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Prep Series Part - 2

50 QUESTIONS

ECONOMY

Q1. Consider the following statements

1. The economic activities are those activities of the people that determine what goods will be produced in the country, how services, like transport, storage, marketing, banking and, insurance will be provided, and how much of what is produced will be consumed now and how much will be stored for the future.
2. The economic activities do not mention about how and among whom the goods and services that are produced in the country would be shared.

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

Q2. Which of the following is/are the characteristics of Capitalist Economy?

1. There is an existence of private enterprise in the main spheres of production.
2. The operation of the price mechanism by which buyers and sellers determine what goods and services will be bought and sold in the market, in what quantities and at what prices.

3. The erstwhile Soviet Union and China are examples of this type of economy.

Select the correct code

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

Q3. Which of the following are the most comprehensive ways in which the government intervenes in the Indian economy?

1. Fiscal policy
2. Monetary policy
3. Physical controls in production and distribution

Select the correct code

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

Q4. Identify the wrong statement from the following.

- (a) The WTO was founded in 1995 as the successor organisation to the General Agreement on Trade and Tariff (GATT).
- (b) The WTO agreements cover trade in goods only to facilitate international trade (bilateral and multilateral) through removal of tariff as well as non-tariff barriers and providing greater market access to all member countries.



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- (c) As important member of WTO, India has been in the forefront of framing fair global rules, regulations and safeguards and advocating the interests of the developing world.
- (d) Neither a nor b nor c
- Q5. With reference to Gross Domestic Product (GDP), identify the correct statement(s).
- (a) It is the sum of values of all final goods and services produced in a year along with making deduction for the 'wear and tear' of the land, buildings and machinery used in production.
- (b) It is also called the National Income of the country.
- (c) Both are correct
- (d) Both are incorrect
- Q6. The division into public and private sector enterprises in India's mixed economy follows mainly from the-
- (a) Indian Parliament's Industrial Policy Resolution of 1956
- (b) Indian Parliament's Industrial Policy Resolution of 1977
- (c) Indian Parliament's Industrial Policy Resolution of 1980
- Q7. Which of the following statements is/are true?
- (a) The banking system is the main source of credit in the Indian economy.
- (b) The banks grant credit in the form of loans.
- (c) The banking system can create credit and lend out several times the size of its cash holdings.
- (d) All a, b, c
- Q8. The methods adopted by the government to induce regional dispersal of industries have been of many kinds. Identify the correct from the following.
- In 1968 the government identified 246 districts as 'backward'. Fiscal incentive and subsidies were given to industries set up in these districts.
 - In 1978 it was decided to use the industrial licensing regulations to encourage regional dispersion of industries.

- The step was taken in 1981 by introducing the idea of no industry district which were given top priority in all scheme and provided with infrastructural facilities for attracting new industries.
- It introduced an element of compulsion in the license policy by forcing the large business house (the MRTP companies) to locate industries units in the backward areas.

Code:

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

- Q9. The rate of exchange between the rupee and the dollar is determined in a free market situation, by -
- (a) The relative demand for U.S. goods and capital in our country
- (b) The relative demand for our goods and capital in the United States.
- (c) Both are correct
- (d) Both are incorrect

Q10. Consider the following statements.

- The International Monetary Fund or IMF is independent of the United Nations.
- The IMF maintains reserves of all currencies contributed by the respective member Countries according to fixed individual quotas.
- When one member country is temporarily in short supply of a particular foreign currency, it can draw on the IMF reserves against its own quota or against other special arrangements.

Which of the statements given above is/are incorrect?

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

Q11. Identify the indirect taxes from the following.

- Stamp duty
- Gift tax
- Excise duty
- Customs duty

Select the correct code

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



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Q12. Consider the following statements.

- A. The first area of government action in the field of production had been that of industrial licensing.
- R. This was done through the Indian Parliament's Industrial Policy Resolution of 1948 and the Industries Development and Regulation Act (IDRA) which came into operation in 1951.

Select the correct code

- (a) If both A and R are correct and R correctly explain A
- (b) If both A and R are correct and R does not explain A
- (c) If only A is correct
- (d) If only R is correct

Q13. Which of the following activities is/are almost entirely under private ownership?

- (a) Agriculture
- (b) Small-scale rural industries
- (c) Small scale urban industries
- (d) Only a, b

Q14. Which of the following bodies are engaged in the regulation of the economy?

1. Different ministries of the central government,
2. Different ministries of the state governments,
3. The Reserve-Bank of India

Select the correct code

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

Q15. Identify the correct pairs from the following.

Alternate Marketing Channels	Location
1. Apni Mandi	: Punjab
2. Hadaspar Mandi	: Rajasthan
3. Rythu Bazars	: Andhra Pradesh
4. Uzhavar Sandies	: Tamil Nadu

Codes

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

Q16. The information relating to employment in the

formal sector is collected by which of the following Ministries?

