation of GDP
- d)  $NDP_{MP} = GDP_{MP} + \text{Depreciation}$  ✗

7. If factor income from abroad is positive, then

$$N = D + \overset{Pos}{NFIA}$$

- 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

8. The GDP per capita is

$$\frac{GDP}{Pop.}$$

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

↳ per capita income

9. Which of the following is an example of transfer payment?

- a) Old age pensions and family pensions
- b) Scholarships given to deserving diligent students.
- c) Compensation given for loss of property due to floods
- d) All the above

10. 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

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

- a) Transfer payments to individuals
- b) Undistributed corporate profits
- c) Transfer payments made to foreigners
- d) Mixed income of self employed - NO ✓

12. National Income Accounting was pioneered by \_\_\_\_\_.

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



13. Which of the following ministries is responsible in India for the compilation of National Accounts Statistics? ✓

- (a) Ministry of Commerce & Industry
- (b) Ministry of Social Affairs
- (c) Ministry of Finance
- (d) Ministry of Statistics and Program Implementation

14. <sup>3m/1x</sup> Real GDP increase over time due to the following reason/s: <sup>Nominal-</sup>

- a) Increase in production of goods
- b) Increase in the prices of goods
- c) Both a & b
- d) None of the above

15. \_\_\_\_\_ is a price index that is calculated by dividing the nominal GDP in a given year by the real GDP for the same year and multiplying it by 100

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

$$\text{GDP deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

16. GDP Deflator is a price index used to convert \_\_\_\_\_.

- (a) Nominal GDP to Real GDP
- (b) Nominal GDP to National GDP
- (c) Real GDP to National GDP
- (d) Nominal GDP in percentage

$$\text{GDP defl} = \frac{120}{\text{Real}} \times \frac{\text{N.GDP}}{\text{GDP def}}$$

17. What is Real GDP if Nominal GDP is Rs. 5,75,000 and GDP Deflator is 143.75.

- (a) Rs. 4,00,000
- (b) Rs. 8,26,563
- (c) Rs. 1,25,000
- (d) None of these

$$\frac{575000}{143.75} \times 100$$

18. Since nominal GDP and real GDP must be the same in the base year, the deflator for the base year is

- (a) Always Zero
- (b) Always 100
- (c) Always Equal to Nominal GDP
- (d) Always Equal to Real GDP

$$\text{GDP defl.} = \frac{N}{R} \times 100$$



19. If the GDP deflator is greater than 100, then-

- (a) Nominal GDP = Real GDP
- ☒ (b) Nominal GDP > Real GDP
- (c) Nominal GDP < Real GDP
- (d) Nominal GDP 2 Real GDP

$$\text{GDP}_{MP} + \text{NFIA}$$

20. \_\_\_\_ is a measure of the market value of all final economic goods and services, produced within the domestic territory of a country by normal residents during an accounting year including net factor incomes from abroad

- a) GDPmp
- b) NDFfc
- ☒ c) GNPmp
- d) NNPmp

$$\text{GDP}_{MP} + \text{NFIA} - \text{Dep}$$

21. \_\_\_\_ is a measure of the market value of all final economic goods and services, produced within the domestic territory of a country by normal residents during an accounting year including net factor incomes from abroad & excluding Depreciation

- a) GDPmp
- b) NDFfc
- c) GNPmp
- ☒ d) NNPmp

$$\text{GDP}_{FC} - \text{Dep} - \text{Comp} + \text{op} = \text{NNP}_{MP}$$
$$\text{NDP}_{FC} - \text{Comp} = \text{op surp.}$$

$$\text{NDP}_{FC} = \text{Comp} + \text{op surp.}$$

22. What is the formula for computing Operating Surplus?

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

23. Normally, NNP at market prices are higher than NNP at factor cost because

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

$$\text{NNP}_{MP} > \text{NNP}_{FC}$$
$$\text{MP} = \text{FC} + \text{Ind. Tax} - \text{Sub} \quad \text{NIT}$$

24. The money value of output produced within a country's domestic limits in a year, as received by the factors of production, is measured by \_\_\_\_

- a) GDPmp
- ☒ b) GDPfc
- c) NDPfc
- d) NNPfc

$$\text{GDP}_{FC}$$

$$\frac{100 + 20 - 10}{MP 110}$$



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

GNP at MP: ₹60,000

Depreciation: ₹4,000

NFIA: ₹3200

Net Indirect Taxes: ₹6,000

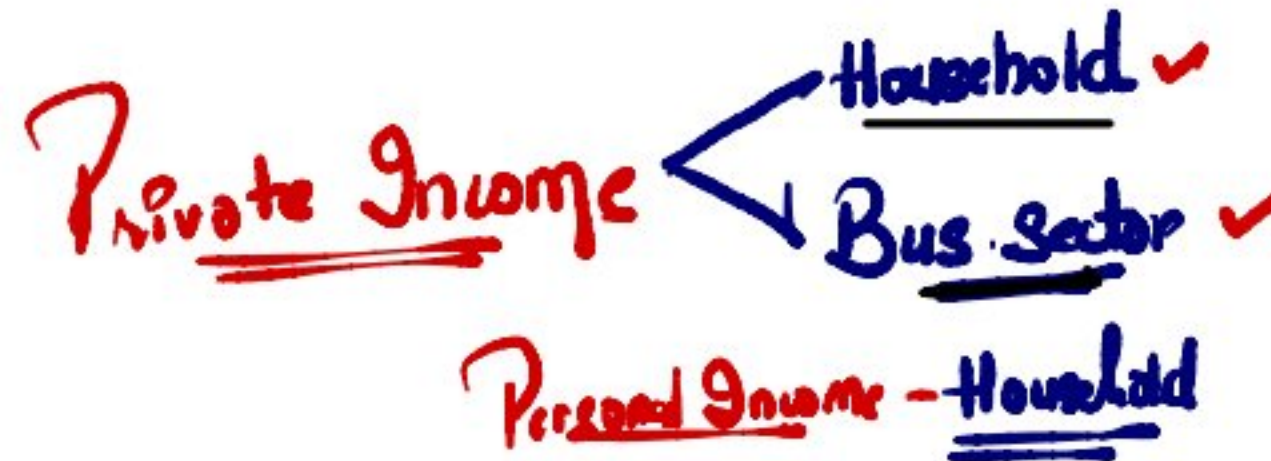
$$\begin{aligned} \text{NDP}_{FC} &= \text{GNP}_{MP} - \text{Dep} - \text{NFIA} - \text{NIT} \\ &= 60,000 - 4,000 - 3,200 - 6,000 \end{aligned}$$

(a) 46,800

(b) ₹64,000

(c) 61,080

(d) None of these



26. Private Income: ₹50,000

Undistributed Corporate Profits: ₹10,000 - Retained earn

Profit Taxes: ₹2500

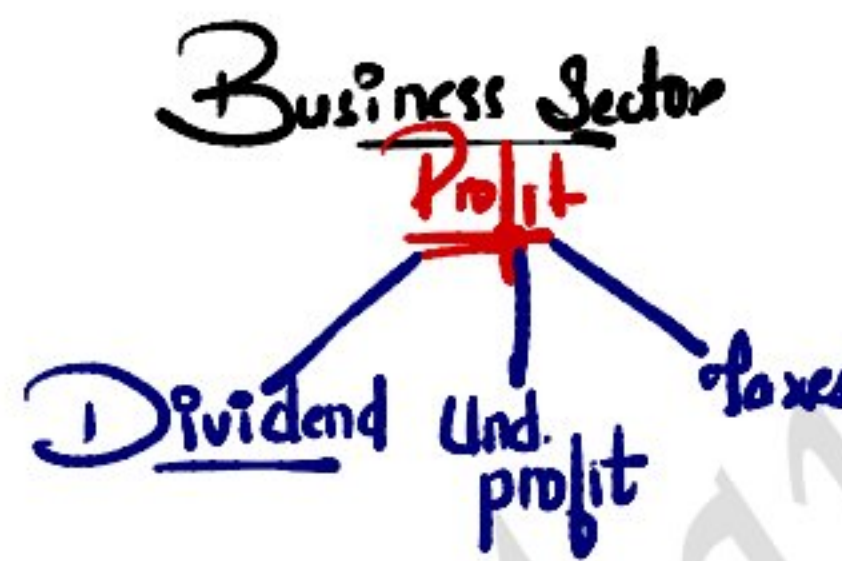
What is Personal Income?

