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## Prep Series Part - 14

### 50 QUESTIONS ECONOMY (PART - III)

Q1. Consider the following statements about Gross National Happiness (GNH).

1. The concept GNH implies that sustainable development should take a holistic approach towards notions of progress and give equal importance to non-economic aspects of wellbeing.
2. The concept of GNH has often been explained by its four pillars: good governance, sustainable socio-economic development, cultural preservation, and environmental conservation.
3. Gross National Happiness is a term coined by His Majesty the Fourth King of Bhutan, Jigme Singye Wangchuck in the 1970s.

Which of the statements given above are correct?

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

Q2. External sources of financing for India are-

1. IBRD and IFC
2. ECB
3. Private equity
4. Foreign currency convertible bond (FCCB)

Select the correct code

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

Q3. Economic Growth is a narrower concept than

economic development. Consider the following statements related to it.

1. Economic Growth is an increase in a country's real level of national output which can be caused by an increase in the quality of resources (by education etc.), increase in the quantity of resources & improvements in technology etc.
2. Economic Growth can be measured by an increase in a country's GDP (gross domestic product).
3. Economic Growth also takes into account the size of the informal economy.
4. However, it does not take into account the depletion of natural resources which might lead to pollution, congestion & disease.

Which of the statements given above are correct?

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

Q4. Which of the following may be the implications of Fiscal Deficit?

1. Debt Trap
2. Inflation
3. Foreign Dependence
4. Encourages the future growth

Select the correct code

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



(c) 1, 2 and 4 only      (d) All 1, 2, 3 and 4

Q5. Fiscal Responsibility and Budget Management (FRBM) became an Act in 2003. The Government notified FRBM rules in July 2004 to specify the annual reduction targets for fiscal indicators. Consider the following statements related to it.

1. The FRBM rule specifies reduction of fiscal deficit to 3% of the GDP by 2008-09 with annual reduction target of 0.3% of GDP per year by the Central government.
2. Similarly, revenue deficit has to be reduced by 0.5% of the GDP per year with complete elimination to be achieved by 2008-09.
3. FRBM Act provides a legal institutional framework for fiscal consolidation.
4. However, it is voluntary for the Central government to take measures to reduce fiscal deficit, to eliminate revenue deficit and to generate revenue surplus in the subsequent years.

Which of the statements given above are correct?

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

Q6. Non plan item of expenditure includes-

1. Interest payments      2. Subsidies
3. Defence      4. Pensions

Select the correct code

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

Q7. Identify the correct statement(s).

- (a) Zero Based Budgeting (ZBB) is a technique of making plans and taking decisions, which overturns the working procedure in traditional budgeting.
- (b) In case of Zero Based Budgeting, the function of each and every department is analyzed and evaluated in a comprehensive manner, and all expenses increase only after such approvals.
- (c) In India, the System was first implemented in the Department of Financial Services in the year 1983.
- (d) Only a and b

Q8. Which of the following activities is/are excluded from calculation Gross Domestic Product?

1. Sale of a new car
2. Purchase of tyre by a car manufacturer
3. Buying share of a car company
4. Profits earned by a foreign-owned car company

Select the answer from the codes given below

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

Q9. With an increase in remittance money from abroad to India:

1. India's Gross Domestic Product will increase
2. India's Gross National Product will increase
3. India's National Income will increase

Which of the statement(s) given above is/are correct? Select the answer from the codes given below

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

Q10. Which of the following conceal the real level of Gross Domestic Product?

1. Black money in the economy
2. Household services by women
3. Voluntary and charitable work
4. Pollution of a water body

Select the answer from the codes given below

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

Q11. Consider the following statements:

1. Indirect taxes should be deducted and subsidies should be added to net national product at market prices to reach national income
2. Indirect taxes should be added and subsidies should be deducted to net national product at market prices to reach national income
3. Indirect taxes and depreciation should be de- ducted and subsidies should be added to gross national product at market prices to reach national income
4. Indirect taxes should be added and



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subsidies and depreciation should be deducted from gross national product at market prices to reach national income

With reference to national income accounting in India, which of the above statement(s) is/are correct? Select the answer from the codes given below

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

Q12. Which of the following tools are available to the Central Bank to achieve the monetary policy ends?

1. Open market operation
2. Reserve ratios
3. Moral suasion
4. Intervention in the forex market
5. Bank rate

Select the correct code

- (a) 1, 2 and 3 only                      (b) 2, 3, 4 and 5 only  
(c) 1, 2 and 4 only                      (d) All 1, 2, 3, 4 and 5

Q13. Consider the following statements about Call money rate.

