

Q1. An economy pursuing an expansionary fiscal policy can witness :

1. increase in fiscal deficit
2. increase in wages of labour
3. increase in rate of income tax

Select the correct answer using the codes given below.

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

Q2. Equity market instruments help in financing a firm. Which of these is/are equity market instruments ?

1. Bonds
2. Shares
3. Debentures

Select the correct answer using the codes given below.

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

Q3. If indirect taxes in an economy are increased, then which of the following can occur ?

1. GDP at factor cost increases
2. GDP at factor cost decreases
3. GDP at market price increases
4. GDP at market price decreases

Select the correct answer using the codes given below.

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

Q4. The term 'narrow banking' is best described as :

- a) banks acting only as payment banks
- b) banking by non-banking financial companies
- c) limited areas of operation by banks
- d) banks lending only to risk free sectors

Q5. Which among the following can result in 'demand pull inflation' ?

1. increase in subsidy on LPG
2. increase in fuel prices
3. decrease in income tax rates

Select the correct answer using the codes given below.

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

Q6. India's central bank, RBI performs various functions. Which of these are its functions according to the RBI act, 1934.

1. managing inflation
2. acting as banker's bank
3. managing India's Forex
4. handling government's borrowing program

Select the correct answer using the codes given below.

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

Q7. With reference to foreign portfolio investments (FPI), consider the following statements :

1. FPIs are more volatile than loans from international financial institutions.
2. Foreign Direct Investments are part of FPIs.

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

Q8. Which of the following also acts as a mechanism for government lending.

1. CRR
2. Repo rate
3. Reverse repo rate
4. SLR

Select the correct answer using the codes given below.

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

Q9. The WTO follows the principle of 'self selection'. This means :

- a) countries decide to which agreement they want to be party.
- b) countries decide the rate of tariff and tariff reduction
- c) countries themselves decide whether they want to be in developed or developing categories.
- d) None of the above

Q10. A decrease in Cash Reserve Ratio (CRR) can lead to which among the following ?

1. increase in cash availability of the banks
2. increase in repo rate
3. decrease in SLR

Select the correct answer using the codes given below.

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

Solutions

S1.Ans.(a)
S2.Ans.(b)
S3.Ans.(c)
S4.Ans.(d)
S5.Ans.(b)
S6.Ans.(d)
S7.Ans.(a)
S8.Ans.(d)
S9.Ans.(c)
S10.Ans.(a)



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