(a) ₹37,500

(b) ₹48,000

(c) 34,000

(d) ₹40,000



27. \_\_\_\_\_ is the income received by the household sector including Non-Profit institutions serving households.

a) National income

b) Private income

c) Personal income

d) Personal disposable income

28. \_\_\_\_\_ method may be most suitable for developed economies

a) Expenditure method

b) Income method

c) Production method

d) None of the above



\* 29. Consider the following data:-

Compensation of Employees	1,200
Operating Surplus <u>R+G+P</u>	2,400
Consumption of fixed capital - <u>Dep</u>	480
Mixed-income of Self-employed	1,320
Net Indirect Tax	540
Rent <del>X</del>	660
Profit <del>X</del>	960
Net factor Income from abroad	60

Income Method

$$\begin{aligned} \text{NDP}_{\text{FC}} &= 1200 \\ &+ 2400 \\ &+ 1320 \\ \hline &4920 \end{aligned}$$

$$\begin{aligned} \text{NDP}_{\text{FC}} + \text{Dep} + \text{NIT} \\ 4920 + 480 + 540 = 5940 \end{aligned}$$

Which of the following is incorrect?

- (a) GDP at MP = 5,940 Crores ✓
- (b) GNP at MP = 6,000 Crores ✓
- (c) NNP at MP = 5,520 Crores ✓
- (d) NNP at FC = 5,940 Crores ✓

$$\begin{aligned} \text{GDP}_{\text{MP}} + \text{NFIA} &= 5940 + 60 \\ \text{GNP}_{\text{MP}} - \text{Dep} &= 6000 - 480 \\ \text{NNP}_{\text{MP}} &= 5520 \\ \text{NNP}_{\text{FC}} &= 5520 - 540 = 4980 \end{aligned}$$

30.  $\text{NNP}_{\text{MP}} = 15,053$  Crores; Indirect Taxes = 335; Crores;  $\text{NNP}_{\text{FC}} = 14,980$  Crores; what will be the amount of subsidies and Net Indirect Taxes?

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

$$\begin{aligned} \text{NNP}_{\text{MP}} &= \text{NNP}_{\text{FC}} + \text{NIT} \\ 15053 &= 14980 + \text{NIT} \\ \underline{73} &= \text{T} - \text{S} \\ &= 335 - \text{S} \end{aligned}$$

31. \_\_\_\_\_ is the flow of goods and services between firms and households.

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

32. "Identifying the producing enterprise and classifying them into individual sectors according to their activities", is a step followed in which of the following methods of computing national income?

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





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

- (a) Sale and purchase of second-hand goods ✗
- (b) Intermediate goods ✗
- (c) Production of primary goods for self-consumption
- (d) All of the above

Output- Int

34. Consider the following data:

Sales: 20,00,000 ✓

Closing Stock: 40,000

Opening Stock: 10,000

Indirect Taxes: 1,00,000

Depreciation: 60,000

Intermediate Consumption: 3,20,000

Purchase of Raw Material: 1,35,000 ✗

Rent: 25,000

The amount of Net value added at market price is \_\_\_\_\_.

(a) ₹16,30,000

(b) ₹16,50,000

(c) ₹16,80,000

(d) ₹16,90,000

$$\begin{array}{r} \text{Value of output} = 2030.000 \\ - \text{Int. goods} \quad (320.000) \\ \hline \text{GDP}_{MP} \quad 1710.000 \\ - \text{Dep} \quad (60.000) \\ \hline \end{array}$$

cl. - op.

NDP<sub>MP</sub>

35. Which of the following is included while estimating National Income under Income Method?

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

Estimated

36. In respect of the following data, what will be the national income using the expenditure method?

Private final consumption: 25,000

Government final consumption: 12,000

Net Domestic capital formation: 6,500

Net Export: 5,000

Net factor income from Abroad: 1000

Net Indirect Taxes: 1,500

(a) ₹49,500

(b) ₹48,000

(c) ₹47,000

(d) ₹45,500

$$\begin{array}{r} 25000 \\ + 12000 \\ + 6500 \\ + 5000 \\ \hline \text{NDP}_{MP} = 48500 \\ + \text{NFIA} \\ - \text{NIT} \end{array}$$

Investment

Gross Domestic  
Cap formation  
- Dep  
= Net Dom.

Exp Method

GDP<sub>MP</sub>  
NDP<sub>MP</sub>

$$\begin{aligned} \text{NNP}_{FC} &= \text{NDP}_{MP} + \text{NFIA} - \text{NIT} \\ &= 48500 + 1000 - 1500 \end{aligned}$$



\*

37. Consider the following information-

Private Final Consumption Expenditure: 67

Gross Domestic ~~Fixed~~ Capital Formation: 1,575

Subsidy: 450

Net Import: 90

Change in Stock: 135

Net acquisition of Valuables: 45

Income Paid to abroad: 90

Depreciation: 135

What is the value of NNP FC (by expenditure method)?

(a) ₹1,957 Crores

(b) ₹1,507 Crores

(c) ₹1,462 Crores

(d) None of these

$$\begin{aligned} \text{GDP}_{\text{MP}} &= 67 \\ &+ 1575 \\ &- 90 \\ &+ 135 \\ &+ 45 \\ &= 1732 \end{aligned}$$

$$\begin{aligned} \text{NNP}_{\text{FC}} &= \text{GDP}_{\text{MP}} - \text{Dep} + \text{NFIA} - \text{NIT} \\ &= 1732 - 135 + 0 - 450 \\ &= 1157 \end{aligned}$$

38. In preparation of state income estimates, certain activities railways, communications, banking, etc. that cut across state & thus their economic contribution cannot be assigned to any one state directly are known as

a) Super regional sectors

b) Super sectors

c) Supra Regional Sectors

d) Regional sectors

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

(a)  $AD = \bar{C} + I$

(b)  $AD = \bar{C} + \bar{I}$

(c)  $AD = C + I$

(d)  $AD = C + \bar{I}$

$$C + I$$

constant

40. Keynes believed that an economy may attain an equilibrium level of output

(a) only at the full-employment level of output

(b) above the full-employment level of output

(c) below the full-employment level of output

(d) None of these

\* 41. The Keynesian assumption is that consumption increases with an increase in disposable income. If the increase in disposable income is 30%, then what may be the increase in consumption?

(a) Less than 30%

(b) Equal to 30%

(c) More than 30%

(d) Any of the above



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

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

Aut cons

MPC

$$L = \frac{\Delta C}{\Delta Y} < 1$$

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

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

0.5

50

MPC

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

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

$$MPS + MPC = 1$$

$$\frac{40}{100} = 0.4$$

0.6

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

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

$$a + by$$
$$30 + 0.75 y$$

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

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

MPC

$$\frac{1}{MPS} = \frac{1}{0.2}$$

47. Under Keynesian Theory \_\_\_\_\_ is the amount by which actual aggregate demand exceeds the level of aggregate demand required to establish the full employment equilibrium.

