

PRACTICE PAPER - 2

1. To spend money from State Consolidated fund, approval of which authority is needed

- (a) Parliament
- (b) State legislature
- (c) Prime Minister
- (d) Chief Minister

2. Expenditure of government from contingency fund should be such

- (a) Which can't be delayed
- (b) Which are of emergency nature
- (c) Both (a) & (b)
- (d) None of the above

3. Which type of approval is needed from Parliament before spending from contingency fund?

- (a) Prior approval
- (b) Post approval
- (c) (a) & (b)
- (d) None of the above

4. Funds which do not belong to the government are

- (a) Contingency fund
- (b) Consolidated fund
- (c) Public Accounts
- (d) None of the above

5. Evaluation of specialised functions of government is possible in case of

- (a) Multiple budget
- (b) Single budget
- (c) Unified budgets
- (d) None of the above

6. Conventional budget is based on

- (a) accrual basis
- (b) Realised basis
- (c) a & b
- (d) None of the above

7. As compared to conventional budget, cash budget is

- (a) Smaller
- (b) Larger
- (c) Same
- (d) Can't say with certainty

8. Case budget is based on

- (a) accrual basis
- (b) Realised basis
- (c) Both a & b
- (d) None of the above

9. In case of cash budget, funds which are not owned by government but used is

- (a) Excluded
- (b) Included
- (c) Ignored
- (d) None of the above

10. Items which are of recurring nature are covered under

- (a) Capital budget
- (b) Revenue budget
- (c) Cash budget
- (d) None of the above

11. Purchase and disposal of fixed assets is covered under

- (a) Capital budget
- (b) Revenue budget
- (c) Cash budget
- (d) None of the above

12. Salary of government employee is a part of

- (a) Capital budget
- (b) Revenue budget
- (c) Both a & b
- (d) None of the above

13. Inflation before full employment is reached is called

- (a) Full inflation
- (b) Partial inflation
- (c) Both (a) & (b)
- (d) None of the above

14. Inflation in the long run can be sustained if

- (a) Income rise
- (b) Money supply increase
- (c) Consumption rise
- (d) Saving rise

15. Quantity theory of money holds goods at level where

- (a) There is full employment
- (b) Unemployment
- (c) Disguised unemployment

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- (d) Frictional unemployment
- 16. Inflation of around 3% increase in price level per year is called**
- (a) Hyper inflation
(b) Galloping inflation
(c) Creeping inflation
(d) None of the above
- 17. If mild inflation is not checked, then it will lead to**
- (a) Hyper inflation
(b) Galloping inflation
(c) Creeping inflation
(d) None of the above
- 18. Indian economy is facing problem of**
- (a) Hyper inflation
(b) Creeping inflation
(c) Galloping inflation
(d) Deflation
- 19. Inflation of above 50% per month is called**
- (a) Hyper inflation
(b) Creeping inflation
(c) Galloping inflation
(d) None of the above
- 20. Where price line goes out of the control of monetary authority, it is called**
- (a) Hyper inflation
(b) Creeping inflation
(c) Walking inflation
(d) Galloping inflation
- 21. Partial inflation can exist only in the**
- (a) Long run
(b) Short run
(c) Market period
(d) Unlimited period
- 22. Inflation in underdeveloped country occur because of**
- (a) Check of demand
(b) High rate of saving
(c) High rate of Investment
(d) Lack of supply
- 23. Which budget in India is passed separately?**
- (a) Defence
(b) Airlines
(c) Atomic energy
(d) Railways

- 24. When executive government is not able to continue for the full year because elections are due, which type of budget is passed?**
- (a) Lame duck budget
(b) Contingency budget
(c) Emergency budget
(d) None of the above
- 25. What is the duration of budget plan in India**
- (a) One year
(b) Two years
(c) Three years
(d) Four years
- 26. What is the duration of budget plan in America?**
- (a) One year
(b) Two years
(c) Three years
(d) Four years
- 27. How much tax can be raised by government without approval of parliament**
- (a) Nil
(b) 50,000 crores
(c) One billion
(d) None of the above
- 28. All the funds which belong to government go to**
- (a) Contingency Account
(b) Public Account
(c) Private Account
(d) Consolidated Fund
- 29. Expenditure on consolidated fund has to be approved by**
- (a) President
(b) Prime Minister
(c) Parliament
(d) High Court
- 30. Taxes raised are credited into**
- (a) Consolidated fund
(b) Contingency fund
(c) Public Accounts
(d) Private Accounts
- 31. Salaries of government servants are paid from**
- (a) Contingency fund
(b) Consolidated fund
(c) Public Accounts
(d) Private accounts

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32. Which type of approval is needed for Parliament before spending from consolidated fund?

