

IAS MENTOR WEEKLT TEST-3(ECONOMY)



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NO.OF QUESTIONS-50

MAX.MARKS-100

MAX.TIME-1HR



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1. Consider the following statements regarding the “GDP deflator”.

1. GDP deflator is a comprehensive measure of inflation.
2. The GDP deflator is based on a fixed basket of goods and services.

Which of the above statement is/are correct?

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

2. Which of the following step/s may result in inflation?

1. Increase in the repo rate.
2. Increase in the indirect taxation rate.
3. Proper maintenance of buffer stock of major agricultural products.
4. Decrease in the crude oil production.

Select the correct code from below.

1. 2, 3 and 4 only.
2. 4 only.
3. 2 and 4 only.
4. 1 and 3 only.

3. Inflation has multidimensional effects on the economy. Which of the following is/are correct regarding the effects of inflation?

1. Lenders suffers and borrowers benefit out of inflation.
2. In the short run, investment in the economy is boosted.
3. Burden of tax payer is increased as they are forced to pay increased taxes.

Select the correct code from below.

1. 1 only
2. 1 and 3 only
3. 2 and 3 only
4. All the above

4. Consider the following statements regarding “core inflation”.

1. Core inflation is an indicator of long-term trend in the inflation.
2. While calculating core inflation transitory price changes are excluded.

Which of the above statement/s is/are correct?

1. 1 only
2. 2 only

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3. Both 1 and 2
4. Neither 1 nor 2

5.WPI and CPI are two important indices for measuring inflation. But there are substantial differences between the two. Which of the following statements is/are true about the difference between CPI and WPI?

1. WPI measures inflation at wholesale market, while CPI measure at retail level.
2. WPI is more or less same throughout the country but CPI vary across the region.

Select the correct code from below.

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

6.“Inflationary gap” refers to

1. Difference between CPI and WPI inflation.
2. The excess of total government spending above the national income.

3. The shortfall in total spending of the government.
4. None of the above.

7.Broad money M3, is most commonly used measure of money supply. Which of the following is/are part of broad money?

1. Currency held by the public.
2. Demand deposits of the public held by commercial banks.
3. Interbank demand deposits held by commercial banks.
4. Time deposits of the public held by commercial banks.

Select the correct code from below.

1. 1 and 4 only.
2. 1, 2 and 4 only.
3. 1, 2 and 3 only.
4. All the above.

8.Consider the following statements regarding Regional Rural Banking.

1. Contribution to the share capital of the RRBs by the ‘sponsored bank’ is 50%.
2. The RRBs are also come under the ambit of priority sector lending.

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Which of the above statement/s is/are correct?

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

9. "Chit Fund" is in news because of Saradha Chit Fund scam. Which of the following statement/s is/are correct regarding chit funds in India?

1. Under Chit Funds Act, 1982, chit funds are regulated RBI.
2. FDI is prohibited in chit funds under the Government Route as well as the Automatic Route.
3. Chit fund comes under the Concurrent List of the Indian Constitution.

Select the correct code from below.

1. 1 and 2 only
2. 2 and 3 only
3. 1 and 3 only
4. All the above

10. Activities of Non Banking Financial Companies (NBFC) are akin to that of banks but

there are a few differences.

Which of the following are correct regarding NBFCs?

1. NBFC cannot accept demand deposits.
2. Deposit insurance facility is not available to depositors of NBFCs.
3. NBFCs are part of the payment and settlement system.

Select the correct code from below.

1. 2 and 3 only
2. 1 and 3 only
3. 1 and 2 only
4. All the above

11. Consider the following regarding Full Capital Account Convertibility.

1. It may lead to downfall of domestic companies
2. It will lead increased phenomenon of HOT money.
3. Fiscal deficit will increase
4. Decrease in cost of capital

Select the correct code

1. 1, 2, 3 and 4
2. 1, 2 and 4
3. 3 and 4
4. 2, 3 and 4

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12. What constitutes Capital Account?