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



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

Autonomous Consumption = 500  $\alpha$

MPS = 0.3

Investment Expenditure = 1000  $= S = 1000$

What is national income?

(a) 1,500

(b) 5,000

(c) 150

(d) 5,650

$$S = -500 + 0.3Y$$

$$1000 = -500 + 0.3Y$$

$$\frac{1500}{0.3}$$

49. The higher the MPC more will be the value of the multiplier, whereas, the higher the MPS lower will be the value of the multiplier.

(a) MPS, MPC

(b) MPC, MPS

(c) APS, APC

(d) APC, APS

↓  
Consumption - MPC ↑

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

(a) 0

(b) 1

(c) Infinity ( $\infty$ )

(d) -1

$$\frac{1}{0}$$

$$\begin{matrix} \text{MPC} > 1 \\ \text{MPS} = 0 \end{matrix} \quad \Delta Y = \Delta C$$

51. The following information is available regarding structure model of an economy:

$C = 40 + 0.8Y_d$  ✓  $Y_d = Y - 40 + 15$

$I = 80$  ✓

$G = T = 40$  ✓

$TR = 15$  ✓

What will be the equilibrium level of income?

(a) 700

(b) 610

(c) 175

(d) None of these

$$Y = C + I + G$$

$$Y = 40 + 0.8(Y - 25) + 80 + 40$$

$$AS = AD$$

$$Y \rightarrow$$

52. In the determination of the equilibrium level of national income, which of the following is correct?

(a)  $Y = C + I + G + (X - M)$  ✓

(b)  $C = a + b(Y - T)$  ✓

(c)  $M = \bar{M} + mY$  ✓

(d) All of the above



X-M

53. Equilibrium income (Y) = 600; Exports (x) = 20 Imports (M) = 10 + 0.05Y. Calculate Trade Balance.

Balance. X-M

(a) Surplus (20)

(b) Deficit (20)

(c) Surplus (30)

(d) Deficit (30)

$$20 - 40$$

$$20 - 40$$

$$\begin{array}{r} 10 + 0.05 \times 600 \\ 10 \quad 40 \quad 30 \end{array}$$

54. Consider the following: Consumption function (C) = 40 + 0.8Y

$$T = 0.1Y$$

$$I = 60 \text{ crores}$$

$$G = 40 \text{ Crores}$$

$$X = 58$$

$$M = 0.05Y$$

$$Y_d = Y - 0.1Y = 0.9Y$$

$$Y = 40 + 0.8(0.9Y) + 60 + 40 + (58 - 0.05Y)$$

What will be the equilibrium level of National Income?

(a) 800 crores

(b) 600 crores

(c) 545 crores

(d) None of this.

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

(a) 375

(b) 675

(c) 1,125

(d) 1,425

$$APC = \frac{C}{Y - 1800} = 0.625$$

$$APS = \frac{S}{Y} \quad 0.375 = \frac{S}{1800}$$
$$S = 675$$

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

(a) Exports

(b) Imports

(c) Net capital Inflow

(d) All of the above

AD Eq.

AS

57. 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



58. In a closed economy, aggregate demand is the sum of:

- (a) Consumer expenditure, demand for exports, and government spending
- (b) Consumer expenditure, planned investment spending, and government spending
- (c) Consumer expenditure, actual investment spending, government spending, and net exports
- (d) Consumer expenditure, planned investment spending, government spending, and net exports

59. If the GDP Deflator of a country in the year 2020 is 140.75 and in the year 2021 is 157.33, then what is the inflation rate in the year 2021?

- a) 9.09%
- b) 10.97%
- c) 11.78%
- d) 12.34%

$$\rightarrow \frac{157.33 - 140.75}{140.75}$$

60. If GDP at market price is ₹6,700 crore and depreciation is 530 crores, then what will be the NDP at market price?

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

$$\begin{aligned} \text{GDP}_{\text{MP}} &= 6700 \\ \text{NDP}_{\text{MP}} &= \text{GDP}_{\text{MP}} - \text{Dep} \end{aligned}$$

61. Suppose the consumption of an economy is given by  $C = 30 + 0.5Y$  and investment  $12 + 0.15Y$ . What will be the equilibrium level of National Income?

- a) 120
- b) 115
- c) 105
- d) 112

$$Y = 30 + 0.5Y + 12 + 0.15Y$$

62. Which of the following refers to the mixed income of the self-employed?

- a) Combined factor payments which are not distinguishable
- b) Wages due to non-economic activities
- c) Net profits received by self-employed
- d) Outside wages received by self-employed

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. The ratio between nominal GDP and real GDP is known as:

- a) Inflation Rate
- b) Gross Domestic Product deflator
- c) Gross National Product
- d) Net National Product

65. Which of the following is not the limitation in the computation of the national income?

- a) Issue of transfer payments
- b) Services of durable goods
- c) Difficulty of incorporating the distribution of income
- d) Quality improvements due to technological innovations

66. 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

67. In the three-sector model of a closed economy (neglecting foreign trade), what are the three components of aggregate demand

- a) Consumption, Savings, and Investment
- b) Consumption, Exports, and Government Spending
- c) Consumption, Investment, and Government Spending
- d) Consumption, Imports, and Exports

68. According to the Keynesian theory of income and employment, national income depends upon:

- a) Aggregate Effective Supply
- b) Aggregate Effective Savings
- c) Aggregate Effective Demand
- d) Aggregate Effective Production

69. What are the phases included in the circular flow of income?

- a) Production, Saving and Expenditure
- b) Production, Income and Taxation
- c) Production, Distribution and Disposition
- d) Income, Saving and Investment.





70. The state-level estimates are typically prepared by the 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 (CSO) — National
  - c) Ministry of Finance
  - d) Reserve Bank of India

71. What will be the Total Income if the value of Average Propensity to Consume (APC) is 0.45 and Total Consumption = 900 crores?
- a) 2,500 crores
  - b) 2,000 crores
  - c) 2,050 crores
  - d) 2,100 crores
- $0.45 = \frac{900}{Y}$

72. Joseph had a shoe company in US. The profits earned from its manufacturing unit operating in India will come under \_\_\_\_\_ National
- a) GDP of India and GNP of US ✓ — GDP
  - b) GDP of US and GNP of India
  - c) GNP of US and GNP of India
  - d) GDP of US and GDP of India

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## Chapter – 8

1. Following are the characteristics of 'Fiat Money' except?
- a) It is materially worthless, i.e. no intrinsic value ✓
  - b) It has value because a nation collectively agrees to ascribe a value to it, as government made it legal tender
  - c) It works because people believe it will
  - d) It is not durable
2. Which of the following is not the characteristic of Money?
- a) It should be generally accepted ✓
  - b) It should be recognizable ✓
  - c) It should not be difficult to counterfeit
  - d) It should possess uniformity
3. Demand for money is in the nature of \_\_\_\_\_ demand
- a. Autonomous
  - b. Derived
  - c. Both a. and b.
  - d. None of the above