- (a) Prior approval
- (b) Post approval
- (c) No approval
- (d) None of the above

33. Which types of expenses are not put to vote in parliament?

- (a) Salaries of government servants
- (b) Salaries of University teachers
- (c) Salaries of judges of Supreme court
- (d) All the above

34. Inflation without government control is called

- (a) Open inflation
- (b) Closed inflation
- (c) Suppressed inflation
- (d) None of the above

35. Inflation after removal of government's price control is called

- (a) Open inflation
- (b) Closed inflation
- (c) Suppressed inflation
- (d) None of the above

36. Inflation after the end of war is an example of

- (a) Hyper inflation
- (b) Deflation
- (c) Suppressed inflation
- (d) Open inflation

37. Excess demand leads to

- (a) Demand pull inflation
- (b) Cost push inflation
- (c) Both (a) & (b)
- (d) None of the above

38. Demand pull inflation takes place because of increase in

- (a) Wage
- (b) interest
- (c) Price of raw material
- (d) Money supply

39. Demand pull inflation leads to

- (a) Higher Price level
- (b) Lower price
- (c) Higher unemployment rate
- (d) None of the above

40. Demand pull inflation takes place because of

- (a) Shift in aggregate supply curve
- (b) Shift in supply curve
- (c) Shift in demand curve
- (d) Shift in aggregate supply curve

41. Cost push inflation takes place due to rise in

- (a) Wages
- (b) Profit
- (c) Prices of raw material
- (d) All of the above

42. Public finance deals with

- (a) Household budget
- (b) Government budget
- (c) Company budget
- (d) None of the above

43. In India, fiscal year start from

- (a) 31st March
- (b) 31st April
- (c) 1st April
- (d) 1st March

44. In India, fiscal year ends on

- (a) 31st March
- (b) 31st April
- (c) 1st March
- (d) 1st April

45. Emergency expenditure are specified under

- (a) Complementary budget
- (b) Supplementary budget
- (c) lame duch budget
- (d) None of the

46. Higher prices accompanied by higher unemployment rate is because of

- (a) Demand pull inflation
- (b) Cost push inflation
- (c) Both (a) & (b)
- (d) None of the above

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47. Cost push inflation takes place because of

- (a) Shift in aggregate supply curve
- (b) Shift in supply curve
- (c) Shift in demand curve
- (d) Shift in aggregate demand curve

48. Philips curve shows the relation between

- (a) Income and consumption
- (b) Inflation and Unemployment
- (c) Income and price level
- (d) None of the above

49. According to Philips curve, relation between inflation and unemployment rate is

- (a) Negative
- (b) Positive
- (c) No relation
- (d) None of the above

50. Philips curve is sloping

- (a) Upward
- (b) Horizontal
- (c) Vertical
- (d) Downward

51. In the long run, Philips curve is sloping

- (a) Upward
- (b) Downward
- (c) Vertical
- (d) Horizontal

52. Vertical slope of Philips curve implies that stabilisation policy of government is

- (a) Highly effective
- (b) Ineffective
- (c) Adverse implication
- (d) None of the above

53. Which country faced the problem of hyper-inflation?

- (a) India
- (b) Pakistan
- (c) Iran
- (d) Brazil

54. Inflation lead to

- (a) Increase in profit
- (b) Decrease in profit
- (c) Constant profit
- (d) None of the above

55. Inflation adversely affect

- (a) Profit earners
- (b) Fixed income earners
- (c) Speculators
- (d) None of the above

