### Indian Economy Model Test Questions 2 in English With Answer

1. The basic characteristics of an underdeveloped economy is
   - a. unemployment
   - b. low productivity
   - c. **low per capita income**
   - d. high illiteracy level

2. Uncertain income in any enterprise is
   - a. rent
   - b. wages
   - c. interest
   - d. **profit**

3. The volume of Savings in a country depends upon the level of
   - a. natural wealth
   - b. **national income**
   - c. development of industries
   - d. employment

4. The per capita income is
   - a. National income × population
   - b. \( \frac{\text{population}}{\text{National Income}} \)
   - c. **National Income**
   - d. none of these

5. The second nationalization of banks took place in India in the year
   - a. 1969
   - b. 1979
   - c. 1975
   - d. 1980

6. Consider the following statements:
   Assertion(A): India is one of the leading Industrial countries the developing countries.
   Reason(R): Government of India has neglected altogether the traditional craft Industries.
   Now select your answer using the codes scheme given below:
   - a. Both (A) and (R) are true and (R) is the correct explanation of (A)
   - b. Both (A) and (R) are true and (R) is not the correct explanation of (A)
   - c. (A) is true but (R) is false
   - d. (A) is false but (R) is true

7. “FERA” stands for
   - a. **Foreign Exchange Regulation Act**
   - b. Foreign Exchange Restrictions Act
   - c. Foreign Exchange Reserve Act
   - d. All of these

8. “Economic Planning” refers to
   - a. increasing the tax revenue
   - b. allocation of resources
   - c. proper planning to utilize manpower
   - d. exploitation of tax revenue and manpower

9. The total number of nationalized banks in India is
   - a. 14
   - b. 16
   - c. 17
   - d. **20**

10. Octrol refers to
    - a. **Tax**
    - b. Agriculture
    - c. Industry
    - d. none of these

11. The committee on the Financial System to trace the ills of public sector banks was headed by
    - a. Dr. Man Mohan Singh
    - b. Dr. Ranganathan
    - c. **Dr. Narasimha**
    - d. Dr. Raja Chelliah

12. The main and final aim of Land Reform is
    - a. abolition of intermediaries
    - b. fixing ceiling on land holding
c. fixation of fair rent  
d. making tillers as the owners of the soil  

13. What is the target growth rate as envisaged in the Ninth Five Year Plan?  
   a. 5.5%  
   b. 6%  
   c. 7%  
   d. 8%  

14. Ninth Five Year Plan period is between  
   a. 1996 – 2001  
   b. **1997 – 2002**  
   c. 1998 – 2003  
   d. 1999-2004  

15. Human Resource Development was recognized as the core of all developmental efforts in  
   a. the Second Five Year Plan  
   b. the Fifth Five Year Plan  
   c. the Sixth Five Year Plan  
   d. the Eighth Five Year Plan  

16. National Income is  
   a. income of the Central Government  
   b. income of the Central and State Government  
   c. **total of factor incomes**  
   d. profits of the public sectors  

17. Which is not related to Industries?  
   a. SIPCOT  
   b. CIPKO  
   c. TANSITIA  
   d. SIDCO  

18. Which is not a fibre material?  
   a. Jute  
   b. Silk  
   c. Flax  
   d. Rubber  

19. In India, Policy of Population Control was introduced in  
   a. **1951**  
   b. 1961  
   c. 1971  
   d. 1947  

20. A serious effort to tackle the problem of poverty began with  
   a. First Five Year Plan  
   b. Second Five Year Plan  
   c. **Fourth Five Year Plan**  
   d. Seventh Five Year Plan  

21. In which plan was the growth rate target exceeded?  
   a. **First**  
   b. Second  
   c. Sixth  
   d. Seventh  

22. Consider the following statements:  
   **Assertion (A):** Indian Economy is a developing economy  
   **Reason (R):** India has disguised unemployment  
   a. Both (A) and (R) are true and (R) is the correct explanation of (A)  
   b. **Both (A) and (R) are true and (R) is not the correct explanation of (A)**  
   c. (A) is true but (R) is false  
   d. (A) is false but (R) is true  

23. Reserve Bank of India issues all currency notes except  
   a. **one-rupee note**  
   b. two-rupee note  
   c. five-rupee note  
   d. ten-rupee note  

24. The Central Bank of our country is the  
   a. **Reserve Bank of India**  
   b. State Bank of India  
   c. Central Bank of India  
   d. Indian Bank  

25. Consignment account is the nature of  
   a. real account  
   c. **nominal account**  
   b. personal account  
   d. profit and loss account  

