



Competitive Exams Practice questions for Economics Part 2

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Budget deficit may lead to which of the following?

1. Rise in the interest rates
 2. Depreciation of real exchange rate
 3. Trade balance is pushed towards deficit which of the statements given above is /are correct?
- (a) 1 and 2 only
(b) 1 and 3 only
(c) 3 only
(d) 2 and 3 only

Answer: B

When there is a fall in the prices in an economy it may lead to which of the following? 1.
Increase in the demand for consumption goods

2. Rise in the interest rates
3. Increase in net exports

Select the correct answer using the code given below

- (a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

Answer: C

With reference to currency appreciation, consider the following statements:

1. It may lead to increase in exports
2. It may help in controlling inflation
3. Increase in NRI deposits leads to currency appreciation

Which of the statements given above is/are correct?

- (a) 1 and 3 only
- (b) 2 and 3 only
- (c) 1, 2 and 3
- (d) None

Answer: B

Which of the following revenue expenditure comes under Non- Plan expenditure in India?

1. Loans to State and U.T Governments.
2. Grants to State and U.T Governments
3. Subsidies
4. Defence services

Select the correct answer using the code given below

- (a) 3 and 4 only
- (b) 1, 3 and 4 only
- (c) 2, 3 and 4 only
- (d) 1, 2, 3 and 4

Answer: C

With reference to Green Bonds in India consider the following statements:

1. Green bond is a debt instrument issued for renewable as well as non-renewable energy projects
2. Both public and private sector banks can issue such bonds
3. It is a low-risk bond as repayment Rs tied to the issuer rather than success of the project

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 3 only
- (d) None

Answer: B

Consider the following statements

1. Fiscal deficit indicates the total borrowing requirements of Government
2. Effective Revenue deficit refers to the excess of revenue expenditure
3. Primary Deficit is the difference between fiscal deficit and revenue expenditure

Which of the statements given above is/are not correct?

- (a) 1 only
- (b) 2 and 3 only
- (c) 3 only
- (d) None

Answer: C

With reference to negative income tax, consider the following statements:

1. Negative income tax is the money paid by government to citizens who earn below a certain prescribed limit
2. It allows the claimants to receive income through simple filing of tax returns.
3. It may reduce the demand for welfare benefits

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

Answer: D

Consider the following statements with reference to tariffs and quotas:

1. While tariffs directly impact the value imports quotas aim to curb the volume of imports
2. Both tariffs and quotas restrict imports and protect the domestic firm

Which of the above mentioned statements is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: C

Consider the following statements:

1. Capital Account convertibility facilitates Trade-related payments and remittance
2. Current account convertibility deals with creation and liquidation of assets by other countries in local markets

Which of the statements given above is/are correct

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: D

Which of the following best describes Disposable Income?

- (a) Net wages after deducting direct taxes
- (b) Net wages after deducting indirect taxes
- (c) Net wages after adjusting inflation
- (d) None of the above

Answer: A

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