

## Examrace

# Competitive Exams: Economics MCQs (Practice\_Test 4 of 122)

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1. Given that currency-deposit ration ( $c$ ) = 0.5 bank desired reserve ( $r$ ) = 0.1 increase in money supply ( $\Delta H$ ) = Rs. 60 crores and the velocity of circulation ( $V$ ) = 1 the total increase in money income (in rupees)  $m$  is
    - a. 1500 crores
    - b. 500 crores
    - c. 200 crores
    - d. 150 crores
  2. Which of the following measure would result in an increase in the money supply in the economy?
    - a. Purchase of government securities from the public the Central Bank.
    - b. Deposit of currency in Commercial Banks by public.
    - c. borrowing by the government from the Central Bank
    - d. Sale of government securities to the public by the Central bank.
    - e. Minting of more money by the Central Bank for circulation.
- Select the correct answer from the codes given below
- a. 1, 2 and 3
  - b. 2, 3 and 4
  - c. 1, 3 and 5
  - d. 2, 4 and 5
3. The correct sequence of the stages through which trade cycle in an economy passes is
    - a. Depression, Inflation, Reflation, disinflations
    - b. Reflation, Disinflation, Inflation, Depression
    - c. Depression, Reflation, Inflation, Disinflation

d. Inflation, Depression, Disinflation

Reflation

4. In the IS-LM framework of analysis, an increase money supply in an expansionary monetary policy would lead to a
- a. rightward shift of the IS curve
  - b. rightward shift of the LM curve
  - c. leftward shift of the IS curve
  - d. leftward shift of the LM curve
5. The Balance sheet of a particular commercial bank is shown in the following table: Assets (in Rs. ) Liabilities and net worth (in Rs. ) Reserves Property Loans Securities 30, 000 2, 00, 000 50, 000 40, 000 Capital stock Demand deposits 20, 00, 000 1, 20, 000 Total 3, 20, 000 Total 3, 20, 000 Given that the cash reserve ratio is 20%, the excess reserve of this particular bank will be
- a. Rs. 5, 000
  - b. Rs. 6, 000
  - c. Rs. 8, 000
  - d. Rs. 12, 000
6. The credit multiplier is based on which of the following assumptions?
- a. The cash reserve ratio remains constant.
  - b. the banks maintain a fixed relationship between deposit liabilities and cash reserves
  - c. people prefer higher cash holding.
  - d. people have well developed banking habits.

Select the correct answer from the codes given below:

- a. 1, 2 and 3
  - b. 2, 3 and 4
  - c. 1, 3 and 4
  - d. 1, 2 and 4
7. If cash reserve ration is 40% and the commercial banks get a fresh cash of Rs. 15 crores as a result of government spending, then the increase in loans advanced by the commercial banks will be

- a. Rs. 37, 500
- b. Rs. 40, 000
- c. Rs. 60, 000
- d. Rs. 30, 500

8. match List I (nature of deficit) with List II (How it is calculated) and select the correct answer:

List-I	List-II
A. fiscal deficit	1. (Revenue and interest receipts) minus (revenue expenditure).
B. Revenue deficit	2. (Revenue receipts + Recovery of loans and other receipts) minus (total expenditure)
C. Budgetary deficit	3. Receipts minus disbursements in capital account
D. Capital deficit	4. (total receipts) - (total disbursements)

**A B C D**

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

9. Consider the following statement: The incidence of corporate income tax under competition depends upon

- a. the elasticity of substitution between factors in the non-corporate sector industries.
- b. the income elasticity of demand for the output of the corporate sector industries.
- c. the elasticity of substitution in demand between the corporate sector industries.
- d. the difference between the factor proportions in the corporate and noncorporate sectors.

Of these statements:

- a. 1 and 4 are correct
  - b. 1, 3 and 4 are correct
  - c. 2, 3 and 4 are correct
  - d. 1, 2 and 3 are correct
10. Which of the following is/are included in the capital budget of the Government of India?
- a. Borrowings from the RBI.
  - b. Loans received from foreign governments.
  - c. expenditure on acquisition of assets like roads, buildings, machinery etc.
  - d. Loans and advances granted to the States and Union territories.

Select the correct answer from the codes given below:

- a. 1, 2 and 4
  - b. 2 and 3
  - c. 1 alone
  - d. 1, 2, 3 and 4
11. The number of deaths among the army personnel is 8 in 1000, but among the civilian population it is 20 per 1000. Which one of the following inference can be drawn from this statement?
- a. It is better to join the army
  - b. The relationship is fortuitous
  - c. quality of Life Index is very high within the armed forces
  - d. The groups cannot be compared due to their heterogeneity
12. the correlation coefficient of (-1.0) indicates
- a. no correlation
  - b. perfect correlation
  - c. negligible correlation
  - d. that either the correlation is nonexistent or is of negligible significance
13. Consider the following statements: Range
- a. Fails to give any consideration to the arrangement of values between two extreme values.

- b. is a poor measure of skewiness
- c. is misleading if either of the extremes is an unusual occurrence.
- d. remains unchanged if new values are added.

Of these statements:

- a. 1, 2, 3 and 4 are correct
  - b. 1, 3 and 4 are correct
  - c. 1 and 4 are correct
  - d. 2 and 3 are correct.
14. In 1970 – 71 the NDP measured at the prices prevailing in the at year, amounted to Rs. 34368 crores. In 1976 – 77 while this NDP measured prices prevailing in that year amounted to Rs. 66561 crores, at 1970 – 71 price it amounted to Rs. 40395 crores. The rise in real NDP is
- a. insignificant
  - b. Rs. 6027 crores
  - c. Rs. 31193 crores
  - d. Rs. 66561 crores

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