1. External Commercial Borrowing (ECB)
2. Global Depository Receipts
3. Foreign Portfolio Investments
4. Interest Payments on International Investments

Select the correct code

1. 1, 2, 3 and 4
2. 1, 2 and 3
3. 2, 3 and 4
4. 1, 2 and 4

13. Consider the statements regarding 'Headline Inflation and Core Inflation'

1. Headline inflation is a measure of total inflation within an economy, excluding commodities such as food and energy prices while core inflation includes food and energy items

2. Core inflation presents a picture of long term inflation while Headline inflation may not present an accurate picture of an economy's inflationary trend.

Which of the above statement is/are NOT correct?

1. Only 1
2. Only 2

3. Both
4. None

14. Consider the following statements regarding ways and means advances.

1. It is a mechanism used by RBI to help states to correct the temporary mismatches in the cash flow of their receipts and payments.

2. WMA are provided against government securities only.

3. WMA limits are decided by RBI in consultation with Government from time to time.

Which of the above statements are correct?

1. 1 and 2 only
2. 1 and 3 only
3. 2 and 3 only
4. All the above

15. Consider the following statements regarding Indian Depository Receipts (IDRs).

1. IDR is an instrument created by Indian depository in India against underlying shares of issuing company.

2. It allows foreign investors to invest in listed Indian companies.

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3. IDRs are denominated in Indian rupees.

Which of the above statements are correct?

1. 1 and 2 only
2. 1 and 3 only
3. 2 and 3 only
4. All the above

16. Foreign portfolio investment is coming to India substantially through 'participatory notes'. Consider the following statements regarding 'Participatory notes'.

1. It is a derivative instrument issued in foreign jurisdiction against underlying Indian securities.
2. Investors in the participatory note own the underlying Indian security.
3. Participatory note holder does not enjoy any voting rights in relation to security/share referenced by Participatory note.

Which of the above statements is/are correct?

1. 1 only
2. 1 and 2 only

3. 1 and 3 only

4. 2 and 3 only

17) Which of the following is correct about Inflation tax?

a) Inflation tax is a term which refers to the financial loss of value suffered by holders of cash and as well those on fixed income, due to the effects of inflation;

b) Inflation tax is the tax people pay in developed countries to help governments fight inflation.

c) Inflation tax is imposed on the super-rich to subsidize the poor against the risks of inflation.

d) Inflation tax is imposed on those who strike and cause harm to public property in times of high inflation.

18. Which of the following statements correctly explains the term 'Stagflation'?

a) Persistent high inflation combined with high unemployment

b) Reduction of the general level of prices in the economy

c) Decrease in the rate of inflation

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d) Constant prices of commodities for a long time in an economy

19. Which of the following are correct w.r.t. Asset Reconstruction Companies?

1. It is set up to reconstruct or re-package assets to make them more saleable. The assets in question here are loans from banks, card companies, financial institutions etc.

2. The word "asset reconstruction" in India was used in Narsimham I report where it was envisaged for the setting up of a central Asset Reconstruction Fund with money contributed by the Central Government.

3. ARCs focus on NPAs and allow the banking system to act as "clean bank".

Select the correct answer

- a) 1 only
- b) 2 only
- c) 2 and 3 only
- d) All of the above

20. Consider the following about inflation.

1. When the government doesn't attempt to curb price rise allowing the free market mechanism to function it is said to be open inflation.

2. When international bodies interrupts a price rise in a country through price control measures and subsidies it is said to be suppressed or controlled inflation.

Select the correct answer:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None of the above

21. Consider the following w.r.t. Securities and Exchange Board of India (SEBI).

1. SEBI was established in 1988 and was given statutory powers in 1992 under the Securities and Exchange Board of India act 1992.

2. The Securities Laws (Amendment) Act, 2014 provides for search and seizure after obtaining approval from Union Minister of Finance.

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3. National Strategy of Financial Education was initiated by SEBI with a vision of 'a financially and empowered India'.