4. Demand for money is
- a) Demand for real balances
  - b) Actually demand for liquidity and demand to store value
  - c) a decision about how much of one's given stock of wealth should be held in the form of money rather than as other assets such as bonds
  - d) All of the above
5. Demand for money depends on:
- a. Income of individuals
  - b. General price level
  - c. Rate of Interest
  - d. All of the above
6. ✓ Higher the interest rate in the market \_\_\_\_\_ the demand of money
- a. Higher
  - b. Lower
  - c. No change in
  - d. None of the above
7. Innovations such as Internet banking, application-based transfers & ATMs \_\_\_\_\_ the need for holding liquid money.
- a) Increase
  - b) Reduce
  - c) Does not affect
  - d) None of the above
8. The Quantity theory of money was propounded by \_\_\_\_\_ of Yale University in his book \_\_\_\_\_ published in \_\_\_\_\_.
- a) Irving Fisher; The Purchasing Power of Money; 1991
  - b) Irving Fisher; The Purchasing Power of Money; 1911
  - c) Adam Smith; Wealth of Nations; 1931
  - d) None of the above
9. Fisher's version is also termed as:
- a. Equation of exchange ✓
  - b. Transaction approach ✓
  - c. Cash Balance approach ✗
  - d. Both a. and b.
- ↗ Equation  $MV = PT$



10. In the equation,  $MV = PT$ , Demand for money is denoted by\_\_\_\_\_.

- a) MV
- b) M
- c) PT
- d) T

11. As per the quantity theory of money, change in general level of commodity prices are determined first and foremost by changes in\_\_\_\_\_

- a) Quantity of money in circulation
- b) Total number of transactions
- c) Velocity of money in circulation
- d) All of the above

$$\underbrace{MV}_{\text{Cons}} = \underbrace{P}_{\text{Trans}} \underbrace{T}_{\text{Cons}}$$

12. Cambridge version holds that money increases utility in the following ways:

- a) enabling the possibility of splitting of sale and purchase to two different points of time rather than being simultaneous - Trans
- b) being an uncertainty hedge against uncertainty
- c) Both a & b
- d) None of the above

13. Cambridge Approach is also known as\_\_\_\_\_

- a. Transaction approach
- b. Cash balance approach
- c. Inventory approach
- d. None of the above

14. Cambridge money demand function is stated as:

- a.  $M_d = k Y$
- b.  $M_d = KP$
- c.  $M_d = k PY$
- d.  $M_d = k Y$

$$k = \text{Proportion}$$

15. In the Cambridge money demand function, what does 'k' represents:

- a) Real national income
- b) proportion of income that people want to hold as cash balances
- c) Investment multiplier
- d) Money multiplier

16. Keynesian theory of Demand for Money is also known as\_\_\_\_\_.

- a) Equation of exchange
- b) Liquidity Preference Theory
- c) Transaction approach
- d) Classical Approach



17. According to Keynes, people hold money in cash for:

- a. Transaction motive
- b. Precautionary motive
- c. Speculative motive
- d. All of the above

\* 18. As per Keynesian theory, the transaction demand for money is \_\_\_\_\_ related to the interest rate.

- a. Directly
- b. Indirectly
- c. Not
- d. Positively

Speculative

19. Individuals as well as businesses keep a portion of their income to finance such unanticipated expenditure. This shows \_\_\_\_\_.

- a) Transaction demand for money
- b) Precautionary demand for money
- c) Speculative demand for money
- d) All of the above

20. People demand to hold money balances to take advantage of future changes in the rate of interest. This shows \_\_\_\_\_.

- a) Transaction demand for money
- b) Precautionary demand for money
- c) Speculative demand for money
- d) All of the above

\* 21. The market value of bonds & market rate of interest are:

- a) Directly related
- b) inversely related
- c) Not related
- d) None of the above

Int Rate ↑ MP ↓

\* 22. As per the speculative motive of holding money, if the wealth holders consider the current interest rate as low, compared to the 'critical rate of interest', then-

- a) they expect the rate of interest to rise in the future ✓
- b) they expect a fall in bond prices ✓
- c) they would have an incentive to hold their wealth in the form of liquid cash rather than bonds
- d) All of the above



23. Speculative demand for money and interest are:

- a. Directly related
- b. Inversely related
- c. Not related
- d. None of the above

24. \_\_\_\_\_ is a situation when expansionary monetary policy does not increase interest rate, or income & hence does not stimulate economic growth.

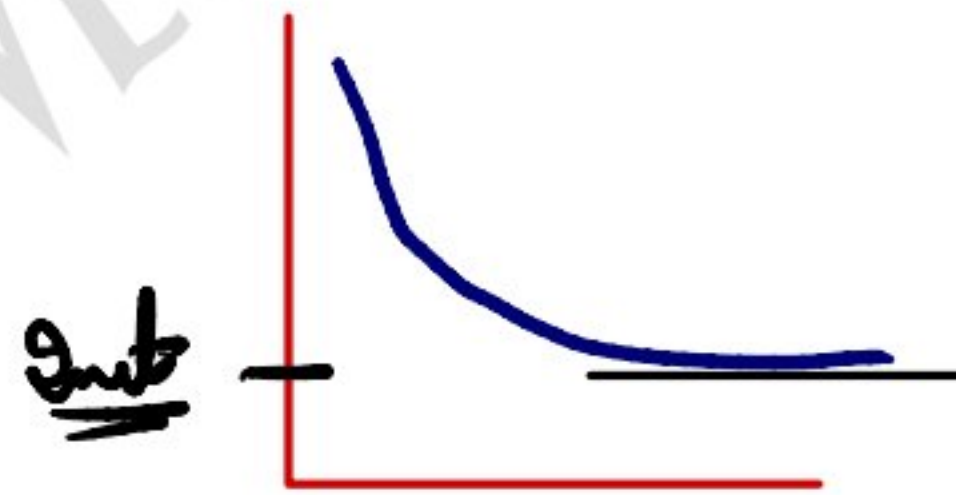
- a) Expansion
- b) Liquidity Trap
- c) Crowding out
- d) None of the above

25. The liquidity trap is synonymous with \_\_\_\_\_

- a. Effective Monetary policy
- b. Ineffective monetary policy
- c. Ineffective fiscal policy
- d. None of the above

26. The speculative demand curve becomes \_\_\_\_\_ with respect to interest rates in case of liquidity trap

- a. Perfectly elastic
- b. Perfectly inelastic
- c. Parallel to y-axis
- d. None of the above



27. Inventory Theoretic Approach was given by \_\_\_\_\_.

- a) JM Keynes
- b) Milton Friedman
- c) Irving Fisher
- d) Baumol & Tobin

28. As per Baumol & Tobin, higher the brokerage fees, \_\_\_\_\_ the transaction demand for money

- a. Lower
- b. Higher
- c. Can't say
- d. No change in



29. As per \_\_\_\_\_, demand for money is determined by the permanent income and not the current income future

- a. Irving fisher
- b. JM Keynes
- c. Baumol
- d. Friedman

30. \_\_\_\_\_ refers to the total quantity of money available with the public

- a. Money Demand
- b. Money Supply
- c. Demand deposits
- d. High powered money

31. 'Supply of money' excludes-

- a) interbank deposits ✓
- b) money held by the government ✓
- c) money held by the banking system ✓
- d) All of the above

32. Supply of money depends on: H Credit Money

- a. Decision of the central bank & response of the commercial banks
- b. Decision of the central bank & habits of the individuals
- c. Commercial banks & Government ~~✓~~
- d. All of the above

33. \_\_\_\_\_ is the primary source of money supply in all countries ✓

- a. Commercial banks
- b. Government
- c. Central bank H, Monetary Base, Res. Money
- d. All of the above

