

## Competitive Exams: Economics MCQs (Practice-Test 60 of 122)

1. Prof. a. C. Pigou believed that the divergence between private and social costs and benefits can be reduced
  - a. automatically in a free enterprise economy
  - b. by the market mechanism that comes to play
  - c. by appropriate assignment of property rights
  - d. by State interference
  
2. Consider the following statements:
  - a. Consider the following statements:
  - b. At the time of rising prices, NNP at current prices is higher than NNP at constant prices.
  - c. NNP at current prices and NNP at constant prices are always same irrespective of changes in prices.
  - d. NNP at current prices is equal to NNP at constant prices at the time of stable prices.

Which of these statements are correct?

- a. 1 and 2
  - b. 1 and 3
  - c. 2 and 3
  - d. 2 and 4
- 
3. Assume that between 1985 and 1995, GNP increased from Rs. 1000 crore to Rs. 1500 crore and the index of prices increased from 100 to 200. Which one of the following expresses GNP for 1995 in terms of 1985 prices?
    - a. Rs. 1000 crore
    - b. Rs. 750 crore
    - c. 1500 crore
    - d. Rs. 500 crore

4. Which one of the following statements relating to transfer payments, capital gains and illegal activities is correct?
- Market transactions such as transfer payments, capital gains are included and illegal activities are omitted in national product
  - market transactions such as transfer payments, capital gains and illegal activities are omitted in national product
  - Market transactions such as transfer payments are included but capital gains and illegal activities are omitted in national product.
  - all the three market transactions should be included in national product.
5. To which one of the following, does the liquidity trap correspond?
- Consumption function
  - Production function
  - Money demand function
  - Labour demand function
6. Which of the following does not form a part of the foreign exchange reserves of India?
- Gold
  - SDRs
  - Foreign currency assets
  - Foreign currency and securities held by the banks and corporate bodies
7. Consider the following statement: To be effective, an international monetary system must be able to provide
- a system of exchange rate between national currencies
  - an adjustment mechanism capable of removing payment imbalances
  - a quantum of international reserves to finance payment deficits
  - a set of financial aid facilities to help resolve the problems of indebtedness of the developing countries

Which of these statements are correct?

- 1, 2, 3, and 4
- 1, 3 and 4

c. 3 and 4

d. 1 and 2

8. Which one of the following is a possible compromise between the fixed and the flexible exchange rate systems?

a. Adjustable peg system

b. Crawling peg system

c. Managed floating system

d. All the above three

9. The major purpose of price index is to measure change in the

a. standard of living

b. gold content of money

c. buying power of money

d. capacity to produce

10. Which one of the following pairs is not correctly matched in the Indian context?

a. Cash reserve Ratio—Monetary Policy

b. Non-performing Assets—Profitability of commercial banks

c. Market-determined rate of interest—Post Office deposits

d. Administered rate of interest—Public

### Provident Fund

11. The speculative demand for money, according to Keynes, is a function of

a. Rate of interest

b. Level of income

c. Level of savings

d. Level of output

12. Match List I with List II and select the correct answer:

List-I	List-II (main Objective)
(Institution)	

- |               |  |
|---------------|--|
| a. IMF        | a. To promote viable and durable multilateral trading system   |
| b. UNCTAD     | b. To promote harmony between developed and developing countries on trade-related developmental issues |
| c. World Bank | c. To promote socio-economic development of the member-countries                                       |
| d. WTO        | d. To reduce the degree of balance of payments disequilibrium of the member-countries                  |

- |    | <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> |
|----|----------|----------|----------|----------|
| a. | 4        | 3        | 2        | 1        |
| b. | 1        | 2        | 3        | 4        |
| c. | 4        | 2        | 3        | 1        |
| d. | 1        | 3        | 2        | 4        |

13. The value added tax differs from a turnover tax in that the VAT.

- a. has costs of materials deduced from the tax base
- b. is collected at the final stage of production is of lower rate than the turnover tax
- c. All the above three are true

14. The policy of surplus-budgeting may be resorted to when economy is confronted with

- a. inflation and is experiencing economic boom
- b. deflation and unemployment
- c. recession and underemployment
- d. depression and low investment

15. Which one of the following pairs is not correctly matched?

- a. Frictional—Movement of people along jobs unemployment

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- b. Structural unemployment    Mismatch between the characteristics of demand for labour and the characteristics of its supply\_\_\_\_\_
- c. Cyclical unemployment    The amount of frictional and structural unemployment that exists when national income is at its potential level\_\_\_\_\_
- d. Induced unemployment    Increasing complexity and interaction of the tax, welfare and regulatory policies of the government\_\_\_\_\_