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**PRACTICE PAPER - 6**

1. **The essential characteristic of whatever serves as money is that it must:**

- a) be issued by the state
- b) not be wholly fiduciary
- c) be generally acceptable
- d) have some intrinsic value

2. **Who argued that Keynes's theory of equilibrium with involuntary unemployment is a special case of the general equilibrium model, augmented to include money?**

- a) Leijonhufvud
- b) Gurley
- c) Shaw
- d) Patinkin

3. **“The generally acceptable definition of money is**

- a) anything which has full legal support of the state for use as money
- b) anything which has the characteristics of liquidity
- c) anything generally acceptable in exchange for goods and services
- d) anything which banks are willing to accept and anything accepted by government for tax payment

4. **The top profit making enterprise of the Government of India is**

- a) Steel Authority of India Ltd.
- b) Oil and Natural Gas Commission
- c) Mahanagar Telephone Nigam Ltd.
- d) None of the above

5. **Investment-wise the biggest public sector enterprise in India is**

- a) National Thermal Power Corporation of India
- b) Coal India Ltd.
- c) Steel Authority of India Ltd.
- d) Oil and Natural Gas Commission

6. **“Money is what money does” this definition of money was given by**

- a) F.A. Walker
- b) R.G. Hawtrey
- c) Crowther
- d) J.M. Keynes.

7. **Who stressed the fundamental uncertainty about the future, which enters the choice between holding money balances and commodities, which can lead to unemployment?**

- a) Patinkin
- b) R.W. Clower
- c) R.Solow
- d) J. Tobin

8. **Fiat money' is that which is :**

- a) accepted by overseas banks only
- b) decreed as money by the government
- c) accepted temporarily in lieu of gold
- d) backed by gold or silver.

9. **The core slogan of the Seventh Plan is**

- a) Food, work, and productivity
- b) Free education and productivity
- c) Five education for all children
- d) community development programmes

10. **Which of the following is not, by definition, equal to National Income ?**

- a) National output
- b) National expenditure
- c) National product
- d) National wealth

11. **If GNP is 16% higher than the last year's and the rate of inflation is 9%, production in the economy has grown by**

- a) 4%
- b) 5%
- c) 6%
- d) 7%

12. **Who argued that under uncertainties, the choice of consumer between money to hold and commodity purchases are likely to give rise to excess demands and price changes which convey wrong signals to producers?**

- a) Patinkin
- b) R. Solow
- c) Leijonhufvud
- d) Paul Samuelson

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## 13. Match the following:

Economists	Definitions of Money
(A) Hawtrey	1. "anything that is generally acceptable as means of exchange and that at the same time acts as a measure and store of value"
(B) J.M. Keynes	2. "the means exhibited by law for the payment of debt."
(C) Crowther	3. "that by delivery of which debt-contracts and price-contracts are discharged, and in the shape of which a store of general purchasing power is held"
(D) Marshall	4. "all those things generally current without doubt or special enquiry as a means of purchasing commodities or services, and for defraying expenses".

- a) A1, B2, C3 and D4  
 b) A1, B3, C2 and D4  
 c) A4, B1, C2 and D3  
 d) A4, B3, C2 and D1

## 14. One of the following is not an example of near-money, which?

- a) treasury bills of the government of India  
 b) equity shares of Ranbaxy laboratories  
 c) bill of exchange  
 d) all of the above

## 15. Operation Blackboard scheme covers

- a) Higher education  
 b) Secondary education  
 c) Elementary education  
 d) Vocational education

## 16. "Money is a temporary abode of purchasing power". This definition of money was given by

- a) Keynesians  
 b) Gurley and Shaw  
 c) Milton Friedman  
 d) Classical economists

## 17. Which of the following is a transfer payment ?

- a) Payment made to housewife  
 b) Pocket allowance to children  
 c) Maintenance allowance to old parents  
 d) All of the above

## 18. Money is said to be neutral when

- a) Change in money supply do not have any effect on real sector  
 b) Change in money supply lead to increase in national income  
 c) Change in money supply lead to decrease in national income  
 d) None of the above

## 19. Money is

- a) constant in purchasing power  
 b) acceptable only when it has intrinsic value  
 c) the most liquid of all assets  
 d) all of the above

## 20. The correct duration of the Seventh Five Year Plan is

- a) 1992-97  
 b) 1983-88  
 c) 1984-89  
 d) 1985-90

## 21. "Money is the great wheel of circulation, the great instrument of commerce" because it performs as

- a) a unit of value  
 b) a medium of exchange  
 c) a standard of deferred payments and store of value  
 d) all the above

## 22. The difference between gross domestic product and net domestic product equals

- a) Transfer payments  
 b) Depreciation cost  
 c) Indirect taxes  
 d) Subsidies

