

PRELIMS PRACTICE

ECONOMY - 1

Q1. Consider the followings statements about the Gross domestic Product as a measure of Economic Growth:

- 1. If GDP of a nation increases it necessarily leads to increase in welfare of all.**
- 2. Externalities are the benefits or harms that a firm or an individual cause to another without being paid or penalized.**
- 3. Gross Domestic product is always less than the Gross National product of a country in an Open economy.**

Which of the statements given above is/are incorrect?

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

Q2. Which of the following statements is/are correct about GDP deflator?

- 1. It reflects the changes in the price levels of a particular basket of goods and services produced within a country.**
- 2. It does not include the Prices of the imported goods.**

Select the correct answer using the code given below:

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

Q3. Which of the following was/were the reasons for Economic Liberalization of 1991 in India?

- 1. High Fiscal deficit for the government.**
- 2. Depleting foreign exchange reserves**
- 3. High Inflation**
- 4. Structural Changes in Indian Economy**

Select the correct answer using the code given below:

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

Q4. Which of the following is/are correct?

- 1. Central Government's debt to GDP ratio has steadily increased in last five years.**
- 2. Gross savings as a percentage of GDP has decreased steadily in last five years**

Select the correct answer using the code given below:

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

Q5. Which of the following factors has/have led to the breaching of Fiscal Deficit targets under the FRBM act?

1. Reduction in Corporate tax
2. Economic Slowdown
3. Transfer of dividend from RBI to the Government
4. Increase in disinvestment receipts.

Select the correct answer using the code given below:

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

Q6. Which of the following refers to the situation liquidity trap in an Economy?

- a. When the inflation and interest rates are high
- b. Unemployment and inflation are high
- c. Growth is low and inflation is high
- d. When interest rates are low and saving rates are high

Q7. Which of the following refers to the term Fiscal drag?

- a. Increase in debt of the Government
- b. Increasing Fiscal deficit due to economic Slowdown
- c. Expansionary fiscal policy
- d. Deflationary pressures because of progressive taxation

Q8. Which of the following is/are about the Reserve bank of India ?

1. Under the RBI act 1934 it is mandatory for RBI to transfer all its profit to the government.
2. Government cannot supersede the RBI board directions under any circumstances.

Select the correct answer using the code given below:

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

Q9. Which of the following is/are correct about the Long term repo Operations conducted by the RBI ?

1. Interest rate offered by the RBI on LTRO is 1% higher than the Repo rate
2. It aims at improving the Monetary policy transmission

Select the correct answer using the code given below:

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

- Q10. Which of the following statement is correct about Negative interest rate Monetary policy?
- a. It is implemented by central banks to reduce Environmental impact.
 - b. It is a policy tool used for social welfare
 - c. It is implemented to control inflation during the times of high economic growth.
 - d. It is used to spur growth during economic recession

Answer Key of **PRELIMS PRACTICE**

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1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
B	B	C	B	A	D	D	D	B	D