

IAS Prelims Economy Questions 2013

1. The balance of payments of a country is a systematic record of
- (a) all import and transactions of a during a given period normally a year
 - (b) goods exported from a country during a year
 - (c) economic transaction between the government of one country to another
 - (d) capital movements from one country to another

2. The Reserve Bank of India regulates the commercial banks in matters of

- (1) liquidity of assets
- (2) branch expansion
- (3) merger of banks
- (4) winding-up of banks

Select the correct answer using the codes given below.

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

3. An increase in the Bank Rate generally indicates that the

- (a) market rate of interest is likely to fall
- (b) Central Bank is no longer making loans to commercial banks
- (c) Central Bank is following an easy money policy
- (d) Central Bank is following a tight money policy

4. In India, deficit financing is used for raising resources for

- (a) economic development
- (b) redemption of public debt
- (c) adjusting the balance of payments
- (d) reducing the foreign debt

5. Which of the following constitute Capital Account?

- (1) Foreign Loans
- (2) Foreign Direct Investment
- (3) Private Remittances
- (4) Portfolio Investment

Select the correct answer using the codes given below.

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

6. Consider the following statements :

- (1) Inflation benefits the debtors.
- (2) Inflation benefits the bond-holders.

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

7. Disguised unemployment generally means

- (a) large number of people remain unemployed
- (b) alternative employment is not available
- (c) marginal productivity of labour is zero
- (d) productivity of workers is low

8. Consider the following liquid assets:

- (1) Demand deposits with the banks
- (2) Time deposits with the banks
- (3) Savings deposits with the banks
- (4) Currency

The correct sequence of these decreasing order of Liquidity is

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

9. In the context of Indian economy, Open Market Operations' refers to

- (a) borrowing by scheduled banks from the RBI
- (b) lending by commercial banks to industry and trade
- (c) purchase and sale of government securities by the RBI
- (d) None of the above

10. Priority Sector Lending by banks in India constitutes the lending to

- (a) agriculture
- (b) micro and small enterprises
- (c) weaker sections
- (d) All of the above

11. To obtain full benefits of demographic dividend, what should India do?

- (a) Promoting skill development
- (b) Introducing more social security schemes
- (c) Reducing infant mortality rate
- (d) Privatization of higher education

12. A rise in general level of prices may be caused by

- (1) an increase in the money supply
- (2) a decrease in the aggregate level of output
- (3) an increase in the effective demand

Select the correct answer using the codes given below.

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

13. Which one of the following groups of items is included in India's foreign-exchange reserves?

- (a) Foreign-currency assets, Special Drawing Rights (SDRs) and loans from foreign countries
- (b) Foreign-currency assets, gold holdings of the RBI and SDRs
- (c) Foreign-currency assets, loans from the World Bank and SDRs
- (d) Foreign-currency assets, gold holdings of the RBI and loans from the World Bank

14. Which one of the following is likely to be the most inflationary in its effect?

- (a) Repayment of public debt
- (b) Borrowing from the public to finance a budget deficit
- (c) Borrowing from banks to finance a budget deficit
- (d) Creating new money to finance a budget deficit

15. Supply of money remaining the same when there is an increase in demand for money, there will be

- (a) a fall in the level of prices

- (b) an increase in the rate of interest
- (c) a decrease in the rate of interest
- (d) an increase in the level of income and employment

16. Economic growth in country X will necessarily have to occur if

- (a) there is technical progress in the world economy
- (b) there is population growth in X
- (c) there is capital formation in X
- (d) the volume of trade grows in the world economy

17. The national income of a country for a given period is equal to the

- (a) total value of goods and services produced by the nationals
- (b) sum of total consumption and investment expenditure
- (c) sum of personal income of all individuals
- (d) money value of final goods and services produced

18. Which of the following grants/ grant direct credit assistance to rural households?

- (1) Regional Rural Banks
- (2) National Bank for Agriculture and Rural Development
- (3) Land Development Banks

Select the correct answer using the codes given below:

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