

ECONOMICS UPSC PRE 2022

1. With reference to the Indian economy, consider the following statements :

1. An increase in Nominal Effective Exchange Rate (NEER) indicates the appreciation of rupee.
 2. An increase in the Real Effective Exchange Rate (REER) indicates an improvement in trade competitiveness.
 3. An increasing trend in domestic inflation relative to inflation in other countries is likely to cause an increasing divergence between NEER and REER. 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

ANS- C

2. With reference to the Indian economy, consider the following statements:

1. If the inflation is too high, Reserve Bank of India (RBI) is likely to buy government securities.
 2. If the rupee is rapidly depreciating, RBI is likely to sell dollars in the market.
 3. If interest rates in the USA or European Union were to fall, that is likely to induce RBI to buy dollars.
- 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

ANS-B

3. With reference to the Indian economy, what are the advantages of "Inflation-Indexed Bonds (IIBs)"?

1. Government can reduce the coupon rates on its borrowings by way of IIBs.
2. IIBs provide protection to the investors from uncertainty regarding inflation.
3. The interest received as well as capital gains on IIBs are not taxable.

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

ANS-A

4. With reference to foreign-owned ecommerce firms, operating in India, which of the following statements is/are correct?

1. They can sell their own goods in addition to offering their platforms as market - places.
2. The degree to which they can own big sellers on their platforms is limited.

Select the correct answer using the code given below:

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

ANS-B

5. Which of the following activities constitute real sector in the economy?

1. Farmers harvesting their crops
2. Textile mills converting raw cotton into fabrics
3. A commercial bank lending money to a trading company
4. A corporate body issuing Rupee Denominated Bonds overseas

Select the correct answer using the code given below:

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

ANS-A

6. Which one of the following situations best reflects "Indirect Transfers" often talked about in media recently with reference to India ?

- (a) An Indian company investing in a foreign enterprise and paying taxes to the foreign country on the profits arising out of its investment
- (b) A foreign company investing in India and paying taxes to the country of its base on the profits arising out of its investment
- (c) An Indian company purchases tangible assets in a foreign country and sells such assets after their value increases and transfers the proceeds to India
- (d) A foreign company transfers shares and such shares derive their substantial value from assets located in India

ANS-D

7. With reference to the expenditure made by an organisation or a company, which of the following statements is/are correct?

- 1. Acquiring new technology is capital expenditure.
- 2. Debt financing is considered capital expenditure, while equity financing is considered revenue expenditure. Select the correct answer using the code given below:

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

ANS-A

8. With reference to the Indian economy, consider the following statements :

- 1. A share of the household financial savings goes towards government borrowings.
 - 2. Dated securities issued at market-related rates in auctions form a large component of internal debt.
- Which of the above statements is/are correct ?

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

ANS-C

9. Consider the following statements:

- 1. Tight monetary policy of US Federal Reserve could lead to capital flight.
- 2. Capital flight may increase the interest cost of firms with existing External Commercial Borrowings (ECBs).
- 3. Devaluation of domestic currency decreases the currency risk associated with ECBs.

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

ANS-A

10. Consider the following statements:

- 1. In India, credit rating agencies are regulated by Reserve Bank of India.
- 2. The rating agency popularly known as ICRA is a public limited company.
- 3. Brickwork Ratings is an Indian credit rating agency.

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

ANS-B

11. With reference to the 'Banks Board Bureau (BBB)', which of the following statements are correct?

1. The Governor of RBI is the Chairman of BBB.
2. BBB recommends for the selection of heads of Public Sector Banks.
3. BBB helps the Public Sector Banks in developing strategies and capital raising plans. Select the correct answer using the code given below:

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

ANS-B

12. With reference to Convertible Bonds, consider the following statements:

1. As there is an option to exchange the bond for equity, Convertible Bonds pay a lower rate of interest.
2. The option to convert to equity affords the bondholder a degree of indexation to rising consumer prices.

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

ANS-C

13. In India, which one of the following is responsible for maintaining price stability by controlling inflation?

- (a) Department of Consumer Affairs
- (b) Expenditure Management Commission
- (c) Financial Stability and Development Council
- (d) Reserve Bank of India

ANS-D

14. In India, which one of the following compiles information on industrial disputes, closures, retrenchments and lay - offs in factories employing workers?

- (a) Central Statistics Office
- (b) Department for Promotion of Industry and Internal Trade
- (c) Labour Bureau
- (d) National Technical Manpower Information System

ANS-C