## 23. Narrow definition of money is

- a)  $M_1$   
 b)  $M_2$   
 c)  $M_3$   
 d)  $M_4$

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24. The major primary function of money in modern economies is to serve as:
- a standard for deferred payments
  - a medium of exchange
  - a store of value
  - a transfer of value
25. The percentage of plan development actual expenditure allocated to industry and minerals in the Sixth Plan was approximately
- 10.8
  - 15.8
  - 20.8
  - 25.8
26. Primitive trade was organised in terms of
- money
  - goods for goods
  - service for service
  - goods for goods and goods for services.
27. The best method of computing national income is
- Product Method
  - Income Method
  - Expenditure Method
  - Combination of income and production method
28. Broad definition of money is
- $M_1$
  - $M_2$
  - $M_3$
  - $M_4$
29. When you purchase your monthly ration from the departmental store against your promise to pay the amount equivalent to the value of goods purchased, money serves as:
- a standard for deferred payments
  - a medium of exchange
  - a store of value
  - a transfer of value
30. The percentage of plan expenditure allocated to agriculture, rural development and special area programmes in the Sixth Plan was approximately
- 13.6
  - 16.6
  - 19.6
  - 22.6

31. Which of the following qualities of money are useful but not essential?
- Divisibility
  - Recognisability
  - Durability
  - Acceptability
- 1, 2 and 3 only
  - 1, 2 and 4 only
  - 2, 3 and 4 only
  - 3 and 4 only
32. Which of the following will directly increase the GNP?
- A rise in the market price
  - A surplus in budget
  - An increase in investment
  - A deficit in budget
33. Which types of money definition is frequently used by policy makers ?
- $M_1$  and  $M_2$
  - $M_2$  and  $M_3$
  - $M_1$  and  $M_3$
  - $M_2$  and  $M_4$
34. When (i) the standard currency unit is expressed as a definite quantity of gold of certain Fineness, (ii) gold is kept as a reserve against currency notes, (iii) all currency units are redeemable at par in gold, and (iv) gold is freely exported and imported the country will be said to have adopted
- gold currency standard
  - gold bullion standard
  - gold exchange standard
  - international gold standard
35. The rising prices can be checked in India through
- Budgetary policy
  - Monetary Public
  - Increasing Production
  - All of the above
36. Which one of these qualities of money is essential before it can perform any of its function?
- Acceptability
  - Stability in value
  - Durability
  - Controllability by the state

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37. "National dividend is that part of objective income of the community, including of course the income derived from abroad which can be measured in money" This is the remark of

- a) Marshall
- b) J.R. Hicks
- c) David Ricardo
- d) A.C. Pigou

38.  $M_1$  + Time deposit commercial bank is called

- a)  $M_2$
- b)  $M_3$
- c)  $M_4$
- d) None of the above

39. A method based on the currency principle of note issue is:

- a) maximum fiduciary issue system
- b) simple deposit system
- c) proportional reserve system
- d) minimum reserve system

40. The private sector in investment during the Seventh Plan is projected as (Rs. crores)

- a) 1,80,000
- b) 3,22,366
- c) 1,54,218
- d) 1,68,148

41. Which one of the following is not a necessary characteristic of money?

- a) It is a unit of account
- b) It is a store of value
- c) It is of intrinsic value
- d) It is a medium of exchange

42. While calculating personal income, we have to deduct the following from private income

- a) Saving of private corporate sector and corporation tax
- b) Consumption of fixed capital
- c) Direct taxes paid by households
- d) All of the above

43. Traders in an economy can use as a unit of account

- a) only an existing object
- b) only money
- c) any object whether it exists or not
- d) only money that is currently in circulation

44. The National income is equal to

- a) A GNP-Subsidies-Taxes
- b) NNP - Indirect Taxes + Subsidies
- c) NNP -Direct Taxes + Subsidies
- d) GNP - Subsidies + Taxes

45. The public sector investment during the Seventh Plan is projected as (Rs. crore)

- a) 1,54,218
- b) 1,68,148
- c) 1,80,000
- d) 3,22,366

46. Regardless of the state of development of the economy, money

- a) must perform all the functions of money to be mutually accepted
- b) must be a legal tender
- c) must facilitate exchange if it is to fulfil the purpose
- d) must be issued by the government for its existence

47. Total deposits with the post office savings organisation is called

- a)  $M_2$
- b)  $M_3$
- c)  $M_4$
- d) None of the above

48. Fiduciary issue implies

- a) the issue of currency notes without metallic backing
- b) the issue of currency notes with metallic backing
- c) the issue of currency notes with partial metallic backing
- d) the issue of currency notes with proportional metallic backing

49. "National income as the aggregate net product of, and the sole source of, payment for all the agents of production" has been defined by

