



Competitive Exams: Economics MCQs (Practice_Test 108 of 122)

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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

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

- a. Rs. 80 crores
- b. Rs. 100 crores
- c. Rs. 320 crores
- d. Rs. 400 crores

6. The theory of open market operations assumes that

- a. the velocities of both deposits and legal tender money have no relationship
- b. the legal tender money has a higher velocity than bank deposits
- c. the bank deposits have a higher velocity than legal tender money.
- d. the circulation of bank deposits and legal tender money has constant velocity

7. Consider the following statements:

- a. maintenance of a fixed reserve ratio by the commercial banks.
- b. maintenance of little or no excess reserves by the commercial banks.
- c. presence of a developed money market

Of above statements

- a. 2 and 3 are correct
- b. 1 and 2 are correct
- c. 3 alone is correct
- d. 1 and 3 are correct

8. Which of the following foreign exchange functions are performed by commercial banks?

- a. Transfer purchasing power through telegraphic transfers.
- b. Provide credit for foreign trade.
- c. Furnish facilities for hedging foreign exchange risks.

Select the correct answer using the codes given below:

Codes:

- a. 1, 2 and 3
- 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

-
- 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

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

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