26. “Grapevine” is a term used in relation to  
   a. formal communication  
   c. both formal and informal communication  
   b. **informal communication**  
   d. informal motivation
27. “Horlicks” is a _________ name.
   a. material  
   b. brand  
   c. institution  
   d. company

28. Advertising creates a  
   a. brand loyalty  
   b. quality of the product  
   c. purchasing capacity  
   d. none of these

29. Match List I with List II correctly and select your answer using the codes given below:
<table>
<thead>
<tr>
<th>List I</th>
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</tr>
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<tbody>
<tr>
<td>a. Inflation</td>
<td>1. Controlled inflation</td>
</tr>
<tr>
<td>b. Deflation</td>
<td>2. Money supply increases</td>
</tr>
<tr>
<td>c. Stagflation</td>
<td>3. Money supply decreases</td>
</tr>
<tr>
<td>d. Reflation</td>
<td>4. Rise in price without growth</td>
</tr>
</tbody>
</table>
   Codes
   a. 4 1 2 3  
   b. 1 2 3 4  
   c. 2 3 4 1  
   d. 3 4 1 2

30. Consider the following statements:
   I. means Voluntary Disclosure of Income Scheme  
   II. was introduced in 1997  
   III. helped the tax evaders to declare undisclosed income of over Rs.33,000 crores  
   IV. helped the Government to get a tax of more than Rs.10,050 crores
   Of the statements:
   a. I and II are correct  
   b. I,II and III are correct  
   c. I,III and IV are correct  
   d. All are correct

31. All losses and expenses are  
   a. debited  
   b. credited  
   c. both debit and credit  
   d. no entry

32. The basic function of an economy is  
   a. consumption  
   b. production  
   c. investment  
   d. all these

33. Consider the following statements:
   Assertion(A): Demand curve normally slopes downwards.
   Reason(R): Demand for goods increases when price increases.
   Of these:
   a. Both (A) and (R) are true and (R) is the correct explanation of (A)  
   b. Both (A) and (R) are true and (R) is not the correct explanation of (A)  
   c. (A) is true but (R) is false  
   d. (A) is false but (R) is true

34. Black money refers to
35. Recent Tax reforms in India are based on the
a. Rajah J.Chelliah Committee report
b. Chocksi Committee report
c. Wanchoo Committee report
d. Raj Committee report

36. Dunkel proposal is related to
a. patent right
b. fundamental right
c. human right
d. none of these

37. The programme IRDP is connected with
a. Industry
b. Transport
c. Villages
d. Trade

38. The period of Ninth Five Year Plan is
a. 1997-2002
b. 1996-2001
c. 1998-2003
d. 1999-2004

39. Expenditure on defence is an item of
a. Public welfare investment
b. Security of the nation
c. Government’s duty
d. Development

40. When did RBI become a state owned institution?
 a. 1947
b. 1949
c. 1952
d. 1956

41. Consumers surplus is
a. Surplus consumer
b. Consumers surplus profit
c. Surplus product
d. Surplus satisfaction

42. Free trade zone is
a. Kandla port
b. Mumbai port
c. Vishakhapatnam port
d. Cochin port

43. National Renewel Fund was constituted in
a. 1990
b. 1992
c. 1994
d. 1996

44. The item that earns the maximum foreign exchange for India is
a. leather and leather goods
b. spices
c. medicines
d. rice

45. SIDCO was established in
a. 1950
b. 1952
c. 1954
d. 1956

46. Fourth Five Year Plan period was
a. 1966-71
b. 1968-73
c. 1969-74
d. 1970-75

47. Consider the following statements:
   I. India is a developing economy
   II. India is the second stage of demography
   III. India ranks second among the highly populated countries
   IV. India stands first in Industrial production.
   Of the statements:
a. I alone is correct  
b. I and II alone is correct  
c. I,II and III are correct  
d. All are correct

48. Match List I with List II correctly and select your answer using the codes given below:

<table>
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<tr>
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<tbody>
<tr>
<td>a. Adam Smith</td>
<td>1. Rent</td>
</tr>
<tr>
<td>b. Marshall</td>
<td>2. Employment</td>
</tr>
<tr>
<td>c. Ricardo</td>
<td>3. Wealth</td>
</tr>
<tr>
<td>d. Keynes</td>
<td>4. Equilibrium</td>
</tr>
</tbody>
</table>

Codes:

a b c d

a. 1 2 3 4  
b. 2 1 4 3  
c. 4 2 1 3  
d. 3 4 1 2

49. Some portion of the capital which can be called up only on the winding up of the company is called

a. paid up capital  
b. called up capital  
c. reserve capital  
d. capital reserve