34. Calculate Currency with Public respectively- ✓

Notes in Circulation - Rs. 43,22,288

Circulation of Rupee Coins - Rs. 26,422

Circulation of Small Coins - Rs. 2345

Cash on hand with Banks - Rs. (12345)

- a. Rs. 43,38,710
- b. Rs. 43,51,055
- c. Rs. 43,63,400
- d. None of the above

4361055



35. Calculate Narrow Money (M1)  $cc + dd + Od$

Currency with the public - Rs. 222,525

Demand Deposits with Banks - Rs. 1,34,440

Time Deposits with Banks - Rs. 2,80,556

Post office Demand Deposits - Rs. 3,233

Other Deposits with RBI: Rs. 55,655

Time deposits with post office - Rs. 2,345

- a) Rs. 4,12,600
- b) Rs. 4,12,620
- c) Rs. 4,15,853
- d) None of the above

36. Money created by RBI is

- a. Monetary Base
- b. High powered Money
- c. Reserve money
- d. All of the above

37. If Money supply in the economy is Rs. 100 and monetary base is Rs. 20, then money multiplier is:

- a. 2000
- b. 0.2
- c. 5
- d. None of the above

$$\frac{100}{20} = 5$$

38. If required reserve ratio is 10%, then money multiplier will be?

- a) 1
- b) 0.1
- c) 10
- d) 2

Credit

$$\frac{1}{\frac{1}{10}} = \frac{1}{0.1} = 10$$

\* 39. Reserve ratio & money multiplier is

- a. Directly related
- b. Inversely related
- c. Positively related
- d. Not related

40. Relationship between excess reserve & Money multiplier is:

- a. Directly related
- b. Inversely related
- c. Not related
- d. Positively related

$$\frac{C+1}{C+r+e}$$



41. Excess reserve ratio is \_\_\_\_\_ related to the market interest rate

- a. Directly
- b. Inversely
- c. Not
- d. Positively

42. As per Milton Friedman & Anna Schwartz which of the following factors are the determinants of money supply:

- a) Stock of high-powered money **H**
- b) Reserve-ratio
- c) Currency Deposit Ratio
- d) All of the above



43. Fearing shortage of money in ATMs, people decide to withdraw the money from the bank & hold with themselves. This will lead to \_\_\_\_\_.

- a) Decrease in currency ratio & decrease in money multiplier
- b) decrease in currency ratio & increase in money multiplier
- c) Increase in currency ratio & decrease in money multiplier
- d) Increase in currency ratio & increase in money multiplier



44. \_\_\_\_\_ represents degree of adoption of banking habits by people.

- a) Required reserve ratio
- b) Excess reserve ratio
- c) Currency deposit ratio
- d) Time deposit-demand deposit ratio

45. An ↑ in time deposit-demand deposit ratio means that greater availability of free reserves & ↑ in money multiplier

- a) Increase, increase
- b) Decrease, increase
- c) Increase, decrease
- d) Decrease, decrease

46. Money supply varies ↑ with changes in monetary base & ↓ with the currency & reserve ratios

- a. Directly; directly
- b. Inversely; directly
- c. Directly; inversely
- d. Inversely; inversely



\*

47. Calculate Money Multiplier, if:

Reserve Ratio (r) = 10% ✓

Currency = Rs 500 crores

Deposits = Rs 800 crores

Excess Reserve = Rs 4 crores

$$\frac{C+1}{C+r+e}$$

$$C = \frac{500}{800} = 0.625$$

$$e = \frac{4}{800} = 0.005$$

a) 2.08

b) 2.22

c) 1.99

d) None of the above

$$\frac{0.625+1}{0.625+0.1+0.005}$$

48. \_\_\_\_\_ of government securities by central bank will reduce the money supply

a. Purchase

b. Sale

c. Both a. and b.

d. None of the above

49. The primary objective of monetary policy has been: \_\_\_\_\_

a) Price stability —

b) Economic growth ✓

c) Both a & b

d) None of the above

50. As per savings and investment channel, Lower interest rates on bank deposits reduce the incentives of households to save their money.

a. Lower

b. Higher

c. Moderate

d. None of the above

51. \_\_\_\_\_ lending rates can increase investment spending by business.

a. Lower

b. Higher

c. Moderate

d. None of the above

52. As per Asset Prices & wealth channel, \_\_\_\_\_ interest rates support asset prices by encouraging demand for assets.

a. Lower

b. Higher

c. Moderate

d. None of the above



53. As per Asset Price & Wealth Channel, an increase in asset prices ↑ people's wealth. This can lead to ↑ consumption and housing investment as households generally spend some share of any increase in their wealth.

- a) Decrease, lower
- b) Increase, higher
- c) Decrease, higher
- d) Increase, lower

\* 54. As per Exchange Rate Channel, a reduction in interest rates in India (compared with rest of world) results in a low exchange rate, making foreign goods and services more Exp compared with those produced in India.

- a) Higher, affordable
- b) Lower, expensive
- c) Higher, expensive
- d) Lower, affordable

Int Rates ↓ - Exchange Rate ↓  
↓  
Export ↑

55. Amount set aside, which banks can neither lend it to anyone nor can it earn any interest rate or profit.

- a) Statutory Liquidity Ratio
- b) Excess Reserve Ratio
- c) Cash Reserve Ratio
- d) All of the above

56. When the RBI ~~Sells~~ government securities, the liquidity sucked from the market.

- a) Purchases
- b) Sells
- c) Either a or b
- d) None of the above

NS ↓

57. \_\_\_\_\_ tools are selective tools that have an effect on a specific sector of the economy

- \*
  - a. Quantitative tools
  - b. Qualitative tools
  - c. Both a. and b.
  - d. None of the above

58. 'Controlling credit by not lending to selective industries or speculative businesses'. Which qualitative tool is referred in the statement?

- a. Selective credit control
- b. Moral suasion
- c. Margin requirement
- d. All of the above



59. Which of the following is not a quantitative tool of monetary policy?

- a) Cash Reserve Ratio ✓
- b) Statutory Liquidity Ratio ✓
- c) Repo Rate ✓
- d) Margin Requirements - Household

60. RBI convinces banks to keep money in government securities, rather than certain sectors. This is an example of \_\_\_\_\_.

- a) Selective credit control
- b) Market stabilization scheme
- c) Margin Requirement
- d) Moral Suasion

61. The interest rate at which RBI lends long term funds to banks is referred to as the \_\_\_\_\_.

- a) Repo Rate
- b) Reverse-Repo Rate
- c) Interest rate
- d) Bank Rate

62. \_\_\_\_\_ is used to prescribe penalty to the bank if it does not maintain the prescribed SLR or CRR

- a. Repo Rate
- b. Reverse-Repo Rate
- c. Interest rate
- d. Bank Rate

63. \_\_\_\_\_ is the rate at which banks borrow from RBI on a short-term basis against a repurchase agreement.

- a) Repo Rate
- b) Reverse-Repo Rate
- c) Bank Rate
- d) None of the above

64. If Repo rate is 4%, then reverse repo rate will be: ✓

- a) 5%
- b) 3%
- c) 4%
- d) Reverse repo rate is not linked to repo rate.

- 1. Repo Rate > Rev. Repo Rate



65. \_\_\_\_\_ rate is the penal rate at which the Central Bank lends money to banks, over the rate available under the repo policy.

- a) Repo Rate
- b) MSF Rate
- c) Reverse-Repo rate
- d) Bank Rate

\* 66. The Monetary policy framework is an agreement reached between Government of India and Reserve Bank of India on the \_\_\_\_\_ tolerable inflation rate that RBI should target to achieve price stability.