56. Real balance effect was introduced by

- (a) J.M. Keynes
- (b) Pareto
- (c) A.C. Pigou
- (d) None of the above

57. Which of the following is more dangerous

- (a) Inflation
- (b) Deflation
- (c) Stagflation
- (d) None of the above

58. Deflation leads to

- (a) Increase in price level
- (b) Decrease in price level
- (c) Constant price-level
- (d) None of the above

59. Deflation leads to

- (a) Depression
- (b) Recovery
- (c) Boom
- (d) None of the above

60. To tackle deflationary problem, government should implement

- (a) Expansionary policy
- (b) Deflationary policy
- (c) Both (a) & (b)
- (d) None of the above

61. Inflation leads to

- (a) Increase in saving
- (b) Decrease in saving
- (c) Constant saving
- (d) None of the above

62. Inflation leads to

- (a) Equitable distribution of income
- (b) Inequitable distribution of income
- (c) No impact on income distribution
- (d) None of the above

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63. Cost push inflation can be solved by

- (a) Fiscal Measures
- (b) Monetary measures
- (c) Direct control
- (d) None of the above

64. Demand pull inflation can be solved by

- (a) Fiscal measure
- (b) Monetary measure
- (c) Direct control
- (d) Both (a) & (b)

65. Direct measure include

- (a) Income policy
- (b) Price policy
- (c) Both (a) & (b)
- (d) None of the above

66. Income policy above

- (a) Control on government revenue
- (b) Control on corporate revenue
- (c) Control on wages and Salaries
- (d) None of the above

67. Fiscal measure to reduce inflation include

- (a) Tax policy
- (b) Expenditure policy
- (c) Both (a) & (b)
- (d) None of the above

68. Monetary measure to reduce inflation include

- (a) Bank rate
- (b) Cash Reserve ratio
- (c) Statutory liquidity ratio
- (d) All the above

69. Increase in rate of saving will lead to

- (a) Inflation
- (b) Deflation
- (c) Constant Price level
- (d) None of the above

70. Increase in autonomous investment in case when economy is at full employment level will lead to

- (a) Inflation
- (b) Deflation
- (c) Constant price
- (d) None of the above

71. Government's increase in administered prices will lead to

- (a) Cost push inflation
- (b) Demand pull inflation
- (c) Both (a) & (b)
- (d) None of the above

72. At Vertical Aggregate supply, there exists

- (a) 10% unemployment
- (b) 5% unemployment
- (c) Natural rate of unemployment
- (d) None of the above

73. Inflationary gap was introduced by

- (a) Marshall
- (b) J.R. Hicks
- (c) J.M. Keynes
- (d) None of the above

74. Price policy to control inflation means

- (a) Control on prices of inputs
- (b) Control on prices of final products
- (c) Control on prices of raw materials
- (d) All the above

75. J.K. Galbraith is an advocate of

- (a) Fiscal measure
- (b) Monetary measure
- (c) Direct control
- (d) None of the above

76. Milton Freidman is an advocate of

- (a) Fiscal measure
- (b) Monetary measure
- (c) Direct control
- (d) None of the above

77. Alvin Hansen is an advocate of

- (a) Fiscal measure
- (b) Monetary measure
- (c) Direct control
- (d) None of the above

78. Inflation leads to

- (a) Increase in export
- (b) Decrease in export
- (c) Constant export
- (d) None of the above

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79. In case of inflation, import will

- (a) Increase
- (b) Decrease
- (c) Remain constant
- (d) None of the above

80. If government wants to reduce unemployment even if it leads to inflation, then it should implement

- (a) Expansionary policy
- (b) Deflationary policy
- (c) Both (a) & (b)
- (d) None of the above

81. Increase in monetary deficit will lead to increase in

- a) Money demand
- b) High powered money
- c) Saving
- d) Export

82. Net foreign investment is equal to

- a) A Total amount of foreign investment in a country
- b) Investment by foreigners during a particular year
- c) Investment by local resident in a foreign country
- d) Investment by the foreigners in this country minus investment by residents of this country in foreign countries during a given time period

83. Population density is the ratio of

- a) Total population to total ratio of
- b) Total population to total irrigated land area
- c) Total population to total urban land area
- d) Total population to rural land area

84. Inflationary expectations will lead to

- a) Rise in velocity of money
- b) Fall in velocity of money
- c) Constant velocity of money
- d) Can't say with certainty

85. Elasticity of demand demand for money:

- a) may be unity
- b) may be more than unity
- c) may be less than unity
- d) all of the above.

