

2018 IAS Prelims Economy Questions

1. Which one of the following best describes the term “Merchant Discount Rate” sometimes seen in the news?

- (a) The incentive given by a bank to a merchant for accepting payments through debit cards pertaining to that bank.
- (b) The amount paid back by banks to their customers when they use debit cards for financial transactions for purchasing goods or services.
- (c) The charge to a merchant by a bank for accepting payments from his customers through the bank’s debit cards.
- (d) The incentive given by the Government, to merchants for promoting digital payments by their customers through Point of Sale (PoS) machines and debit cards.

2. Consider the following statements

- (1) The Fiscal Responsibility and Budget Management (FRBM) Review Committee Report has recommended a debt to GDP ratio of 60% for the general (combined) government by 2023, comprising 40% for the Central Government and 20% for the State Governments.
- (2) The Central Government has domestic liabilities of 21% of GDP as compared to that of 20% of GDP of the State Governments.
- (3) As per the Constitution of India, it is mandatory for a State to take the Central Government’s consent for raising any loan if the former owes any outstanding liabilities to the latter.

Which of the statements given above is/are correct?

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

3. Consider the following statements

- (1) The quantity of imported edible oils is more than the domestic production of edible oils in the last five years.
- (2) The Government does not impose any customs duty on all the imported edible oils as a special case.

Which of two statements given above is/are correct

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

4. Which one of the following links all the ATMs in India ?

- (a) Indian banks' Association
- (b) National Securities Depository Limited
- (c) National Payments Corporation of India
- (d) Reserve Bank of India

5. Which one of the following statements correctly describes the meaning of legal tender money ?

- (a) The money which is tendered in courts of law to defray the fee of legal cases
- (b) The money which a creditor is under compulsion to accept in settlement of his claims
- (c) The bank money in the form of cheques, drafts, bills of exchange, etc.
- (d) The metallic money in circulation in a country

6. If a commodity is provided free to the public by the Government, then

- (a) the opportunity cost is zero.
- (b) the opportunity cost is ignored.
- (c) the opportunity cost is transferred from the consumers of the product to the tax-paying public.
- (d) the opportunity cost is transferred from the consumers of the product to the Government.

7. Increase in absolute and per capita real GNP do not connote a higher level of economic development, if

- (a) industrial output fails to keep pace with agricultural output.
- (b) agricultural output fails to keep pace with industrial output.
- (c) poverty and unemployment increase.
- (d) imports grow faster than exports.

8. Consider the following statements: Human capital formation as a concept is better explained in terms of a process, which enables

- (1) individuals of a country to accumulate more capital.
- (2) increasing the knowledge, skill levels and capacities of the people of the country.
- (3) accumulation of tangible wealth.
- (4) accumulation of intangible wealth.

Which of the statements given above is/are correct?

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

9. Despite being a high saving economy, capital formation may not result in significant increase in output due to

- (a) weak administrative machinery
- (b) illiteracy
- (c) high population density
- (d) high capital-output ratio

10. Consider the following statements:

(1) The Reserve Bank of India manages and services Government of India Securities but not any State Government Securities.

(2) Treasury bills are issued by the Government of India and there are no treasury bills issued by the State Governments.

(3) Treasury bills offered are issued at a discount from the par value.

Which of the statements given above is/are correct?

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

11. Consider the following statements:

(1) Capital Adequacy Ratio (CAR) is the amount that banks have to maintain in the form of their own funds to offset any loss that banks incur if the account-holders fail to repay dues.

(2) CAR is decided by each individual bank.

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

12. With reference to digital payments, consider the following statements:

(1) BHIM app allows the user to transfer money to anyone with a UPI-enabled bank account.

(2) While a chip-pin debit card has four factors of authentication, BHIM app has only two factors of authentication.

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

13. With reference to the governance of public sector banking in India, consider the following statements

(1) Capital infusion into public sector banks by the Government of India has steadily increased in the last decade.

(2) To put the public sector banks in order, the merger of associate banks with the parent State Bank of India has been affected.

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