- (a) The Union Ministry of Labour
- (b) Ministry of Personnel, Public Grievances and Pensions (India)
- (c) Ministry of Human Resource Development
- (d) Ministry of Home Affairs

Q17. With reference to developing economies, consider the following statements.

1. They have only a small modern industrial sector; they are going through a distinct process of industrialization.
2. They are generally described as less developed countries (LDCs)
3. In a developing economy the modern industrial sector, though small, keeps increasing in size and the traditional agricultural or rural sector keeps shrinking.

Which of the statements given above is/are correct?

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

Q18. Which of the following come under the category of social infrastructure?

1. Education system
2. Health services
3. The banking system

Select the correct code

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

Q19. Consider the following statements.

1. The overall purpose of taxation in a developing economy is necessarily only to reduce inequalities of income, or to charge the priorities of the private producers by making some lines of production more (or less) attractive than others.
2. The purpose of taxation in a developing economy do not consider about the mobilization of resources for the investments that are needed for development.

Which of the statements given above is/are incorrect?



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

Q20. Consider the following statements.

1. He was the architect of Indian planning.
2. He established the Indian Statistical Institute (ISI) in Calcutta and started a journal, Sankhya.
3. The Second Plan, a landmark contribution to development planning in general, laid down the basic ideas regarding goals of Indian planning; was based on his ideas.

Which of the following personalities possess the above characteristics?

- (a) Prasanta Chandra Mahalanobis
(b) Bibek Debroy
(c) J.C. Kumarappa
(d) Amit Mitra

Q21. Identify the Foreign Institutional Investors (FII) from the following.

- (a) Merchant bankers (b) Mutual funds
(c) Pension funds (d) All a, b, c

Q22. Which of the following programme aims at improving the food and nutritional status of the poor?

1. Public Distribution System
2. Integrated Child Development Scheme
3. Midday Meal Scheme

Select the correct code

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

Q23. Consider the following statements.

A. Economic development cannot be measured by GNP or the Gross National Product alone.

R. The level of GNP does show how the welfare of the people stands in respect of such important aspects as, say, per capita food intake, schooling, health, life expectancy and so on.

Select the correct code

- (a) If both A and R are correct and R correctly explain A
(b) If both A and R are correct and R does not

explain A

- (c) If only A is correct
(d) If only R is correct

Q24. There are three kinds of producers in the economy. Consider the following.

1. Transport
2. Manufacture of goods
3. Banking
4. Insurance

Which of the facts given above come under the category of tertiary producers?

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

Q25. Identify the correct statement(s).

(a) The first difficulty that a developing economy has to face in the employment situation is the mismatch of the capital structure and the size of the available labour force.

(b) The crisis of unemployment in a developing economy like India is partly unavoidable because in terms of the best available technology, the capital structure can never absorb the total labour force fully.

- (c) Both are correct
(d) Both are incorrect

Q26. Consider the following statements.

1. The Stock Exchange constitutes the capital market of the economy, popularly also known as the 'share market' because shares of companies can be bought and sold here.

2. The banking system, the non-banking financial institutions and the capital market with the Reserve Bank of India at the top of the system with its vast regulatory powers provide the monetary infrastructure of the Indian economy.

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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Q27. With reference to Housing, consider the following statements.

1. Housing is a constituent of the social infrastructure of the economy.
2. The main thrust of the housing programmes, in our Five Year Plans, is directed towards improving the share of the poorer sections of our society in the facilities of housing.
3. Each state in the country has a State Housing Board.
4. The Housing and Urban Development Corporation (HUDCO) in the state sector is also involved in this task.

Which of the statements given above are correct?

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

Q28. The government initiated the kinds of promotional measures for the small scale sector. Which of the following is/are true related to it?

1. A number of products were especially reserved for the small-scale units.
2. The produce of the small-scale sector would be given preference over the produce of large-scale industries- in the purchase policy of government (and public sector) institutions!
3. However, the small-scale units would not enjoy a host of tax and duty reliefs as well as other financial incentives that were available to large-scale units.

Select the correct code

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

Q29. Which of the following statements is/are correct?

1. All monetary controls in the Indian economy rest with the Reserve Bank of India.
2. It guides and controls the commercial banks as the custodian of the State's monetary policy.

3. The Reserve Bank of India also issues currency on behalf of the government.

Select the correct code

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

Q30. India borrowed the concept of five year plans from which of the following countries?

- (a) Former Soviet Union (b) Germany
(c) Canada (d) Australia

Q31. 'Kudumbashree' is a -

- (a) Women-oriented community-based poverty reduction programme
(b) Welfare programme launched in inaccessible areas of the country
(c) River cleaning programme
(d) Neither a nor b nor c

Q32. Which of the following agencies/institutions provide credit to the farmers?