1. Call money rate is the rate at which short term funds are borrowed and lent in the money market.
2. The duration of the call money loan is one month.
3. Banks resort to these type of loans to fill the asset liability mismatch, comply with the statutory CRR and SLR requirements and to meet the sudden demand of funds.
4. RBI, banks, primary dealers etc are the participants of the call money market.

Which of the statements given above are correct?

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

Q14. Which of the statements given below are correct?

1. A merchant bank may be defined as an institution or an organisation which provides a number of services including management of securities issues, portfolio

services, underwriting of capital issues, insurance, credit syndication, financial advices, project counselling etc.

2. There is a distinction between a commercial bank and a merchant bank. The merchant banks mainly offer financial services for a fee while commercial banks accept deposits and grant loans.
3. The merchant banks also act as repositories for savings of the individuals.
4. In India merchant banking services were started only in 1967 by National Grindlays Bank followed by Citi Bank in 1970.

Select the correct code

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

Q15. Identify the correct statement(s).

- (a) The primary market is also known as new issues market.
- (b) The primary market creates new securities and offers them to the public.
- (c) Initial Public Offering (IPO) is an offering of the primary market where a private company decides to sell stocks to the public for the first time.
- (d) All a, b and c

Q16. Which of the following pairs is/are incorrect?

1. Bear : It is an investor who believes that market will go-up optimistic.
2. Bull : It is an investor who believes that market will go down.
3. Bond : It is a debt instrument issued for a period of more than one year with the purpose of raising capital by borrowing.

Select the correct code

- (a) 1 only                                      (b) 2 and 3 only  
(c) 1 and 2 only                              (d) Neither 1 nor 2 nor 3

Q17. The Bombay Stock Exchange, in collaboration with the Taqwaa Advisory and Shariah Investment Solutions — Tasis — has launched an Islamic index in a bid to woo more investors from India and overseas. Consider the following



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statements related to it.

1. The new index — BSE Tasis Shariah 50 — was formed using the guidelines of the Islamic investment code and upon the advice of a Shariah advisory board.
2. The index allows investors to trade in the stock markets without violating the Islamic code on investment and finance.
3. The National Stock Exchange does not have such index.

Which of the statements given above is/are correct?

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

Q18. Consider the following statements.

1. The GDP deflator is a measure of price inflation.
2. It is calculated by dividing Real GDP by Nominal GDP and then multiplying by 100.
3. Nominal GDP is the market value of goods and services produced in an economy, unadjusted for inflation.

Which of the statements given above is/are incorrect?

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

Q19. Considering the following statements:

1. The raw GDP figure of the upcoming financial year is called the nominal GDP.
2. The GDP adjusted for changes in money value in this way is called the real, or constant, GDP.
3. The factor used to convert GDP from current to constant values in this way is called the GDP deflator.

Which of the above statement(s) is/are correct? Select the answer from the codes given below

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

Q20. Consider the following statements about Minimum Alternative Tax (MAT).

1. MAT is a way of making companies pay minimum amount of tax.
2. It is applicable to all companies except those engaged in infrastructure and power sectors.

3. Incomes arising from free trade zones, charitable activities, investments by venture capital companies are also excluded from the purview of MAT.
4. However, foreign companies with income sources in India are also not liable under MAT.

Which of the statements given above is/are correct?

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

Q21. Consider the following statements.

1. The Bank for International Settlements (BIS) is the world's oldest international financial organisation.
2. The BIS has 60 member central banks, representing countries from around the world that together make up about 95% of world GDP.
3. Its head office is in Washington D.C.

Which of the statements given above are correct?

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

Q22. Consider the following statements.

1. Bharatiya Mahila Bank Ltd is the first of its kind in the Banking Industry in India formed with a vision of economic empowerment for women.
2. Incorporated under the Companies Act 1956
3. While the Bank focuses on the entire pyramid of Indian women, special attention is given to economically neglected, deprived, discriminated, underbanked, unbanked, rural and urban women to ensure inclusive and sustainable growth.
4. The Bank also conducts programmes on financial literacy, skill development, training for women of only unbanked segments of the society.

Which of the statements given above are correct?

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



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Q23. Identify the correct statements about Base Rate.

- (a) It is the minimum rate of interest that a bank is allowed to charge from its customers.
- (b) Unless mandated by the government, RBI rule stipulates that no bank can offer loans at a rate lower than BR to any of its customers.
- (c) Base Rate replaced Bank Prime Lending Rate from July 1, 2010.
- (d) All a, b and c

Q24. Swabhimaan” is a path-breaking initiative by the Union Government and the Indian Banks’ Association to bridge economic gap between rural and urban India. This campaign ensures to provide which of the following services to the Rural India?