- a. Minimum
- b. Maximum
- c. Desired
- d. Any of the above

\* 67. Inflation target is set by Govt. of India, in consultation with RBI, once in every 5 years.

- a) 2
- b) 5
- c) 3
- d) 4

68. RBI is mandated to publish a Monetary policy report every 6 months, explaining the source of inflation and the forecast of inflation for the coming period of six to eighteen months.

- a. 12
- b. 6
- c. 18
- d. 2

69. The following factors are notified by central government as constituting a failure to achieve the inflation target.

- a. Average inflation is more than upper tolerance level of the inflation target for any three consecutive quarters
- b. Average inflation is less than lower tolerance level for any three consecutive quarters
- c. Both a and b
- d. None of the above

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

- a. Transactions Motive
- b. Speculative Motive
- c. Precautionary Motive
- d. Conservative Motive



71. As per Keynes, the expected rate of return on money is:

- a. Nominal interest rate
- b. Rate of inflation
- c. Zero
- d. Real Interest rate

72. 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

73. When the central bank conducts open market operations to purchase government securities, what happens to the monetary base and the money supply? ✓

- a. Monetary base increases, money supply increases
- b. Monetary base increases, money supply decreases
- c. Monetary base decreases, money supply increases
- d. Monetary base decreases, money supply decreases

74. Which of the following is true with regard to the Liquidity Trap?

- a. Speculative Demand is parallel to X-Axis
- b. ~~The desire to hold a bond is infinity~~ Money
- c. Ineffective Monetary Policy
- d. Both A & C

75. Choose the incorrect statement

- (a) Anything that would act as a medium of exchange is money
- (b) Money has generalized purchasing power and is generally acceptable in the settlement of all transactions
- (c) Money is a totally liquid asset and provides us with means to access goods and services
- (d) Currency which represents money does not necessarily have intrinsic value.

76. The quantity theory of money holds that

- (a) changes in the general level of commodity prices are caused by changes in the quantity of money
- (b) there is strong relationship between money and price level and the quantity of money is the main determinant of the price
- (c) changes in the value of money or purchasing power of money are determined first and foremost, by changes in the quantity of money in circulation
- (d) All the above



77. Fisher's approach and the Cambridge approach to the demand for money consider
- (a) money's role in acting as a store of value and therefore, demand for money is for storing value temporarily.
  - (b) money as a means of exchange and therefore demand for money is termed as liquidity preference
  - (c) money as a means of transactions and therefore, demand for money is only transaction demand for money.
  - (d) None of the above
78. Real money is
- (a) nominal money adjusted to the price level
  - (b) real national income
  - (c) money demanded at given rate of interest
  - (d) nominal GNP divided by price level
79. The precautionary money balances, people want to hold
- (a) as income elastic and not very sensitive to rate of interest
  - (b) as income inelastic and very sensitive to rate of interest
  - (c) are determined primarily by the level of transactions they expect to make in the future.
  - (d) are determined primarily by the current level of transactions
80. According to Keynes, if the current interest rate is high
- (a) people will demand more money because the capital gain on bonds would be less than return on money
  - (b) people will expect the interest rate to rise and bond price to fall in the future.
  - (c) people will expect the interest rate to fall and bond price to rise in the future.
  - (d) Either a) or b) will happen
81. According to Baumol and Tobin's approach to demand for money, the optimal average money holding is:
- (a) a positive function of income  $Y$  and the price level  $P$
  - (b) a positive function of transactions costs  $c$ ,
  - (c) a negative function of the nominal interest rate  $i$
  - (d) All the above
82. \_\_\_\_\_ considered demand for money is as an application of a more general theory of demand for capital assets
- (a) Baumol
  - (b) James Tobin
  - (c) J M Keynes
  - (d) Milton Friedman



83. The nominal demand for money rises if

- (a) the opportunity costs of money holdings – i.e. bonds and stock returns,  $r_B$  and  $r_E$ , respectively- decline and vice versa
- (b) the opportunity costs of money holdings – i.e. bonds and stock returns,  $r_B$  and  $r_E$ , respectively- rises and vice versa
- (c) the opportunity costs of money holdings – i.e. bonds and stock returns,  $r_B$  and  $r_E$ , respectively remain constant
- (d) b) and c) above

84. Reserve money is also known as

- (a) central bank money
- (b) base money
- (c) high powered money
- (d) all the above

85. Under the 'minimum reserve system' the central bank is

- (a) empowered to issue currency to any extent by keeping an equivalent reserve of gold and foreign securities.
- (b) empowered to issue currency to any extent by keeping only a certain minimum reserve of gold and foreign securities.
- (c) empowered to issue currency in proportion to the reserve money by keeping only a minimum reserve of gold and foreign securities.
- (d) empowered to issue currency to any extent by keeping a reserve of gold and foreign securities to the extent of ` 350 crores

86. The primary source of money supply in all countries is

- (a) the Reserve Bank of India
- (b) the Central bank of the country
- (c) the Bank of England
- (d) the Federal Reserve

87. Banks in the country are required to maintain deposits with the central bank

- (a) to provide the necessary reserves for the functioning of the central bank
- (b) to meet the demand for money by the banking system
- (c) to meet the central bank prescribed reserve requirements and to meet settlement obligations.
- (d) to meet the money needs for the day to day working of the commercial banks



88. Under the fractional reserve system

- (a) the money supply is an increasing function of reserve money (or high powered money) and the money multiplier.
- (b) the money supply is an decreasing function of reserve money (or high powered money) and the money multiplier.
- (c) the money supply is an increasing function of reserve money (or high powered money) and a decreasing function of money multiplier.
- (d) none of the above as the determinants of money supply are different

89. The currency ratio represents

- (a) the behaviour of central bank in the issue of currency.
- (b) the behaviour of central bank in respect cash reserve ratio.
- (c) the behaviour of the public.
- (d) the behaviour of commercial banks in the country.

90. \_\_\_\_\_ tells us how much new money will be created by the banking system for a given increase in the high-powered money.

- (a) The currency ratio
- (b) The excess reserve ratio (e)
- (c) The credit multiplier
- (d) The currency ratio (c)

91. The money multiplier will be large

- (a) for higher currency ratio (c), lower required reserve ratio (r) and lower excess reserve ratio (e)
- (b) for constant currency ratio (c), higher required reserve ratio (r) and lower excess reserve ratio (e)
- (c) for lower currency ratio (c), lower required reserve ratio (r) and lower excess reserve ratio (e)
- (d) None of the above

92. Which of the following is the function of monetary policy?

- (a) regulate the exchange rate and keep it stable ✗
- (b) regulate the movement of credit to the corporate sector
- (c) regulate the level of production and prices
- (d) regulate the availability, cost and use of money and credit

Money Supp ↓



# Inflation

93. A contractionary monetary policy-induced increase in interest rates ✓

- (a) increases the cost of capital and the real cost of borrowing for firms
- (b) increases the cost of capital and the real cost of borrowing for firms and households
- (c) decreases the cost of capital and the real cost of borrowing for firms
- (d) has no interest rate effect on firms and households

94. During deflation

*P↓ Econ.↓ D↓*

- (a) the RBI reduces the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy
- (b) the RBI increases the CRR in order to enable the banks to expand credit and increase the supply of money available in the economy
- (c) the RBI reduces the CRR in order to enable the banks to contract credit and increase the supply of money available in the economy
- (d) the RBI reduces the CRR but increase SLR in order to enable the banks to contract credit and increase the supply of money available in the economy