50. The minimum number of members who must be present for transacting the business at a meeting is called

a. Proxy  
b. Motion  
c. Agenda  
d. Quorum

51. Consolidation of two or more existing companies into one is known as

a. Absorption  
b. Liquidation  
c. Reconstruction  
d. Amalgamation

52. Tax clearance certificate is required for

a. starting new business  
b. a person leaving India  
c. any auditor to practice income tax  
d. any assessor who wants to escape tax

53. Bank Reconciliation Statement is

a. a part of the cash book  
b. a leader account  
c. a part of the Bank Account  
d. a statement prepared to find out the causes for difference between bank column of cash book and pass book

54. Net working capital is represented by

a. total assets minus current liabilities  
b. fixed assets minus current assets  
c. current assets minus current liabilities  
d. cash in hand and stock in trade

55. Double entry system of book keeping means

a. entry in two sets of books  
b. entry for two aspects of the transaction  
c. entry on two dates  
d. entry of two transactions

56. Rs. 500/- paid as wages for erecting a machine should be debited to

a. Wages Account  
b. Profit and Loss account  
c. Machinery Account  
d. Cash account
57. Registration is compulsory in the case of
   a. partnership firm
   b. sole traders
   c. company
d. none of these

58. On receipt of which certificate, a private limited company can come into existence?
   a. Initial permission
   b. Certificate of incorporation
   c. Minimum subscription
d. Bank loans

59. Consider the following statements
   Assertion(A): Government Companies are preparing Balance Sheet every year perfectly.
   Reason(R): Double entry system are adopted
   Of the statements
   a. Both (A) and (R) are true and (R) is the correct explanation of (A)
   b. Both (A) and (R) are true and (R) is not the correct explanation of (A)
   c. (A) is true but (R) is false
d. (A) is false but (R) is true

60. Which of the following is correctly matched?
   a. Producers Co-operative – Loans at lesser interest rate
   b. Consumer Co-operative – Act at district level
   c. Central Co-operative Bank – Get good price
   d. Aims of Co-operative – Each one for every body and everyone for each

61. Match List I with List II correctly and select your answer using the codes given below:
   List I       List II
   a. Goodwill  1. Trading account
   b. Purchaser  2. Balance sheet
   c. Real account 3. Profit and loss account
   d. Rent paid  4. Relating to properties and assets of a concern

   Codes:
   a  b  c  d
   a. 2 1 4 3
   b. 1 4 3 2
   c. 2 1 3 4
   d. 1 3 2 4

62. The first annual general body meeting of a company must be held within
   a. 12 months of incorporation
   b. 15 months of incorporation
c. 18 months of incorporation
d. 21 months of incorporation

63. The written record of the business done at a meeting is called
   a. Agenda
   b. Notice
c. Resolution
d. Minutes

64. The liability of a partner in a partnership firm is
   a. Limited
   b. unlimited
   c. Joint liability
d. none of these

65. Goodwill, Patent, Copyright, Trade Mark are
66. Debenture holders are the company’s
   a. Owners
   b. Creditors
   c. Customers

67. Industrial Finance Corporation of India was setup in the year
   a. 1936         b. 1948         c. 1950         d. 1956

68. The present minimum investment limit for small scale industries is
   a. Rs. 60 lakhs   b. Rs. 3 crores   c. Rs. 1 Crore   d. Rs. 2 crores

69. FERA is now changed to FEMA, it is
   a. Foreign Exchange Management Action
   b. Foreign Exchange Marketing Act
   c. Foreign Exchange Management Act
   d. all of these

70. Which of the following is not a direct tax?
   a. Income Tax
   b. Wealth Tax
   c. Sales Tax
   d. Estate Tax

71. Stock in trade is a
   a. current asset
   b. Intangible asset

72. An auditor is like a
   a. Mad dog
   b. Watch dog
   c. Thirsty dog
   d. Sniffy dog

73. Companies Act was passed in the year

74. Management is
   a. an art
   b. a science
   c. both an art and a science
   d. neither art nor science

75. India earns maximum foreign exchange from
   a. coffee
   b. Tea
   c. Sugar
   d. rubber

76. Custodian of foreign exchange is
   a. Foreign Exchange Bank
   b. State Bank of India
   c. Foreign Bank
   d. Reserve Bank of India

77. The main object of packaging is
   a. to attract the consumers
   b. to reduce the price
   c. to prevent the damage
   d. to increase the sales

78. Which of the following is correctly matched?
   a. Debenture - Interest
   b. Share - Sole trader
   c. Deposit receipt - Dividend
   d. Promissory note - Share warrant

79. Match List I with List II correctly and select your answer the codes given below
   List I       List II
c. Noting charges 3. Reserve Bank of India  
d. Lender of last resort 4. Dishonor of bills of exchange  

Codes:

