

Competitive Exams: Economics MCQs (Practice-Test 43 of 122)

1. Which of the following taxes is an exclusive source of revenue for the state governments?
 - a. excise duties
 - b. customs duties
 - c. land revenue
 - d. wealth tax

2. Which one of the following is NOT a source of the Union tax revenue?
 - a. property taxes
 - b. wealth tax
 - c. Corporate taxes
 - d. Customs duties

3. The correct amount of additional taxes proposed in the Budget estimates for 2000 – 2001 is
 - a. Rs. 5, 000 crore
 - b. Rs. 6, 000 crore
 - c. Rs. 7, 000 crore
 - d. Rs. 8, 000 crore

4. According to the recommendations of the Eleventh finance commission, the ratio of tax revenues of the Union Government to GDP should be
 - a. 1.48 percent
 - b. 2.34 percent
 - c. 2.85 percent
 - d. 3.0 percent

5. Which one among the following accounted for the largest share of revenue expenditure of the government of India, in 1999 – 2000?

- a. Defence expenditure
 - b. Interest payments
 - c. Subsidies
 - d. Expenses on internal security
6. Which one of the following state is NOT a high-income state according to the report of the Eleventh finance Commission?
- a. West Bengal
 - b. Goa
 - c. Haryana
 - d. Gujarat
7. In the Budget estimates for 2000 – 2001, what is the extent of fiscal deficit as a percentage of GDP, out of the four figures given below?
- a. 6.0 percent
 - b. 5.6 percent
 - c. 5.1 percent
 - d. 4.1 percent
8. • **Assertion (A):** Transfer earnings are not to be included in the national income estimation.
- **Reason (R):** Transfer earnings are not payments for factor services
- a. Both A and R are true and R is the correct explanation of A
 - b. Both a and R are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true
9. • **Assertion (A):** Compared to no trade, there are production and consumption gains to a country from free trade.
- **Reason (R):** The magnitude of gain from trade independent of the magnitude of price change from no trade.
- a. Both A and R are true and R is the correct explanation of A

- b. Both a and R are true but R is NOT the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true
10. • **Assertion (A):** Suppose, Pakistan forms a FTA (Free Trade Area) with its neighboring countries including India, and before the formation of this FTA, Pakistan used to import certain kind of jewellery from South Africa but now imports the from India. This is called trade diversion.
- **Reason (R):** Now there is a lot of FDI (foreign Direct Investment) by India in Pakistan, which was non-existent before. This is called trade creation.
- a. Both A and R are true and R is the correct explanation of A
- b. Both a and R are true but R is NOT the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true
11. • **Assertion (A):** A country's balance of payments is always equal to zero.
- **Reason (R):** If a country has a deficit in the balance of payments account, this must be financed by change in reserve long term capital movements or long term borrowing.
- a. Both A and R are true and R is the correct explanation of A
- b. Both a and R are true but R is NOT the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true
12. • **Assertion (A):** In developing countries, government borrowing is preferred over taxation in financing public expenditure.
- **Reason (R):** Taxation would require a curtailment in current consumption.
- a. Both A and R are true and R is the correct explanation of A
- b. Both a and R are true but R is NOT the correct explanation of A
- c. A is true but R is false
- d. A is false but R is true
13. • **Assertion (A):** There was a rise in real interest rates during the year 1999 in India.

- **Reason (R):** There was a fall in the rate of inflation during the period.
 - a. Both A and R are true and R is the correct explanation of A
 - b. Both a and R are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true

- 14. • **Assertion (A):** There has, of late, been an erosion of profitability of public sector banks in India.
 - **Reason (R):** There has been a build-up of non-performing assets of the banks.
 - a. Both A and R are true and R is the correct explanation of A
 - b. Both a and R are true but R is NOT the correct explanation of A
 - c. A is true but R is false
 - d. A is false but R is true

- 15. When the price-elasticity of demand is unity, the marginal revenue would be
 - a. Marginal utility
 - b. total utility
 - c. consumers'surplus
 - d. producers Surplus