

Competitive Exams: Economics MCQs (Practice-Test 108 of 122)

1. if the supply of money exceeds the demand for money by 5% then by how much does the rate of interest have to fall to restore market equilibrium, assuming interest elasticity of the demand for money to be-0.50% and other things remaining unchanged?
 - a. 2.5%
 - b. 5%
 - c. 10%
 - d. 15%

2. As regards changes in interest rates, the most sensitive money-market is the
 - a. Bill market
 - b. Un-organised money-market
 - c. Call money market
 - d. Collateral loan market

3. the Unit Banking system is very popular in
 - a. England
 - b. Japan
 - c. India
 - d. United States of America

4. The norm of 'Capital adequacy' adopted by the international banking institutions is
 - a. 2% of their aggregate deposit liabilities
 - b. 4% of their aggregate deposit liabilities
 - c. 10% of their aggregate deposit liabilities
 - d. 16% of their aggregate deposit liabilities

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5. In a multi-bank system, with 20% cash reserve ration, on a receipt of cash deposits of Rs. 100 crores, the banking system as a whole can create deposits to the extent of
- Rs. 80 crores
 - Rs. 100 crores
 - Rs. 320 crores
 - Rs. 400 crores
6. The theory of open market operations assumes that
- the velocities of both deposits and legal tender money have no relationship
 - the legal tender money has a higher velocity than bank deposits
 - the bank deposits have a higher velocity than legal tender money.
 - the circulation of bank deposits and legal tender money has constant velocity
7. Consider the following statements:
- maintenance of a fixed reserve ratio by the commercial banks.
 - maintenance of little or no excess reserves by the commercial banks.
 - presence of a developed money market

Of above statements

- 2 and 3 are correct
 - 1 and 2 are correct
 - 3 alone is correct
 - 1 and 3 are correct
8. Which of the following foreign exchange functions are performed by commercial banks?
- Transfer purchasing power through telegraphic transfers.
 - Provide credit for foreign trade.
 - Furnish facilities for hedging foreign exchange risks.

Select the correct answer using the codes given below:

Codes:

- 1, 2 and 3

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b. 1 and 2

c. 2 and 3

d. 1 and 3

9. The scope of international trade and division of labour is limited by:

a. availability of technology

b. size of the international market

c. availability of capital

d. surplus production for exports

10. The tariff which maximizes a country's economic welfare is called

a. protective tariff

b. discriminatory tariff

c. non-discriminatory tariff

d. optimum tariff

11. match List with List II and select the correct answer using the codes given below the list:

List-I (Assumption)

List-II (Implication)

a. No transport costs in trade

a. Commodity prices same in the two countries

b. Perfect competition in factor markets

b. Optimal allocation of factors

c. Factor intensities differ between goods

c. Techniques of production different for the two goods

d. Production functions same in both countries

d. Techniques of production same in the two countries

e. Techniques of production different in the two countries.

A B C D

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- a. 2 1 5 4
- b. 3 4 2 5
- c. 3 2 4 1
- d. 1 2 3 4

12. Match List I with List II and select the correct answer using the codes given below the lists:

List-I

- a. Classical theory of comparative cost advantage
- b. Vent for surplus theory
- c. Theory of opportunity cost
- d. Theory of reciprocal demand

List-II

- a. David Recardo
- b. G. Haberler
- c. J S Mill
- d. Adam Smith

A B C D

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

13. Match List I with List II and select the correct answer using the codes given below the lists:

List-I (Description of monetary action or economic events

List-II

relating to foreign trade)

(Nomenclatures)

- | | |
|--|--------------------------------------|
| a. Buying and selling of home currency in the foreign exchange market by government or its authorized agency | a. pegging operation |
| b. charging different prices in different markets for an internationally traded commodity | b. dumping operation |
| c. The price of imports paid by local purchasers, which is more than their normal value | c. Free on board (FOB) |
| d. Local producers of an export good receiving only the price of the goods as it leaves the country. | d. Cost, insurance and freight (CIF) |

A B C D

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

14. A country is said to be relatively wellendowed with capital if the

- a. aggregate value of capital in the country is greater than that of labour and land
- b. the wage-rental ratio in that country is higher in relation to that in its trading partners.
- c. the interest rate on capital is lower in that country relatively to the interest rate in its trading partner
- d. the per capital amount of investment in the country had shown a rising trend.

15. Which one of the following transactions represents a credit entry in the current account of a country's balance of payments?

- a. merchandise imports

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- b. Transportation services rendered by foreign companies.
- c. Expenditure of foreign tourists in a country
- d. Fees paid to foreign contractors and engineers