- a) C. Pigou
- b) Alfred Marshall
- c) Robbins
- d) Dusenbery

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50. The rate of growth of gross domestic product envisaged for the Sixth Plan was

- a) 3.2 per cent
- b) 4.2 per cent
- c) 5.2 per cent
- d) 6.2 per cent

51. In a pure barter economy

- a) a money, such as Goat, may be mutually accepted
- b) freedom of choice is limited
- c) prices are fixed
- d) relative prices are given

52. In reality, money supply is

- a) Exogenous
- b) Endogenous
- c) Both (a) & (b)
- d) None of the above

53. Gresham's law states that

- a) good money drives bad money out of circulation
- b) bad money drives good money out of circulation
- c) good money promotes bad money in the system
- d) bad money promotes good money in the system.

54. "The labour and capital of a country acting upon its natural resources produce annually a certain net aggregate of commodities, material and immaterial including services of all kinds." This definition of National Income is given by

- a) Adam Smith
- b) Lionel Robbins
- c) John Stuart Mill
- d) Alfred Marshall

55. Which one of the following airport groups correctly names the four international airport of India?

- a) Bombay, Calcutta, Delhi and Madras
- b) Bombay, Delhi, Amritsar and Bangalore
- c) Bombay, Delhi, Bangalore and Madras
- d) Delhi, Hyderabad, Calcutta and Bombay

56. Prices in a barter economy

- a) cannot exist
- b) are fixed by law
- c) are in relative quantities of goods exchanged
- d) cannot be determined
- e) are in terms of the acceptable unit of value

57. Keynes assume money supply to be

- a) Exogenous
- b) Endogenous
- c) Both (a) & (b)
- d) None of the above

58. Which of the following is not correct ? money is demanded because:

- a) it is required to help in the exchange of other goods
- b) it requires to be held as an asset
- c) it possesses utility
- d) none of the above.

59. The total income earned in any given year by the owners of productive resources is measured by

- a) Personal income
- b) Disposable Income
- c) Gross national product
- d) National income

60. The percentage of plan development actual expenditure allocated to energy in the Sixth Plan was approximately

- a) 6
- b) 9
- c) 12
- d) 15

61. Which is the least liquid asset?

- a) Fixed capital
- b) Money
- c) Shares
- d) Special deposits

62. High powered money is controlled by

- a) Public
- b) Government
- c) Business
- d) None of the above

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**63. Classical ignored**

- a) Transaction motive
- b) Precautionary motive
- c) Speculative motive
- d) None of the above

**64. Keynes termed as 'active balances' the money held for:**

- a) the speculative motive only
- b) the transactions and precautionary motives
- c) the transactions motive only
- d) the precautionary motive only

**65. An example of double counting in national income would be**

- a) Wages of bus and train drivers
- b) Cotton output and cotton cloth output
- c) Electricity output and water output
- d) Tax receipts and earnings of inland revenue officials

**66. Which of the following is counted in determining GNP ?**

- a) A do it yourself roof repair job
- b) A housewife's work at home
- c) An operation performed in a hospital
- d) Vegetables grown by a farmer for his own use

**67. Which of the following would not be considered as near-money?**

- a) Time deposits
- b) Saving and loan shares
- c) Treasury bills
- d) Demand deposits

**68. People tend to demand money for precautionary motive because:**

- a) they wish to keep cash for their day-to-day purchases
- b) they wish to make some provision against unforeseen contingencies
- c) they fear a severe fall in the rate of interest
- d) they believe that the prices of bonds may rise suddenly

**69. In calculating a country's GNP at market prices one of the following is not included**

- a) Wages and salaries before tax
- b) Indirect taxes
- c) Bonds to the employees
- d) Depreciation allowances

**70. Double counting must be avoided when calculating national income. This means that there must be a deduction of the value of**

- a) A Food subsidies
- b) Personal consumption of alcoholic drinks
- c) Transfer payments
- d) Net interest from abroad

**71. The percentage of plan development actual expenditure allocated to energy in the Sixth Plan was approximately**

- a) 13.3
- b) 18.3
- c) 23.3
- d) 28.3

**72. Identify the correct statements**

- a) Pure barter suffers from lack of common medium to measure and state the value of goods and services.
- b) Barter exchange causes inconvenience since there is lack of double coincidence of wants
- c) No satisfactory unit is there to write future contracts in a barter economy
- d) Storing for the future and holding for unforeseen exigencies and saving is not possible under barter system
- e) All the above

**73. Which of the following functions of money in actual practice has been performed by money most capriciously?**

- a) Store of value function
- b) Medium of exchange function
- c) Unit of account
- d) All the above

**74. Which of the following is a function of money?**

- a) Medium of exchange
- b) Store of value
- c) Transfer of value
- d) All the above

**75. A large speculative demand for money is likely to exist when**

- a) people wish to borrow money in order to speculate on the stock exchange
- b) the current rate of interest is high
- c) the current rate of interest is lower than people expect it to be in the near future
- d) people expect the prices of goods and services to rise.