95. Which of the following statements is correct?

- (a) The governor of the RBI in consultation with the Ministry of Finance decides the policy rate and implements the same ✗
- (b) While CRR has to be maintained by banks as cash with the RBI, the SLR requires holding of approved assets by the bank itself
- (c) When repo rates increase, it means that banks can now borrow money through open market operations (OMO)
- (d) None of the above

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

- (a) Market Stabilization Scheme (MSS)
- (b) The Marginal Standing Facility (MSF)
- (c) Liquidity Adjustment Facility (LAF).
- (d) Statutory Liquidity Ratio (SLR)

97. In India, the term 'Policy rate' refers to

*Repo Rate*

- (a) The bank rate prescribed by the RBI in its half yearly monetary policy statement
- (b) The CRR and SLR prescribed by RBI in its monetary policy statement
- (c) the fixed repo rate quoted for sovereign securities in the overnight segment of Liquidity Adjustment Facility (LAF) ✓
- (d) the fixed repo rate quoted for sovereign securities in the overnight segment of Marginal Standing Facility (MSF) ✗





98. Which statement (s) is (are) true about the Monetary Policy Committee?

- I. The Reserve Bank of India (RBI) Act, 1934 was amended on June 27, 2016, to give a statutory backing to the Monetary Policy ✓
  - II. The Monetary Policy Committee shall determine the policy rate through debate and a majority vote by a panel of experts required to achieve the inflation target. ✓
  - III. The Monetary Policy Committee shall determine the policy rate through consensus from the governor of the RBI. ✗
  - IV. The Monetary Policy Committee shall determine the policy rate through debate and a majority vote by a panel of bankers chosen for the purpose ✗
- (a) I only  
(b) I and II only  
(c) III and IV  
(d) III only

99. If the monetary base in an economy is 250 crores through an open market operation by the central bank, and the money supply is ₹ 1,000 crores, calculate the money multiplier.

- a. 0.25
- b. 1
- c. 4
- d. 0.40

$$\frac{1000}{250}$$

100. The concept of "aversion of risk" is propounded by

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

101. What type of currency is issued by the central bank?

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

102. 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

$$MV = PT$$
$$500 \times 5 = P \times 10,000$$



## Monetary Policy Report

103. 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

104. 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 x 0.1%
  - d. Reverse Repo Rate Repo Rate x 0.01%
-



## CHAPTER 10

1. Between the first and the \_\_\_\_\_, India is believed to have had the largest economy of the ancient and the medieval world.
  - a) The seventeenth century BC
  - b) the eighteenth century AD
  - c) the nineteenth century BC
  - d) the seventeenth century AD
2. \_\_\_\_\_ is believed to be a kind of handbook for King Chandragupta Maurya
  - a) Karmashastra
  - b) Yuddhashastra
  - c) Arthashastra
  - d) None of the above
3. The rule of East India company was from
  - a) 1858 to 1947
  - b) 1757 to 1858
  - c) 1757 to 1958
  - d) 1750 to 1850

1757 to 1947  
↳ 1858
4. British government in India ruled from
  - a) 1858 to 1947
  - b) 1757 to 1947
  - c) 1850 to 1947
  - d) None of the above
- \* 5. \_\_\_\_\_ led to the virtual reversal of India's foreign trade from an exporter of manufactured goods to an exporter of raw materials.
  - a. Industrial revolution in India
  - b. Industrial Revolution in Britain
  - c. Both a and b
  - d. Poor quality of Manufactured goods
6. During latter half 18<sup>th</sup> century, Indian exports of finished goods were subject to \_\_\_\_\_ tariffs and imports were charged to \_\_\_\_\_ tariffs under discriminatory tariffs
  - a. Lower; Higher
  - b. Higher; Higher
  - c. Higher; Lower
  - d. Lower; Lower



7. At the time of independence, all the economic policies were formulated in line with the \_\_\_\_\_ strategy
- a. Capitalistic
  - b. Socialistic
  - c. Both a and b
  - d. None of the above
8. \_\_\_\_\_ was the cornerstone of Nehru's development strategy
- a. Agriculture
  - b. Rapid Industrialization
  - c. Privatization
  - d. All of the above
9. Which of the following is not related to Industrial Policy Resolution 1956?
- a. Expansion of the scope of the public sector ✓
  - b. Focus on Industrial development ✓
  - c. Dampening of private initiative and enterprise ✓
  - d. Private investments were encouraged
- \* 10. During 1950-80, Hindu growth rate was around \_\_\_\_\_
- a. 5%
  - b. 3.8%
  - c. 3.5%
  - d. 3%
11. The strategy for agriculture development till mid 1960s was reliance on:
- a. Land reforms
  - b. Innovative farm technologies
  - c. High yield varieties
  - d. All of the above
- \* 12. The economic performance during the period of \_\_\_\_\_ is the worst in independent India's history
- a. 1950-1965
  - b. 1965-1981
  - c. 1980-1990
  - d. 1960-1965
13. The initiatives from \_\_\_\_\_ to \_\_\_\_\_ practically referred to as 'early liberalization'.
- a. 1991 to 1995
  - b. 1981 to 1989
  - c. 1965 to 1981
  - d. 1981-1999





14. These initiatives, spanning 1981 to 1989, were practically referred to as \_\_\_\_\_.
- a) 'early liberalization' ✓
  - b) 'reforms by stealth' ✓
  - c) Both a and b
  - d) None of the above
15. During 1980s, the facility of \_\_\_\_\_ was accorded for industry groups to allow flexibility and rapid changes in their product mix without going in for fresh licensing.
- a. Broad-banding
  - b. Free licenses
  - c. Government approval
  - d. None of the above
16. The following steps are taken in 1980s Reforms, except:
- a. Delicensing of 25 broad categories of industries was done
  - b. Multipoint excise duties were converted into MODVAT
  - c. Price and distribution controls on all the industries were entirely abolished
  - d. Open general license was steadily expanded.
17. India embarked on a bold set of immediate reforms in 1991 under \_\_\_\_\_ government
- a. Jawaharlal Nehru
  - b. Indira Gandhi
  - c. Narsimha Rao
  - d. Manmohan Singh
18. Before the 1991 reforms, the foreign exchange reforms touched the lowest point with a reserve on only \_\_\_\_\_ which was barely sufficient for \_\_\_\_\_ of imports
- a. \$1.5 billion; 4 weeks
  - b. \$1.2 billion; 2 weeks
  - c. \$1.2 billion; 4 weeks
  - d. \$1.5 billion; 2 weeks
19. The reforms, popularly known as liberalization, privatization, and globalization, spelt a major shift in economic philosophy and fundamental change in approach and had the following objectives:
- a) Industrial development & macroeconomic stabilization.
  - b) Reorientation of the economy & macroeconomic stabilization
  - c) Price stability & expansion of foreign exchange reserves
  - d) None of the above

- Cement + 8 alumina



20. Drastic monetary and financial sector reforms were introduced with the objective of making the financial system more efficient and transparent. These included many measures, which is among them?

- a) Interest rate liberalization and reduction in controls on banks by the RBI
- b) Opening of new private sector banks
- c) Liberalisation of bank branch licensing policy
- d) All of the above

21. New Economic policy focused on Stabilization measure which were \_\_\_\_\_ measures & structural reforms measures which were \_\_\_\_\_

- a. Long term; short term
- b. Short term; long term
- c. Long term; long term
- d. Short term; short term

22. The SEBI which was setup in 1988 was given statutory recognition in \_\_\_\_\_

- a. 1990
- b. 1991
- c. 1992
- d. 1988

23. The New Industrial Policy' was announced by the government on

- a) 24 Aug 1991
- b) 24 July 1990
- c) 24 July 1991
- d) 22 July 1991

24. Following are the reforms of New Economic policy, except:

- a. End to the 'License Raj' ✓
- b. MRTP Act was restructured and provisions related to Mergers, Amalgamations and takeover was repealed ✓
- c. Foreign investment was liberalized and automatic approval was introduced for FDI in all the industries.
- d. Many goods produced by small scale industries have been de reserved.