4. SEBI is part of Financial Stability and Development Council (FSDC).

Select the correct answer

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

22. Which of the following is incorrect about FIPB?

a) The Foreign Investment Promotion Board (FIPB), presently is housed in the Department of Economic Affairs, Ministry of Finance, is an inter-ministerial body.

b) The FIPB was initially constituted under the Prime Minister's Office (PMO) in the wake of the economic liberalization drive of the early 1990s.

c) The Board was reconstituted in 1996 with transfer of the FIPB to DIPP

d) The approval limit for FIPB is Rs. 5000 crore beyond which it needs approval of Union Cabinet.

23. Consider the following statements with reference to Cash Reserve Ratio (CRR)

and Statutory Liquidity Ratio (SLR):

1. CRR is the fraction of the total Net Demand and Time Liabilities maintained by bank with itself in form of cash deposits.

2. SLR is the fraction of the total Net Demand and Time Liabilities maintained by bank with RBI in form of specified liquid assets.

3. CRR and SLR are part of Liquidity Adjustment Facility (LAF). Which of the statements given above is/are correct?

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

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(d) None

24. The recent fall in international crude oil price has the highest impact on which of the following indicators?

- (a) Wholesale Price Index (WPI)
- (b) Consumer Price Index (CPI)
- (c) Core inflation
- (d) Index of Industrial Production (IIP)

25. Consider the following statements:

- 1. Deflation is the persistent fall in the general price level of goods and services.
- 2. Disinflation is a decrease in the rate of inflation.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 and 2

26. Which among the following is/are the qualitative tools to control credit creation by

RBI?

- 1. Open Market Operations
- 2. Repo Rate
- 3. Margin Requirements
- 4. Credit Rationing Policy

Select the correct answer using the code

given below:

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

27. Which of the following functions can be performed by a Payment bank?

- 1. Opening current deposit accounts
- 2. Opening Demand deposit accounts
- 3. Accept NRI deposits
- 4. Distribution of insurances.
- 5. Utility bill payments

Select the correct answer using the code

given below.

- (a) 1, 2 and 3 only
- (b) 1, 3 and 5 only
- (c) 2, 3, 4 and 5 only
- (d) 1, 2, 4 and 5 only

28. Which of the following best describes 'Tax

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Expenditure'?

- (a) It is the expenditure incurred by the government during collection of tax.
- (b) It is the revenue forgone by the government on account of exemptions on income and corporate tax.
- (c) It is the revenue forgone on account of exemptions on indirect taxes.
- (d) It is the expenditure made by the government from the income accrued through taxes.

29. Which of the following statements is/are correct regarding Currency Deposit Ratio (CDR)?

1. It is the ratio of money held by the public in currency to that they hold in bank deposits.
2. There will be decrease in CDR during festive season.

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

30. Consider the following differences between Marginal Cost of Funds based Lending Rate (MCLR) and Base Rate:

1. Unlike base rate calculation, Cash

Reserve Ratio (CRR) cost is considered

in the calculation of MLCR.

2. Unlike base rate calculation, Repo rate is

mandatory in the calculation of MCLR.

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

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31. With reference to Participatory Notes (PN), consider the following statements:

1. These are financial instruments used by investors that are not registered with the SEBI to invest in Indian securities.
2. The investors enjoy the voting rights in relation to shares invested through the PN.

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

32. Which among the following is/are the instruments of secondary capital market?

1. Bonds
2. Initial Public Offering
3. Commercial Papers

Select the correct answer using the code given below.

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

33. Which of the following factors can lead to fall in Indian exports?

1. Global slowdown
2. Low global commodity prices
3. Depreciation of currency

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

34. With reference to Foreign Institutional Investors (FIIs), consider the following statements:

1. A foreign investment to acquire more than 10% shares of a company is categorised as Foreign Institutional Investment.
2. FIIs can invest only in companies listed on the stock exchange.

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Which of the following statements given above is/are correct?