1. Cooperative agencies
2. The cooperative land development banks
3. Commercial banking institutions

Select the correct code

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

Q33. Consider the following statements.

- A. Disguised unemployment is more difficult to handle than open unemployment.
R. It (Disguised unemployment) cannot be eradicated without changing existing methods of production and perhaps even the existing way of life in the rural households.

Select the correct code

- (a) If both A and R are correct and R correctly explain A
(b) If both A and R are correct and R does not explain A
(c) If only A is correct
(d) If only R is correct

Q34. In a mixed economy use is made both of the market or price mechanism and the planning mechanism. With reference to planning

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mechanism, consider the following statements.

1. They refer to the inadequacy of the forces of supply and demand and of the mechanism of prices in solving the basic problems.
2. They mean that the forces operating in the market do not necessarily lead to economic growth at a desired pace in developing economies; and they do not secure social justice for all in distributing the national product fairly.

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

Q35. Gross National Product or GNP is the-

- (a) NDP plus net earnings from abroad
(b) GDP minus the net earnings from abroad
(c) GDP plus the net earnings from abroad
(d) NDP minus net earnings from abroad

Q36. Consumption level of energy of which of the following are also known to be a good indicator of economic development?

1. Electricity 2. Oil
3. Coke

Select the correct code

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

Q37. The unemployment that is not perennial but that comes and goes as the market demand for goods in the economy falls and rises periodically. It is called -

- (a) Structural unemployment
(b) Cyclical unemployment
(c) Seasonal unemployment
(d) Neither a nor b nor c

Q38. The basic industries are those that provide essential inputs to all important industries and agriculture. Identify the basic industries from the following.

1. Coal 2. Iron
3. Fertilizers 4. Cement
5. Aluminium

Select the correct code

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

Q39. Question is based upon utility concepts. Total utility is-

- (a) Defined as the total psychological satisfaction a consumer obtains from consuming a given amount of a particular good.
(b) Defined as the utility from the last unit consumed.
(c) Both are correct
(d) Both are incorrect

Q40. Identify the correct statements about economics.

1. Economics is a social science.
2. Economics is concerned with the study of individual and social choice in situations of scarcity.
3. There are three central problems facing any economy, namely, "what", "how" and "for whom".

Q41. Consider the following statements.

1. Auxiliary Nursing Midwife (ANM) is the first person who provides primary healthcare in rural areas.
2. In order to provide primary health care, hospitals have been set up in villages and small towns which are generally manned by a single doctor, a nurse and a limited quantity of medicines.

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

Q42. Which of the following are the sources of data on unemployment?

1. Reports of Census of India
2. National Sample Survey Organisation's Reports of Employment and Unemployment Situation
3. Employment Exchanges

Select the correct code

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

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Q43. Which of the following are the self-employment programmes of India?

1. Rural Employment Generation Programme (REGP)
2. Prime Minister's Rozgar Yojana (PMRY)
3. Swarna Jayanti Shahari Rozgar Yojana (SJSRY)
4. Sampoorna Grameen Rozgar Yojana (SGRY)

Select the correct code

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

Q44. Financial sector includes which of the following financial institutions?

1. Commercial banks
2. Investment banks
3. Stock exchange operations
4. Foreign exchange market

Select the right code

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

Q45. Who among the following are generally classified in the Census as all workers in India, whether urban or rural?

1. Cultivators
2. Agricultural labourers
3. Workers in construction
4. Workers in transport, storage and communication

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

Q46. The large-scale industries of India fall broadly into different classes. Select the correct from the following.

1. Basic Industries
2. Capital Goods Industries,
3. Intermediate Goods Industries
4. Consumer Goods Industries

Codes

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

Q47. The only industries which are now reserved for the public sector are-

1. Atomic energy
2. Defence equipments
3. The substances specified in the scheduled to the notification of the Government of India in the Department of Atomic Energy number S.O.212(E), dated the 15th March, 1995.
4. Railway transport

Select the right code

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

Q48. Consider the following statements.

1. In 1955, the Village and Small-Scale Industries Committee, also called the Karve Committee, noted the possibility of using small-scale industries for promoting rural development.
2. A 'small-scale industry' is defined with reference to the maximum benefit allowed on the assets of a unit.

Which of the statements given above is/are incorrect?

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

Q49. Which of the following plans tried to build the basis for a socialist pattern of society?

- (a) First Five Year Plan
(b) Forth Five Year Plan
(c) Fifth Five Year Plan
(d) Second Five Year Plan

Q50. Which of the following are the determinants of demand?

- (a) Prices of related goods
(b) Income
(c) Tastes
(d) All a, b, c



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