25. The trade policy reforms aimed at:

- a) dismantling of quantitative restrictions on imports and exports. ✓
- b) focusing on a more outward-oriented regime with phased reduction and simplification of tariffs ✓
- c) removal of licensing procedures for imports. ✓
- d) All of the above



26. In July 1991, the Indian government devalued the rupee by

- a. 15%
- b. 10%
- c. 18%
- d. 20%

↓  
Export In

27. From 1993 onwards, India has followed a \_\_\_\_\_ exchange rate system

- a. Fixed
- b. Free Floating
- c. Managed floating
- d. None of the above

28. On \_\_\_\_\_, the apex policy-making body namely the planning commission, was replaced by the National Institution for Transforming India (NITI) Aayog

- a) 1st January 1991
- b) 1st January 2015
- c) 31st Jan 2015
- d) 1st Feb 2010

29. Which Initiatives of NITI Aayog facilitates and improves access to Indian government data?

- a) India Policy Insights (IPI)
- b) E-Amrit
- c) NDAP
- d) Shoonya

30. \_\_\_\_\_ campaign aims to improve air quality in India by accelerating the development of electric vehicles

- a. Methanol Economy
- b. 'LiFE'
- c. Shoonya
- d. E-Amrit

31. Gross value added by the agriculture and allied sector was \_\_\_ in 2021-22

- a. 30%
- b. 52.3%
- c. 18.8%
- d. 49%



32. The minimum support price of all 23 mandated crops is fixed at \_\_\_\_ times of average cost of production
- a. 2
  - b. 1.5
  - c. 3
  - d. 2.5
33. The government of India has allowed \_\_\_\_ % FDI in marketing of food products under the automatic route
- a. 49%
  - b. 26%
  - c. 74%
  - d. 100%
34. \_\_\_\_ is a novel insurance scheme for financial support to farmers suffering crop loss/damage
- a. Pradhan Mantri Fasal Bima Yojana (PMFBY)
  - b. Paramparagat Krishi Vikas Yojana (PKVY)
  - c. Both
  - d. None of the above
35. The Indian industry holds a significant position in the Indian economy contributing about \_\_\_\_ of total gross value added in the country and employing over 12.1 crores of people.
- a) 25%
  - b) 30%
  - c) 35%
  - d) 40%
36. In Jan 31, 2023 the Manufacturing Purchasing Managers' Index in India stood at
- a. 55
  - b. 55.4
  - c. 54.5
  - d. 54.4
37. India's rank in Global innovation index (GII) improved to \_\_\_\_ in 2022 from \_\_\_\_ in 2015
- a. 40<sup>th</sup>; 82<sup>nd</sup>
  - b. 41<sup>st</sup>; 82<sup>nd</sup>
  - c. 40<sup>th</sup>; 81<sup>st</sup>
  - d. None of the above



38. \_\_\_\_\_ is a one stop for investor related approvals and services in the country and aims to provide continuous facilitations and support to investors

- a. FAME India scheme
- b. Udyami Bharat
- c. **National single window system**
- d. PM Gati Shakti national master plan

39. \_\_\_\_\_ scheme to promote manufacturing of electric and hybrid vehicle technology

- a. Udyami Bharat
- b. **FAME-India**
- c. PLI Scheme
- d. PM Gati Shakti national master plan

40. The service sector is the largest sector of India and accounts for \_\_\_\_\_ of total india's GVA

- a. 18.8%
- b. 30%
- c. **53.89%**
- d. 58.3%

41. \_\_\_\_\_ is the fastest growing sector in India and has the highest labour productivity

- a. Primary
- b. Secondary
- c. **Tertiary**
- d. Foreign sector

42. \_\_\_\_\_ sector is the largest recipient of FDI inflows in India

- a. Agriculture
- b. Industrial
- c. **Service**
- d. Secondary

43. In Monetary & Financial Sector reforms, what steps were taken regarding reserve requirements?

- a) **Decrease in both SLR and CRR**
- b) Increase in both SLR and CRR
- c) Increase in SLR & Decrease in CRR
- d) Decrease in SLR & Increase in CRR

\* 44. The Foreign Investment Promotion Board (FIPB) was abolished in May 2017, and a new regime namely \_\_\_\_\_ has been put in place. ✓

- a) Foreign Investment Facilitation Board
- b) **Foreign Investment Facilitation Portal**
- c) Domestic Investment Promotion Portal
- d) Foreign Investment Promotion Portal



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

- a) 2
- b) 3
- c) 5
- d) 10

\* 46. The Indian industry stagnated under the colonial rule because

- a) Indians were keen on building huge structures and monuments only
- b) Deterioration was caused by high prices of inputs due to draught
- c) The Indian manufacturers could not compete with the imports of cheap machine-made goods
- d) None of the above

✓ 47. The sequence of growth and structural change in the Indian economy is characterized by

- a) The historical prominence of pattern sectors agriculture, industry, services as
- b) The historical prominence of pattern sectors industry, services, agriculture as
- c) The unique experience of the sequence as agriculture, and services, Industry
- d) All the above are correct

**MEIS**  
✓ 48. Merchandise Exports from India Scheme was replaced by -

- a) Remission of Duties and Taxes on Export Products (RODTEP) in 2021
- b) National Logistics Policy (NLP) in 2020
- c) Remission of Duties and Taxes on Export Products (RODTEP) in 2019
- d) None of the above

49. In terms of Ease of Doing Business in 2020, India ranks

- ✓ a) 63
- b) 77
- c) 45
- d) None of the above

\* 50. E-NAM is -

- a) An electronic name card given to citizens of India
- b) National Agriculture Market with the objective of creating unified national a market for agricultural commodities. ✓
- c) a pan-India electronic trading portal which network existing APMC mandis
- d) b) and c) above



51. The new economic policy of 1991 manifests in -

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

52. The first wave of liberalization starts in India

- (a) In 1951
- (b) In 1980's
- (c) In 1990
- (d) In 1966

53. The Foreign Investment Promotion Board (FIPB)

- (a) a government entity through which inward investment proposals were routed to obtain required government approvals
- (b) no more exists as the same is replaced by a new regime namely Foreign Investment Facilitation Portal
- (c) no more exists as all inward investments are through automatic route and need no approval
- (d) is the body which connects different ministries in respect of foreign portfolio investments

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

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

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

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

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

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



57. The objective of introducing Monopolies and Restrictive Trade Practices Act 1969 was -

- (a) to ensure that the operation of the economic system does not result in the concentration of economic power in hands of a few
- (b) to provide for the control of monopolies
- (c) to prohibit monopolistic and restrictive trade practice
- (d) all the above

58. Which one of the following is a feature of green revolution?

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

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

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

60. 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

61. 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

62. 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



63. Which of the following is not the aim of the '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.

Municipal

64. Which of the following statements 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 a national cyber security law.

65. The India Development Update (IDU) report published by \_\_\_ in November 2022:

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

Chapter-10 ✓

Chapter 6, 8 & 10

Ch- 1, 2, 7 & 9

9th Jan, 12pm

Imp PYQ/RTP/MTD