<table>
<thead>
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<td><strong>4</strong></td>
</tr>
</tbody>
</table>

80. The on going Five Year Plan is
- a. 9th Plan  
- b. 10th Plan  
- c. 8th Plan  
- d. 7th Plan  

**Note:** 11th Plan(2007-2012)

81. Consolidation is the means to check
- a. inequality of income  
- b. subdivision of land  
- c. fragmentation of land  
- d. subdivision and fragmentation of land

82. Which one of the following is correctly matched?
- a. Adam Smith - Wealth  
- b. Marshall - Scarcity  
- c. Robbins - Welfare  
- d. Samuelson - Production

83. Long-term lending market is called
- a. Money Market  
- b. Capital Market  
- c. Loan Market  
- d. International Market

84. Dumping is a form of
- a. Product differentiation  
- b. Sales promotion  
- c. Price discrimination  
- d. Perfect competition

85. The Liquidity preference Theory is introduced by
- a. Marshall  
- b. Adam Smith  
- c. J.B.Say  
- d. Keynes

86. In the case of inferior good
- a. demand increases with a fall in price  
- b. demand decreases with a fall in price  
- c. demand decreases with a rise in price  
- d. none of these

87. Inspite of the three fold increase in food production, self sufficiency and freedom from hunger has not been achieved in India.  
Which of the following reasons are for it?
- I. Green Revolution has been restricted to small pockets  
- II. The cost of food is very high compared to the earnings of the poor  
- III. Too much emphasis is laid on the wheat and paddy production.  
- IV. The gains of Green Revolution have largely accured to the cash crop rather than food crops.  
Of these
a. I, II, III are correct  
 b. I, II, IV are correct  
 c. I, III, IV are correct  
 d. II, III, IV are correct

88. Draft Five Year Plans are finally approved by  
 a. The President  
 b. National Development Council  
 c. The Parliament  
 d. Planning Commission

89. Find the odd one out  
 a. IDBI  
 b. IFC  
 c. RBI  
 d. ICICI

90. Which technique of production is preferable to India?  
 a. Labour-intensive technique  
 b. Capital-intensive technique  
 c. Both (A) and (B)  
 d. none of these

91. The non-tax revenues accrue from  
 a. Interest receipt  
 b. Currency and limit  
 c. Irrigation, electricity, public works  
 d. All of these

92. The biggest public sector undertaking in India is  
 a. Indian Railways  
 b. ONGC  
 c. LIC of India  
 d. HMT

93. Consider the following statements:  
 I. India has an unfavourable balance of trade  
 II. Indian exports are increasing  
 III. Indian imports exceed its exports  
 IV. India ranks first among the industrialized countries.  
 Of the statements:  
 a. I alone is correct  
 b. I and III are correct  
 c. II and IV are correct  
 d. All are correct

94. Consider the following statements:  
 Assertion(A): There is a huge gap between the haves and the have-nots in India.  
 Reason(R): This is mainly due to the law of inheritance which permits the property of the parents to be inherited by their children.  
 Of the statements  
 a. Both (A) and (R) are true and (R) is the correct explanation of (A)  
 b. Both (A) and (R) are true and (R) is not the correct explanation of (A)  
 c. (A) is true but (R) is false  
 d. (A) is false but (R) is true

95. Match List I with List II correctly and select your answer using given below:  
 List I  
 a. Exim Bank  
 b. Industrial Policy  
 c. Population Policy  
 d. Industrial Licensing Policy  
 List II  
 1. 1970  
 2. Export and Import Bank  
 3. 1956  
 4. 1976  
 
Codes:  
a  b  c  d
96. Consider the following statements:
   I. Population growth increases per capita income
   II. Population growth results in mass unemployment
   III. Population growth would be an obstacle to economic development
   IV. Population growth increases the standard of living
   Of the statements:
   a. I alone is correct
   b. II and IV are correct
   c. II and III are correct
   d. I, II and III are correct

97. Indian economy is
   a. capitalistic economy
   b. socialistic economy
   c. mixed economy
   d. none of these

98. Match List I with List II correctly and select your answer using the codes given below:

   List I       List II
   a. IRDP       1. Population control
   b. Family welfare measures  2. Trade union
   c. Demand for wages         3. Under development
   d. Low per capita income    4. Rural development

   Codes:
   a b c d
   a. 3 2 1 4
   b. 2 3 1 4
   c. 4 1 2 3
   d. 1 3 2 4

99. Which of the following is the name of an economist?
   a. Thomas Alva Edison
   b. Marconi
   c. Paul Samuelson
   d. John Higgins

100. Bhagawati committee on unemployment was set up in?
    a. 1972
    b. 1970
    c. 1968
    d. 1975