1. Promises to bring basic banking services to unbanked villages with a population of 2000 and above.
2. The movement facilitates opening of banks accounts, provide need-based credit and remittance facilities besides helping in promoting financial literacy in rural India.
3. This financial inclusion campaign aims at providing branchless banking services through the use of technology.
4. Banks provide basic services like deposits, withdrawals and remittances using the services of Business Correspondents (BCs) also known as Bank Saathi.

Select the correct code

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

Q25. Net National Product (NNP) at factor cost will be identical to which of the following

1. National income (NI)
2. NNP at market prices - Indirect taxes + Subsidies
3. NNP at market prices - Net indirect taxes

Which of the above statement(s) is/are correct?

Select the answer from the codes given below

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

Q26. Consider the following statements.

1. National Rural Livelihoods Mission (NRLM) was launched by the Ministry of Rural Development (MoRD), Government of India.
2. Wholly financed by the Government of India, the Mission aims at creating efficient and effective institutional platforms of the rural poor enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services.
3. NRLM believes in harnessing the innate capabilities of the poor and complements them with capacities (information, knowledge, skills, tools, finance and collectivization) to participate in the growing economy of the country.

Which of the statements given above are correct?

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

Q27. Categories under priority sector lending includes-

1. Agriculture
2. Micro and Small Enterprises
3. Education Loans
4. Housing Loans

Select the correct code

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

Q28. Identify the correct statement(s).

- (a) Rajiv Awas Yojana (RAY) focused on slum dwellers and the urban poor.
- (b) This scheme aimed at promoting a slum-free India in five years and would focus on according property rights to slum dwellers.
- (c) It was to provide basic amenities such as water supply, sewerage, drainage, internal and approach roads, street lighting and social infrastructure facilities in slums and low income settlements adopting a ‘whole city’ approach.
- (d) All a, b and c

Q29. Like development, poverty is multidimensional. Consider the following statements about Multidimensional Poverty Index (MPI).



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difference between 'Factor Cost' and 'Basic Price'

- (a) 'Factor cost' is the manufacturing price of any product, while the 'Basic Price' includes the subsidies on the product and excludes indirect taxes such as VAT
- (b) While 'Basic Price' of a product includes the current rate of inflation, the 'Factor Cost' does not
- (c) When the state taxes are added to the 'Factor Cost' it becomes 'Basic Price'
- (d) None of the above

Q35. Consider the following statements

- 1. Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in the country.
- 2. It is used in the estimation of gross domestic product (GDP).
- 3.  $GDP = GVA + \text{taxes on products} - \text{subsidies on products}$

Which of the above statement (s) given above is/are correct? Select the answer from the codes given below

- (a) 2 only
- (b) 1 and 2 only
- (c) 2 and 3 only
- (d) All of the above

Q36. Consider the following statements regarding NABARD

- 1. National Bank for Agriculture and Rural Development (NABARD) is an apex development bank in India, having headquarters in New Delhi and other branches are all over the country.
- 2. The committee to review arrangements for institutional credit for agriculture and rural development (CRAFICARD), set up by the Reserve Bank of India (RBI) under the chairmanship of Shri B. Sivaraman, conceived and recommended the establishment of National Bank for Agriculture and Rural Development (NABARD).
- 3. It was established on 12 July 1982 by a special Act of parliament and its main focus was on upliftment of rural India by increasing the credit flow for elevation of agriculture & rural non farm sector and completed its 34 years on 1 Jan 2016.

Which of the above statement (s) given above

is/are correct? Select the answer from the codes given below

- (a) 2 only
- (b) 1 and 2 only
- (c) 2 and 3 only
- (d) All of the above

Q37. Which of the following statements are correct?

- 1. PURA the shorter version of Providing Urgent amenities in Rural Areas to tackle the problem of migration of people from rural to urban areas for employment.
- 2. It is the former President APJ Abdul Kalam, who had proposed the concept of PURA in the VISION 2020 project initiated by him.
- 3. Its objective is to make rural areas as attractive as cities are.
- 4. Its goal and objectives are to provide India new heights and achievements, developed status and economy.

Select the correct code

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

Q38. Salient features of NIF (National Investment Fund) includes-

- 1. The proceeds from disinvestment of CPSEs will be channelized into the National Investment Fund which is to be maintained outside the Contingency Funds of India.
- 2. The corpus of the National Investment Fund will be of a permanent nature.
- 3. The Fund will be professionally managed to provide sustainable returns to the Government, without depleting the corpus. Selected Public Sector Mutual Funds will be entrusted with the management of the corpus of the Fund
- 4. 4.25% of the annual income of the Fund will be used to finance selected social sector schemes and the residual 75% of the annual income of the Fund will be used to meet the capital investment requirements of profitable and revivable CPSEs.

Select the correct code

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

Q39. Consider the following statements.

