

Examrace

Competitive Exams: Economics MCQs (Practice_Test 85 of 122)

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1. ◦ **Assertion (A):** Gross National Product will always be more than the Gross Domestic Product.
 - **Reason (R):** To get Gross National Product, net factor income from abroad is added to Gross Domestic Product.

Codes:

- a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually 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
2. ◦ **Assertion (A):** Indirect taxes promote inequality in the distribution of income.
 - **Reason (R):** Poor bear more burden of indirect taxes.

Codes:

- a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually 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
3. ◦ **Assertion (A):** A balance of payments deficit is always and everywhere a monetary phenomenon.
 - **Reason (R):** A balance of payments deficit cannot be corrected through changes in money supply. Codes:
- a. Both A and R are individually true and R is the correct explanation of A
 - b. Both A and R are individually 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

4. ◦ **Assertion (A):** Fisher's index number is an ideal one.
- **Reason (R):** In the Fisher's index number, the upward bias of Laspeyre's index and downward bias of Paasche's index are balanced to a great extent.

Codes:

- a. Both A and R are individually true and R is the correct explanation of A
- b. Both A and R are individually 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
5. What is the empirically fitted relationship between the rate of change of money wages and rate of unemployment, known as?
- a. Baumal's Hypothesis
- b. Keynesian Model
- c. Friedman's Model
- d. Phillips Curve
6. In the simplified version of Friedman's quantity theory of money, velocity of circulation of money depends on which of the following?
- a. Rate of interest and rate of price change
- b. Rate of interest and rate of change of income
- c. Rate of change of money supply and rate of change of consumption
- d. Rate of change of price and rate of change of investment
7. Consider the following assets
- a. Cash held by public
- b. Equity shares of banks
- c. Deposits of banks
- d. RBI bonds

Which of the above assets are considered as part of money supply?

- a. 1 and 2
- b. 1 and 3

- c. 2 and 3
- d. 1, 3 and 4

8. Which one of the following is stated by the quantity theory of money?

- a. An increase in the nominal money supply causes a proportional increase in the price level
- b. An increase in the real money supply causes a proportional increase in the price level
- c. An increase in the nominal money supply causes a proportional increase in real GNP
- d. An increase in the real money supply causes a proportional increase in real GNP

9. Consider the following statements

- a. Bond price and interest rate are positively related.
- b. Bond price and interest rate are negatively related.
- c. Credit creation varies directly with Cash Reserve Ratio (CRR).
- d. Credit creation varies inversely with Cash Reserve Ratio (CRR).

Which of the statements given above are correct?

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

10. Suppose, due to an open market purchase of government securities, reserves in the commercial banks increase by Rs. 1, 000. If the reserve ratio is 20 percent, what will be the increase in money supply?

- a. Rs. 5, 000
- b. Rs. 4, 000
- c. Rs. 2, 000
- d. Rs. 1, 000

11. Which one of the following is not a component of demand-pull inflation?

- a. An increase in government expenditure with no change in tax rate

- b. A downward shift in savings function
 - c. A rise in the money wage rate
 - d. An upward shift of investment function
12. Which one of the following statements is correct? According to Peacock and Wiseman, public expenditure grows
- a. steadily over a period of time
 - b. at a constant rate in relation to GNP
 - c. in a step by step manner
 - d. at a lower rate in relation to GNP
13. As compared to traditional budgeting, in case of Performance and Programme Budgeting System (PPBS), which one of the following statements is correct?
- a. It stresses on outcome only
 - b. It stresses on expenditure allocation only
 - c. It stresses more on outcome and less on expenditure allocation
 - d. It stresses less on outcome and more on expenditure allocation
14. Which one of the following statements is correct? Zero-base budgeting implies that
- a. it emphasizes physical targets rather than financial targets
 - b. spending on all programmes is reexamined and justified each year rather than following add-on every year
 - c. it is purely an evaluation of existing budget and there is nothing new in it
 - d. it focuses on centralization of expenditure
15. Which one of the following statements is correct? The revenue from the imposition of an advalorem tax and that of a unit tax in a perfectly competitive market which results in the same price rise, are
- a. more for advalorem tax
 - b. more for unit tax
 - c. equal for both the taxes
 - d. zero for both the taxes