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76. Among these statements which one clearly explains the meaning of "Subsidies"

- Payment by Government for purchase of goods and services
- Payment by business enterprises to factors of production
- Payment by companies to shareholders
- Payment by Government to business enterprises without buying any goods and services

77. As compared to the target, the economy during the period 1980-85 has grown at a

- Much faster rate
- Much slower rate
- Rate equal to the target rate
- None of the above

78. Bonds, securities, promissory notes and land -these assets suffer from

- storage cost
- depreciation
- illiquidity or low level of convertibility
- all the above

79. The primary functions of money are:

- a medium of exchange and a store of value
- circulating medium and common denominator of value.
- a distribution of income and basis of credit system
- a transfer of value and store of value

80. If high powered money increases by 10%, then money supply will increase by

- 10%
- More than 10%
- Less than 10%
- Can't say with certainty

81. which of the following is not a determinant of the demand for money

- the general level of prices
- the current volume of output
- the pattern of relative prices of goods and services
- the current level of interest rates
- the payments conventions of the community.

82. The difference between Gross National Product and Gross Domestic Product is equal to

- Gross Domestic investment
- Net Foreign Investment
- Net imports
- Net factor income from abroad

83. The actual plan development outlay (Rs. crore) during the Sixth Plan (1980-85) turned out to be

- 89,646
- 1,09,646
- 1,29,646
- 1,49,646

84. demand for cash for speculative purposes is:

- a direct function of the rate of interest
- a negative function of the rate of interest
- both a direct and a negative function of the rate of interest depending upon the prices of bonds
- none of the above

85. Which one of the following, though having a higher degree of moneyness, is not considered as functional money?

- Currency notes and coins
- Fixed capital
- Time deposits
- Demand deposits

86. Net domestic product at factor cost equals net domestic product at market prices

- Plus subsidies - indirect taxes
- Minus subsidies + indirect taxes
- Minus subsidies
- Plus indirect taxes

87. Mixed farming means

- Growing two crops at the same time
- Growing different crops in succession
- Using mixture of manures and fertilisers
- Producing crops

88. Hoarding of money leads to

- Decrease in money
- Increase in money supply
- Constant money supply
- Can't say with certainty

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89. Currency with the public in India is calculated from among the following items.

Which of these is excluded:

- a) circulation of rupee and small coins
- b) cash on hand with banks
- c) notes in circulation
- d) demand deposits of banks

90. Liquidity of an asset will increase if

- a) the market becomes highly organised
- b) the economy is growing
- c) the value of the asset becomes more stabilised compared to money
- d) when interest payment at maturity is guaranteed
- e) all the above

91. When gross investment is positive, net investment

- a) A is the highest
- b) is zero
- c) is positive
- d) can be either positive or negative

92. The original plan development outlay (Rs. crore) during the Sixth Plan (1980-85) was

- a) 57,500
- b) 77,500
- c) 97,500
- d) 1,45,000

93. Notes are issued by

- a) RBI
- b) Central government
- c) Local government
- d) State government

94. One of the following is not a money-creating agency. Name it:

- a) households and firms
- b) commercial banks
- c) the central bank
- d) the government.

95. A legal tender

- a) is that money which is officially designated by the government as an instrument for the discharge of obligations (of money)
- b) cannot be refused by a creditor when offered in fulfilment of a general monetary obligation
- c) is a contract offered by the government on the basis of existing laws
- d) only (a) and (b)

96. National product is not affected by which of the following?

- a) A Sale of a second hand automobile by A to B
- b) Sale of a new car by an automobile dealer
- c) Sale of a new car by an automobile company
- d) Sale of a new car on hire purchase

97. The Sixth Plan aimed at strengthening the infrastructure for

- a) Agriculture
- b) Industry
- c) Both (a) and (b)
- d) None of the above

98. Coins are issued by

- a) RBI
- b) Central government
- c) Local government
- d) State government

99. The capacity of the banking system to expand the volume of bank deposits depends upon all but one of the following factors. Find the odd one out:

- a) the volume of cash available to the banking system
- b) the ratio of cash to bank deposits
- c) the willingness of borrowera to borrow funds from the commercial banks
- d) the price ratio of different commodities.

100. Find which of the following are optional money

1. Cheques
  2. Drafts
  3. Bills of exchange
  4. Promissory notes
  5. Currency
- a) 1,2 and 4 only
  - b) 1, 2, 3 and 5 only
  - c) 1, 2, 3 and 4 only
  - d) 1, 2, 3, 4 and 5

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## PRACTICE PAPER - 6

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

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