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**General Knowledge**

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# **Indian Economy**

**(Practice Assignment 01)**

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## Indian Economy Practice Assignment 01

**DIRECTIONS for questions 1-40:** Mark the best option:

1. Which one of the following represents the Savings of the Private Corporate Sector?
  - A) Undistributed profits
  - B) Excess of income over expenditure
  - C) Dividends paid to shareholders
  - D) Total profits of a company
  
2. Consider the following statements regarding Purchasing power parity (PPP).
  1. The concept of purchasing power parity allows one to estimate what the exchange rate between two currencies would have to be to equate the purchasing power of the two currencies.
  2. PPP exchange rates exclude profits and do not consider the different quality of goods among countries.Which of the above statements is/are correct?
  - A) 1 only
  - B) 2 only
  - C) Both 1 and 2
  - D) Neither 1 or 2



3. Investment multiplier shows the effect of investment on
  - A) Employment
  - B) Savings
  - C) Income
  - D) Consumption
4. Identify the one which is not: related to the Agricultural Price Policy.
  - A) Buffer stock
  - B) Imports
  - C) Support price
  - D) Licensing
5. If a good has negative income elasticity and positive price elasticity of demand, it is a
  - A) giffen good
  - B) normal good
  - C) superior good
  - D) an inferior good
6. The opportunity cost of a factor of production is
  - A) what it is earning from last year.
  - B) what it is earning in its present use.
  - C) what has to be paid to retain it in its present use.
  - D) what it can earn in some other use.



7. Which of the following does not form a part of the foreign exchange reserves of India ?
- A) Gold
  - B) SDRs
  - C) Foreign currency assets
  - D) Foreign currency and securities held by the banks and corporate bodies
8. What is the full form of MFN?
- A) Monetary Fund Notary
  - B) Most Favoured Nation
  - C) Mid Firm Nexus
  - D) Most Favourable Nation
9. Which one of the following taxes is imposed on the basis of 'ability to pay' principle?
- A) Wealth tax
  - B) Gift tax
  - C) Corporate tax
  - D) Income tax
10. Dr. Raghuram Rajan has not served in which of the following positions
- A) Governor, RBI
  - B) Economic Counsellor, IMF
  - C) Chief Economist, World Bank
  - D) Chief Economic Advisor, GOI



11. If India exports more than it imports, which of the following is likely to happen?
- A) INR is likely to appreciate against other currencies
  - B) The supply of INR is likely to exceed the demand in the foreign exchange market, *ceteris paribus*
  - C) INR would be under pressure to depreciate against other currencies
  - D) Both B and C are correct
12. What is a Census?
- A) A symbolic name for a set of values.
  - B) A subset of units in a population, selected to represent all units in a population of interest.
  - C) A complete, ordered listing of all the items in a collection.
  - D) A study of every unit, everyone or everything, in a population.
13. The production of a commodity mostly through the natural process is an activity in the
- A) Primary Sector
  - B) Secondary Sector
  - C) Tertiary Sector
  - D) Technology Sector



14. The Law of Demand is based on the
- A) Manufacturer's preference
  - B) Seller's preference
  - C) Supplier's preference
  - D) Consumer's preference
15. Which one of the following is not a method of computing GNP?
- A) Income Approach      B) Expenditure Approach
  - C) Savings Approach      D) Value Added Approach
16. A part of National Debt known as External Debt is the amount
- A) borrowed by its citizens from abroad
  - B) lent by its citizens to foreign governments
  - C) borrowed by its government from abroad
  - D) lent by its government to foreign government
17. The non-expenditure costs which arise when the producing firm itself owns and supplies certain factors of production are
- A) Explicit costs              B) Original costs
  - C) Implicit costs              D) Replacement costs



- 18.** Which one of the following is not a measure of globalization?
- A) Reduction in import duties
  - B) Abolition of import licensing
  - C) Allowing free flow of direct foreign investment
  - D) Disinvestment of equity in the public sector
- 19.** Which is not an objective of currency devaluation?
- A) To reduce imports
  - B) To improve balance of payment
  - C) To improve the competitiveness of goods and services exported from the country
  - D) To discourage FDI inflow
- 20.** Open market operations refers to the sale and purchase by the RBI of
- A) Foreign currency      B) Gold
  - C) Government bonds    D) All the above
- 21.** The goals of monetary policy do not include
- A) full employment
  - B) price stability
  - C) maximising tax revenue
  - D) Any of the above



**22.** India's Direct Cash Transfer Scheme draws similarities from models of which country

- A) Brazil                                      B) Germany  
C) Australia                                    D) Sri Lanka

**23.** Consider the following statements about the Fiscal Policy.

1. Fiscal policy is the use of government spending and taxation to influence the economy.
2. The most immediate effect of fiscal policy is to change the aggregate demand for goods and services.
3. Fiscal policy is said to be loose or expansionary when revenue is higher than spending.

Which of the above statements are correct?

- A) Only 1 & 2                                      B) Only 2 & 3  
C) Only 1 & 3                                      D) All of the above

**24.** Which one of the following statements related to 'Sovereign Wealth Fund' is correct?

- A) This proposed fund would help Indians facing adverse conditions in an alien country.



B) This fund would help Indian lobbyists abroad to seek India's political and economic interests in their respective countries.

C) This additional fund would be granted to the Indian forces to meet any exigencies arising out of intrusion in the Indian Territory.

