

UPSC Prelims 2020

Economics

1. "Gold Tranche" (Reserve Tranche) refers to

- (a) a loan system of the World Bank
- (b) one of the operations of a Central Bank
- (c) a credit system granted by WTO to its members
- (d) a credit system granted by IMF to its members

Answer-D

2. If another global financial crisis happens in the near future, which of the following actions/policies are most likely to give some immunity to India?

- 1. Not depending on short – term foreign borrowings
- 2. Opening up to more foreign banks
- 3. Maintaining full capital account convertibility

Select the correct answer using the code given

below:

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

Answer: A

Source: Ramesh Singh Book- Economy

Explanation: Statements 2 and 3 will lead to more exposure to international markets and may worsen the financial crisis.

3.If you withdraw ₹ 1,00,000 in cash from your Demand Deposit Account at your bank, the immediate effect on aggregate money supply in the economy will be

- (a) to reduce it by ₹ 1,00,000
- (b) to increase it by ₹ 1,00,000
- (c) to increase it by more than ₹ 1,00,000
- (d) leaving it unchanged

Answer: D

Source: Ramesh Singh Book- Economy

Explanation: Both Demand deposits and currency are included under money supply M1 . Hence, withdrawal won't make difference in aggregate money supply

4.With reference to Foreign Direct Investment in India, which one of the following is considered its major characteristic?

- A. It is the investment through capital instruments essentially in a listed company.
- B. It is a largely non-debit creating capital flow.
- C. It is the investment which involves debt-servicing.
- D. It is investment made by foreign institutional investors in the Government securities.

Answer: B

5.With reference to the international trade of India at present, which of the following statements is/are correct ?

1. India's merchandise exports are less than it's merchandise imports.
2. India's imports of iron and steel, chemicals, fertilisers and machinery have decreased in recent years.
3. India's exports of services are more than its imports of services.

4. India suffers from an overall trade/current account deficit.

Select the correct answer using the code give Below:

- A. 1 and 2 only
- B.2 and 4 only
- C. 3 only
- D.1,3 and 4 only

Answer: C

6. In the context of the Indian economy, non-financial debt includes which of the following?

- 1. Housing loans owed by households
- 2. Amounts outstanding on credit cards
- 3. Treasury bills

Select the correct answer using the code given below:

- A. 1 only
- B. 1 and 2 only
- C. 3 only
- D. 1,2 and 3

Answer: C

7. With reference to Trade-Related Investment Measures (TRIMS), which of the following statements is/are correct?

- 1. Quantitative restrictions on imports by foreign investments are prohibited.
- 2. They apply to investment measures related to trade in both goods and services.

3. They are not concerned with the regulation of foreign investment.

Select the correct answer using the code given below:

A. 1 and 2 only

B. 2 only

C. 1 and 3 only

D. 1, 2 and 3

Answer: C

8. If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do?

1. Cut and optimize the Statutory Liquidity Ratio

2. Increase the Marginal Standing Facility rate

3. Cut the Bank rate and Repo Rate.

Select the correct answer using the code given below:

A. 1 and 2 only

B. 2 only

C. 1 and 3 only

D. 1, 2 and 3

Answer: B

9. With reference to the Indian economy after the 1991 economic liberalization, consider the following statements:

1. Worker productivity (Rs per worker at 2004-05 prices) increased in urban areas while it decreased in rural areas.

2. The percentage share of rural areas in the workforce steadily increased.

3. In rural areas, growth-farm economy increased.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 3 and 4 only
- C. 3 only
- D. 1, 2 and 4 only

Answer: B

http://111.93.232.162/pdf/ICSSR_TSP_PPS.pdf

10. In India, which of the following can be considered as public investment in agriculture?

1. Fixing Minimum Support Price for agricultural produce of all crops
2. Computerization of Primary Agricultural Credit Societies
3. Social Capital development
4. Free electricity supply to farmers
5. Waiver of agricultural loans by the banking system
6. Setting up of cold storage facilities by the governments

Select the correct answer using the code given below:

- A. 1, 2 and 5 only
- B. 1, 3, 4 and 5 only
- C. 2, 3 and 6 only
- D. 1, 2, 3, 4, 5 and 6

Answer: C

11. What is the importance of the term “Interest Coverage Ratio” of a firm in India?

1. It helps in understanding the present risk of a firm that a bank is going to give loan to.
2. It helps in evaluating the emerging risk of a firm that a bank is going to give loan to.
3. The higher a borrowing firm’s level of Interest Coverage Ratio, the worse is its ability to service its debt.

- A. 1 and 2 only
- B. 2 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A

12. Which of the following factors/policies were affecting the price of rice in India in the recent past?

1. Minimum Support Price
2. Government’s trading
3. Government’s stockpiling
4. Consumer subsidies

Select the correct answer using the given below:

- A. 1, 2 and 4 only
- B. 1, 3 and 4 only
- C. 2 and 3 only
- D. 1, 2, 3 and 4

Answer: D

13. Consider the following statements:

1. The weightage of food in Consumer Price Index (CPI) is higher than that in Wholesale Price Index (WPI)
2. The WPI does not capture changes in the prices of services, which CPI does.
3. Reserve Bank of India has now adopted WPI as its key measure of inflation and to decide on changing the key policy rates

Which of the statements given above is/ are correct?

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

Answer: A

14. Consider the following statements:

1. In the case of all cereals, pulses and oil -seeds, the procurement at Minimum Support Price (MSP) is unlimited in any State/ UT of India.
2. In the case of cereals and pulses, the MSP is fixed in any State/UT at a level to which the market price will never rise.

Which of the statements given above is/are correct?

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

Answer: D

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

1. Commercial paper is a short term unsecured promissory note.
2. Certificate of Deposit is a long- term instrument issued by the Reserve Bank of India to corporation.
3. 'Call Money' is a short -term finance used for interbank transactions.
4. 'Zero-Coupon Bond's are the interest bearing short-term bonds issued by the Scheduled Commercial Banks to corporations.

Which of the statements give above is/are correct?

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

Answer: C

16. Consider the following statements:

1. In terms of short-term credit delivery to the agriculture sector, District Central Cooperative Banks (DCCBs) deliver more credit in comparison to Scheduled Commercial banks and Regional Rural Banks.
2. One of the most important functions of DCCBs is to provide funds to the Primary Agricultural Credit Societies.

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

Answer: B