86. Match the following:

A. Full bodied coins	1. Acceptable legally to any amount
B. Token coins	2. Acceptable legally only to a certain sum
C. Limited legal tender	3. Face value equal to intrinsic value
D. Unlimited legal	4. Face value greater tender than intrinsic value

- a) A3, B4, C2 and D1
- b) A3, B2, C3 and D1
- c) A1, B2, C3 and D4
- d) A4, B3, C2 and D1

87. "Disposable income" does not include

- a) Business transfer payments
- b) Social security benefits
- c) Corporate dividends
- d) Personal income taxes

88. Which one of the following authored the book 'planned Economy for India' in 1934?

- a) M.N. Roy
- b) M. Visweswarayya
- c) D.R. Gadgil
- d) V.K.R.V. Rao

89. Demand for money consists of

1. speculative demand for money
 2. provision for unforeseen exigencies
 3. provision for day-to-day transactions
 4. desire to buy more goods and services
- (a) 1, 2 and 4 only
 - (b) 1, 3 and 4 only
 - (c) 2, 3 and 4 only
 - (d) 1, 2 and 3 only

90. Assume that households sell Rs. 1000 of government securities of the Central Bank in return for Rs. 1000 in paper currency. If households elect to deposit that paper currency in the commercial banking system and the reserve requirement is 20%. The money supply increases by

- a) Rs. 1000
- b) Rs. 2000
- c) Rs. 4000
- d) Rs. 5000

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- 91. The secondary securities are the financial claims issued by the**
- Financial institutions
 - Public
 - RBI
 - Stock exchange
- 92. High-powered money is**
- Only banks' reserves at the central bank
 - All loans of banks
 - All loans and securities of banks
 - Rupees held as legal bank reserves
- 93. The main advantages that the surplus units (lenders) get through buying secondary securities over primary securities do not necessarily include**
- Lower risk
 - Higher return
 - Greater liquidity
 - More convenience
- 94. Which of the following statement is incorrect?**
- Money is an asset used in the exchange of goods and services
 - Money is an asset that provides its owner with liquidity
 - In modern advanced economies money supply is composed largely of credit money
 - In every country money supply has full gold backing
- 95. The financial system helps production, capital accumulation and growth by**
- actual savings
 - encouraging savings
 - mobilizing savings
 - allocating them among various common uses
- 96. If you offered some securities as 'security' for a loan you made, you would be**
- buying "on margin"
 - selling short
 - providing collateral
 - none of the above

- 97. Which of the following represents the best way in which the government increases the paper currency component of the money supply?**
- Households sell gold to the government in return for currency
 - The government gives newly created currency to households
 - The government gives paper currency to the banks
 - The government exchanges paper currency for government securities
- 98. Which of the following qualities of money is essential before it can perform any of its functions?**
- Legal sanction
 - Acceptability
 - Durability
 - Stability in value
- 99. In examining the expansion and contraction of the banking system, which of the following is NOT an important one to consider?**
- Excess reserves
 - Money supply
 - Demand deposits
 - New assets of banks
- 100. The Central Bank can decrease the bank credit component of the money supply by**
- lowering the cash reserve requirements
 - increasing the bank rate
 - lowering the bank rate
 - none of the above

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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
B	C	C	C	A	A	B	B	B	B	A	B	C	B	A	C	B	C	A	A
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
B	D	B	A	A	B	A	D	C	A	B	A	C	A	C	C	A	D	A	D
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
D	B	C	A	B	B	A	B	A	D	C	B	D	A	B	C	C	B	A	A
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
A	B	C	D	C	C	C	D	B	A	A	C	C	D	C	B	A	B	A	A
81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
B	D	A	A	D	A	D	B	D	D	A	D	B	D	A	A	D	B	A	B

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