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

35. Consider the following points of differences

between a share and a debenture:

1. While a share capital is the credit to the company, a debenture is an ownership capital.

2. While dividend is paid on shares, interest is paid on debentures.

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

36. Which of the following is/are *not* agreements under WTO?

- 1. Trade Facilitation Agreement
- 2. Trade Related Intellectual Property Rights

3. Agreement on Subsidies and Countervailing Measures

Select the correct answer using the code given below?

- (a) 1 and 2 only
- (b) 3 only
- (c) 1, 2 and 3
- (d) None of the above

37. With reference to Depository Receipt (DR), consider the following statements:

- 1. It is a financial instrument issued by a company in its domestic market.
- 2. It is issued for tapping foreign investors who may not be able to participate directly in the domestic market.
- 3. It is denominated in a foreign currency.

Which of the statements given above is/are correct?

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

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38. Which of the following is/are characteristics of a capitalist system of economy?

1. Income equality
2. Production for profit
3. Minimal government intervention

Select the correct answer using the code given below.

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

39. With reference to the Competition Commission of India, consider the following statements:

1. It aims to promote competition and ensure freedom of trade in the markets of India.
2. It is a statutory body.
3. It works under the Ministry of Commerce and Industry.

Select the correct answer using the code given below.

- (a) 1 and 2 only
- (b) 1 and 3 only

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

40. Which among the following is/are the functions performed by the Securities and Exchange Board of India?

1. regulating the business in stock exchanges
2. prohibiting insider trading in securities
3. promoting investors' education and training of intermediaries of securities markets

Select the correct answer using the code given below.

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

41. Qualified Foreign Investors (QFIs) are allowed to invest in which of the following segments of the capital market?

1. Mutual Funds
2. Equities

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3. Corporate Debt

Select the correct answer using the code given below.

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

42. With reference to the economy, what does the term unicorn club refer to?

- (a) It refers to the startups with valuation greater than \$1 billion.
- (b) It refers to the companies with presence in multiple sectors of economy.
- (c) It refers to countries with a growth rate greater than 10 per cent in an year.
- (d) None of the above

43. Consider the following pairs:

Type of subsidy

under WTO

Stated purpose

1. Green Box : Production limiting subsidies

2. Amber Box : Trade distorting

subsidies and need to be curbed

3. Blue Box : Not specific subsidies

and are non-actionable

Which of the above is/are correctly matched?

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

44. Which among the following statements

is/are correct about green bonds?

1. It is an equity instrument used to raise

capital to fund green projects.

2. Private corporations cannot issue green

bonds.

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

45. Which of the following is/are correct

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regarding Special Drawing Rights (SDR)?

1. SDR is a hard currency issued by International Monetary Fund (IMF).
2. Allocation of SDR is made to member countries in proportion of their quotas in IMF.
3. The value of SDR is based on a basket of currencies of US dollar, euro, yen and rupee only.

Select the correct answer using the code given below.

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

46. Which of the following is the most likely impact of an increase in interest rates of bonds in India, if there is no restriction on buying of bonds by foreigners?

- (a) It will result in an appreciation of the

rupee.

- (b) It will result in a depreciation of the rupee.

- (c) Exchange rates will remain unchanged.

- (d) Rupee will depreciate initially and then appreciates.

47. Consider the following statements regarding Treasury bills:

1. Treasury bills are issued by the RBI on behalf of the government of India.

2. Treasury bills are issued through auctions and for a period of 91 days only.

3. State governments are allowed to issue Treasury bills.

4. Treasury bills are available for a minimum amount of 1 lakh and then in multiples of 25000.

Which of the above statements are incorrect?

- a) 1 only
- b) 2,3 and 4
- c) 1,2 and 3
- d) None of the above

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48. One rupee currency notes carry the signature of
a) RBI governor b) Finance Secretary c) Minister of Finance
d) President

49. Consider the following statements:

1. NABARD provides loans to small and marginal farmers.
2. NABARD acts as a regulator for regional rural banks.

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

50. Non banking financial companies can undertake which of the following activities?

1. providing loans. 2. buying shares. 3. engaging in agriculture and industrial activity. Select the correct answer using the codes given below.

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