- 1. A memorandum of understanding (MOU or MoU) is a formal agreement between two or more parties.



2. MOUs are legally binding and they carry a degree of seriousness and mutual respect, stronger than a gentlemen's agreement.
3. MOUs are popular in multinational international relations because, unlike treaties, they take a short time to ratify and can be kept confidential.

Which of the statements given above are correct?

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

Q40. Consider the following

1. Primary deficit : is when government prints money in order to pay its deficits.
2. Deficit financing : is when a govt. spends more than what it earns.
3. Monetized deficit : is defined as fiscal deficit minus the interest payments.
4. Fiscal deficit : is the difference between governments' total expenditure and total receipts, excluding the borrowings.

Which of the pairs given above are correct?

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

Q41. Marginal standing facility (MSF) is a window for banks to borrow from the Reserve Bank of India in an emergency situation when inter-bank liquidity dries up completely. In this regard consider the following statements

1. Banks borrow from the central bank by pledging government securities at a rate higher than the repo rate under liquidity adjustment facility.
2. The MSF rate is pegged 100 basis points or a percentage point above the repo rate.
3. Under MSF, banks can borrow funds up to ten percentage of their net demand and time liabilities (NDTL).

Which of the above statement(s) given above is/are correct? Select the answer from the codes given below

- (a) 2 only                      (b) 1 and 2 only  
(c) 2 and 3 only                      (d) All of the above

Q42. Consider the following statements regarding the Repo and Reverse Repo Rate.

1. Reduction in Repo rate helps the commercial banks to get money at a cheaper rate and increase in Repo rate discourages the commercial banks to get money as the rate increases and becomes expensive.
2. The increase in the Repo rate will increase the cost of borrowing and lending of the banks which will discourage the public to borrow money and will encourage them to deposit.
3. The increase in Repo Rate and Reverse Repo Rate is a symbol of lightening of the monetary policy.

Which of the above statement(s) given above is/are correct? Select the answer from the codes given below

- (a) 2 only                      (b) 1 and 2 only  
(c) 2 and 3 only                      (d) All of the above

Q43. Consider the following statements.

1. Deflation is the reduction of prices of goods.
2. Deflation is usually associated with significant unemployment, which is only corrected after wages drop considerably.
3. Deflation also represents a situation where inflation increases at a slower rate.

Which of the statements given above is/are incorrect?

- (a) 2 and 3 only                      (b) 3 only  
(c) 1 only                      (d) Neither 1 nor 2 nor 3

Q44. Twin deficit identity is used to refer to a nation's-

1. Current account deficits
2. Primary deficit
3. Fiscal deficit
4. Monetized deficit

Select the correct code

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

Q45. The World Bank Group consists of which of the following organizations?

1. The International Bank for Reconstruction and Development
2. The International Development Association
3. The International Finance Corporation
4. The Multilateral Investment Guarantee Agency



5. The International Centre for Settlement of Investment Disputes

Select the correct code

- (a) 1, 2 and 3 only      (b) 1, 3, 4 and 5 only  
(c) 2, 3 and 4 only      (d) All 1, 2, 3, 4 and 5

Q46. A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in different activities. Which of the following statements about NBFC is/are incorrect?

- (a) NBFC accept demand deposits.  
(b) NBFCs form part of the payment and settlement system and issues cheques drawn on itself.  
(c) Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is also available to depositors of NBFCs.  
(d) All a, b and c

Q47. Consider the following statements about WTO.

1. The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations.
2. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.
3. At the heart of the system - known as the multilateral trading system - are the WTO's agreements, negotiated and signed by a large majority of the world's trading nations, and ratified in their parliaments.

Which of the statements given above are correct?

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

Q48. Identify the correct statement(s).

- (a) The Special Drawing Right (SDR) is an international reserve asset, created by the IMF to supplement the existing official reserves of member countries.  
(b) The SDR is neither a currency, nor a claim on the IMF.  
(c) Rather, it is a potential claim on the freely usable currencies of IMF members.  
(d) All a, b and c

Q49. Which of the following statement(s) is/are correct?

1. RBI is the regulator of all banks, NBFC's MFI and effectively anything to do with money.
2. SEBI is the regulator who deals with anything related to insurance.
3. IRDA is the regulator related to all things related to the stock markets.

Select the correct code

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

Q50. Consider the following statements about Rashtriya Krishi Vikas Yojna (RKVY).

1. Rashtriya Krishi Vikas Yojana is a special Additional Central Assistance Scheme which was launched to orient agricultural development strategies, to reaffirm its commitment to achieve 4 per cent annual growth in the agricultural sector during the 11th plan.
2. The scheme was launched to incentivize the States to provide additional resources in their State Plans over and above their baseline expenditure to bridge critical gaps.

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

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