D) This fund would help India's state run companies pursue acquisition of oil, gas, coal, LNG and other raw material in other countries.

**25.** Which of the following regarding Financial stability and development council is/are true?

1. Headed by Finance Minister
2. A high-level body set up to strengthen and institutionalize the mechanism for maintaining financial stability, financial sector development.
3. Takes care of inter-regulatory coordination i.e., coordination among IRDA, SEBI & PFRDA

A) 1 & 3

B) 2 & 3

C) 1 & 2

D) All the above



26. After a ruling of World Trade Organization (WTO), China has agreed to open its markets for entertainment goods such as books, music, films and other entertainment products. On what ground did China bar these goods In the first place?
- A) To help the local industry
  - B) To save the culture to be corrupted
  - C) To monopolize
  - D) None of these
27. Private investment will be most likely to be increased due to a rise in
- A) personal taxation
  - B) prices of shares
  - C) rate of interest
  - D) expected yield on new capital
28. Which of the following is/are correct?
1. Dedicated freight corridor corporation of India limited is a special purpose vehicle under Minister of Railways
  2. Western dedicated freight corridor is supported by JETRO
  3. Eastern dedicated freight corridor is supported by World Bank



4. Eastern corridor extends from Ludhiana to Dankuni  
A) 1 and 3    B) 2 and 4    C) 2 and 3    D) All the above

**29.** Broad money (M3) consists of:

- A) Currency with the public  
B) Demand deposits and time deposits with the banks  
C) Other deposits with RBI  
D) All of the above

**30.** 2011 Census covered how many districts in India ?

- A) 610        B) 620        C) 630        D) 640

**31.** Consider the following statements:

1. USA is the leading export destination of India followed by UAE and Africa
2. UAE is the leading import country for India

Which of the above statements is / are correct?

- A) 1 only                      B) 2 only  
C) Both 1 and 2              D) Neither 1 nor 2



**32.** Consider the following statements about Central Board of Indirect Taxes and Customs.

1. Central Board of Indirect Taxes and Customs is a part of Department of Economic Affairs, Ministry of Finance.
2. It deals with the tasks of formulation of policy concerning prevention of smuggling and administration of matters relating to Central Goods & Services Tax, IGST and Narcotics.

Which of the above statements is/are correct?

- A) 1 only                      B) 2 only  
C) Both 1 and 2              D) Neither 1 or 2

**33.** Consider the following statements:

1. The proceeds from IPO goes to company
2. The proceeds from offer for sale by GOI goes to Consolidated Fund of India
3. Offer for sale is a practice of GOI to disinvest its stake in CPSUs

- A) 1, 2              B) 2 only              C) 1, 2, 3              D) 2,3



- 34.** The collection rate is computed as
- A) The sum total of customs duty
  - B) The ratio of total customs revenue collection to the value of imports in the fiscal year
  - C) The difference of total customs revenue collection to the value of imports
  - D) None of the above
- 35.** Which one of the following is NOT correct ?
- A) M1 (Narrow money) is the currency with the public and demand deposits of the public
  - B)  $M2 = M1 + \text{Post office savings deposits}$
  - C)  $M3 = M1 + \text{Aggregate deposits of the public}$  which is made up of demand deposits and time deposits
  - D) None of the above
- 36.** Consider the following statements :
1. Insurance in India is listed in the Constitution in the Seventh Schedule as a Union List subject.
  2. The primary regulator for insurance in India is Life Insurance Corporation of India.
  3. At present, FDI limit in insurance sector is 26%.



Which of the statements given above is/are correct?

A) 1 only    B) 2 only    C) 1 and 3    D) 1, 2 and 3

**37.** In India, the main land-use sector of coal is :

- A) Iron and Steel
- B) Cement
- C) Brick and Ceramics
- D) Thermal power generation

**38.** Which of the following are the objectives of the Commission for Agricultural Costs and Prices (CACP)?

1. To stabilize agricultural prices.
2. To ensure meaningful real income levels to the farmers.
3. To protect the interest of the consumers by providing essential agricultural commodities at reasonable rates through public distribution system.
4. To ensure maximum price for the farmer.

A) 1, 2 and 3

B) 1, 2 and 4

C) 1, 3 and 4

D) 2, 3 and 4



39. Hawala transactions relate to payments
- A) received in rupees against overseas currencies and vice versa, without going through the official channels
  - B) received for sale/transfer of shares without going through the established stock exchanges
  - C) received as commission for services rendered to overseas investors/buyers/sellers in assisting them to get over the red tape and/or in getting preferential treatment
  - D) made to political parties or to individuals for meeting election expenses
40. A redistribution of income in a country can be best brought about through
- A) progressive taxation combined with progressive expenditure
  - B) progressive taxation combined with regressive expenditure
  - C) regressive taxation combined with regressive expenditure
  - D) regressive taxation combined with progressive expenditure



## Answer Key

Q. No.	Key	Q. No.	Key
1.	A	21.	C
2.	C	22.	A
3.	C	23.	A
4.	D	24.	D
5.	A	25.	D
6.	D	26.	B
7.	D	27.	D
8.	B	28.	D
9.	D	29.	A
10.	C	30.	D
11.	A	31.	D
12.	D	32.	B
13.	A	33.	C
14.	D	34.	B
15.	C	35.	D
16.	C	36.	A
17.	C	37.	D
18.	D	38.	A
19.	D	39.	A
20.	C	40.	B