### **ECONOMY UPSC PRE 2021**

## 1. Consider the following statements:

- 1. The Governor of the Reserve bank of India (RBI) is a appointed by the Central Government.
- 2. Certain provisions in the Constitution of India give the Central Government the right to issue directions to the RBI in public interest.
- 3. The Governor of the RBI draws his power from the RBI Act. Which of the above statements are correct?
- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Answer-c

# 2. Which among the following steps is most likely to be taken at the time of an economic recession?

- (a) Cut in tax rates accompanied by increase in interest rate
- (b) Increase in expenditure on public projects
- (c) Increase in tax rates accompanied by reduction of interest rate.
- (d) Reduction of expenditure on public projects

Answer-b

# 3. Consider the following statements: Other things remaining unchanged, market demandfor a good might increase if

- 1. price of its substitute increases
- 2. price of its complement increases
- 3. the good is an inferior good and income of the consumers increases
- 4. its price falls Which of the above statements are correct?
- (a) 1 and 4 only
- (b) 2, 3 and 4
- (c) 1, 3 and 4
- (d) 1, 2 and 3

Answer-a

## 4. With reference to 'Urban Cooperative banks' in India consider the following statements:

- 1. They are supervised and regulated by local boards set up by the State Governments.
- 2. They can issue equity shares and preference shares.
- 3. They were brought under the purview of the Banking Regulation Act, 1949 through an Amendment in 1966. 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
- Answer-b

## 5. Indian Government Bond Yields are influenced by which of the following?

- 1. Actions of the United States Federal Reserve
- 2. Actions of the Reserve bank of India
- 3. Inflation and short-term interest rates Select the correct answer using the code given below.
- (a) 1 and 2 only
- (b) 2 only

(c) 3 only

(d) 1, 2 and 3

### Answer-d

## 6. Consider the following:

- 1. Foreign currency convertible bonds
- 2. Foreign institutional investment with certain conditions
- 3. Global depository receipts
- 4. Non-resident external deposits Which of the above can be included in Foreign DirectInvestments?
- (a) 1, 2 and 3
- (b) 3 only

(c) 2 and 4

(d) 1 and 4

Answer-a

# 7. Consider the following statements: The effect of devaluation of a currency is that it necessarily

- 1. improves the competitiveness of the domestic exports in the foreign markets.
- 2. increases the foreign value of domestic currency
- 3. improves the trade balance Which of the above statements is/are correct?
- (a) 1 only
- (b) 1 and 2
- (c) 3 only
- (d) 2 and 3

## Answer-a

# 8. Which one of the following effects of creation of black money in India has been the maincause of worry to the Government of India?

- (a) Diversion of resources to the purchase of real estate and investment in luxury housing
- (b) Investment in unproductive activities and purchase of previous stones, jewellery, gold, etc.
- (c) Large donations to political parties and growth of regionalism
- (d) Loss of revenue to the State Exchequer due to tax evasion

### Answer-d

# 9. Which one of the following is likely to be the most inflationary in its effects?

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

### Answer-d

## 10. The money multiplier in an economy increases with which one of the following?

- (a) Increase in the Cash Reserve Ratio in the banks
- (b) Increase in the Statutory Liquidity Ratio in the banks
- (c) Increase in the banking habit of the people
- (d) Increase in the population of the country

### Answer-c

# 11. With reference to Indian economy, demand-pull inflation can be caused/increased bywhich of the following?

- 1. Expansionary policies
- 2. Fiscal stimulus
- 3. Inflation-indexing wages
- 4. Higher purchasing power
- 5. Rising interest rates Select the correct answer using the code given below.
- (a) 1, 2 and 4 only

(b) 3, 4 and 5

only(c) 1, 2, 3 and 5 only

(d)1, 2, 3, 4 and

5 Answer-a

# 12. With reference to India, consider the following statements:

- 1. Retail investors through demat account can invest in 'Treasury Bills' and 'Government of IndiaDebt Bonds' in primary market.
- 2. The 'Negotiated Dealing System-Order Matching' is a government securities trading platform of the Reserve Bank of India.
- 3. The 'Central Depository Services Ltd' is jointly promoted by the Reserve Bank of India and the Bombay Stock Exchange. Which of the statements given above is/are correct?
- (a) 1 only

(b) 1 and 2

(c) 3 only

(d) 2 and 3

### Answer-b

## 13. With reference to 'Water Credit', consider the following statements:

- 1. It puts microfinance tools to work in the water and sanitation sector.
- 2. It is a global initiative launched under the aegis of the World Health Organization and the World Bank. 3. It aims to enable the poor people to meet their water need without depending onsubsidies. Which of the statements given above are correct?
- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

### Answer-c

# 14. In India, the central bank's function as the 'lender of last resort' usually refers to whichof the following?

- 1. Lending to trade and industry bodies when they fail to borrow from other sources
- 2. Providing liquidity to the banks having a temporary crisis
- 3. Lending to governments to finance budgetary deficits Select the correct answer using the codegiven below.
- (a) 1 and 2
- (b) 2only
- (c) 2 and 3
- (d) 3 only

Answer-b