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STUDY MATERIAL
(QUESTION BANK)
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SUBJECT - ECONOMICS



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→ Chapter - Wise MCQs

Introduced by CBSE:

- Stand Alone MCQs
- Assertion – Reason Type MCQs
- Case-Based/Source Based/ Situation Based MCQs

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PART-1: INTRODUCTORY MACROECONOMICS

UNIT 2: MONEY AND BANKING

STAND ALONE MCQs

Q1. What is the other name of money multiplier?

- a. Credit multiplier
- b. Cash Reserve Ratio
- c. Deposit multiplier
- d. None of these

Q2. In order to reduce credit in the country, RBI may

- a. Buy securities in the open market
- b. Sell securities in the open market
- c. Reduce Cash Reserve Ratio
- d. Reduce Repo Rate

Q3. Which of the following is not a function of central bank?

- a. Banking facilities to government
- b. Banking facilities to public
- c. Lending to government
- d. Lending to commercial banks

Q4. Which bank controls the banking and monetary structure of India?

- a. Reserve Bank of India
- b. Axis Bank
- c. State Bank of India
- d. World Bank

Q5. Demand Deposits include

- a. Saving account deposits and fixed deposits
- b. Saving account deposits and current account deposits
- c. Current account deposits and Fixed deposits
- d. All type of deposits

Q6. Which of the following agency is responsible for issuing Rs.1 currency note in India?

- a. Reserve bank of India
- b. Ministry of Commerce
- c. Ministry of Finance
- d. NITI Aayog

Q7. _____ refers to that portion of total deposits of a commercial bank which it has to keep with itself in form of liquid assets

- a. Cash reserve ratio
- b. Statutory liquidity ratio
- c. Bank Rate
- d. Repo rate

Q8. What will be the value of money multiplier when initial deposit is Rs.500 and LRR is 10%?

- a. 0.1
- b. 0.2
- c. 10
- d. 20

Q9. Which function of RBI leads to uniformity in note circulation?

- a. Bank of issue
- b. Custodian of cash reserve
- c. Controller of money supply
- d. Banker's Bank

Q10. The money that is issued by the order of the government is

- a. Fiat money
- b. Fiduciary money
- c. Credit money
- d. None of the above

Q11. Which of the following is the most common feature of Barter System?

- a. Medium of exchange
- b. Double coincidence of wants
- c. Store of value
- d. Standard of deferred payments

Q12. High powered money is the money which is produced by

- a. Reserve bank of India
- b. Government
- c. Commercial bank
- d. Both a. and b.

ASSERTION-REASON BASED QUESTIONS

Q1. **Assertion-** All financial institutions can be termed as Banking institutions

Reason- A bank is a financial institution that accepts deposits from the public and creates Demand Deposits while simultaneously advancing loans.

- a. Both assertion and reason are true and reason is correct explanation of assertion.

- b. Both assertion and reason are correct and reason is not correct explanation of assertion
- c. Assertion is true but reason is false
- d. Assertion is false but reason is true

Q2. Assertion- Reserve ratio acts as a limit to money creation by commercial bank.

Reason- The value of money multiplier is determined by reserve ratio

- a. Both assertion and reason are true and reason is correct explanation of assertion.
- b. Both assertion and reason are correct and reason is not correct explanation of assertion
- c. Assertion is true but reason is false
- d. Assertion is false but reason is true

Q3. Assertion- Repo Rate is fixed by RBI while reserve repo rate is fixed by commercial banks themselves

Reason- Both Repo rate and reserve repo rate are decided by RBI as it is an apex bank.

- a. Both assertion and reason are correct and reason is the correct explanation of assertion
- b. Both assertion and reason are correct and reason is not the correct explanation of assertion
- c. Assertion is true but reason is false
- d. Assertion is false but reason is true

Q4. Assertion- money also acts as a convenient unit of account

Reason- the value of all goods and services can be expressed in monetary terms.

- a. Both assertion and reason are correct and reason is the correct explanation of assertion
- b. Both assertion and reason are correct and reason is not the correct explanation of assertion
- c. Assertion is true but reason is false
- d. Assertion is false but reason is true

Q5. Assertion- Total quantity or stock of money available in the economy at a particular point of time is known as money supply.

Reason- demand deposit is not the part of money supply

- a. Both assertion and reason are correct and reason is the correct explanation of assertion
- b. Both assertion and reason are correct and reason is not the correct explanation of assertion
- c. Assertion is true but reason is false
- d. Assertion is false but reason is true

Q6. Assertion- unit of account is the primary function of money

Reason- Transfer of value is also the primary function of money

- a. Both assertion and reason are correct and reason is the correct explanation of assertion

- b. Both assertion and reason are correct and reason is not the correct explanation of assertion
- c. Assertion is true but reason is false
- d. Assertion is false but reason is true

Q7. Assertion- Money multiplier = 1/LRR

Reason- lower the LRR, higher the value of money multiplier and vice-versa

- a. Both assertion and reason are correct and reason is the correct explanation of assertion
- b. Both assertion and reason are correct and reason is not the correct explanation of assertion
- c. Assertion is true but reason is false
- d. Assertion is false but reason is true

Q8. Assertion- Banks can create money

Reason- banks can lend simply because they do not expect all the depositors to withdraw what they have deposited at the same time

- a. Both assertion and reason are correct and reason is the correct explanation of assertion
- b. Both assertion and reason are correct and reason is not the correct explanation of assertion
- c. Assertion is true but reason is false
- d. Assertion is false but reason is true

CASE STUDYBASED QUESTIONS

Q1. Commercial bank is the primary unit of the Indian banking system. It aims to earn profits and for this it provides variety of services to its customers. Commercial banks receive deposits from the public and use these deposits to give loans. Through the process of money creation, commercial banks are able to create credit which is in far excess of initial deposits. Commercial banks demand deposits are part of money supply. Commercial banks lend money to the borrowers by opening demand deposits account in their names. The borrowers are free to use this money by writing cheques. By creating additional demand deposits, banks create money. Money creation depends on two factors: primary deposit and legal reserve ratio. Deposit multiplier = $1/LRR$, Total deposit creation = Initial deposits $\times 1/LRR$

1. What will be LRR if initial deposits of 1,000 crores created total deposits of 10,000 crores.
 - a. 20%
 - b. 25%
 - c. 10%
 - d. 40%
2. What are the components of money supply?

- a. Currency and coins held with the public
- b. Net demand deposits of commercial bank
- c. Other deposits of RBI
- d. All of the above

3. What will be the value of deposit or money multiplier if LRR is 25%
- a. 3
 - b. 4
 - c. 5
 - d. 6
4. If LRR is 25% and initial deposits are 2000 crores, what will be the total credit creation?
- a. 8,000
 - b. 10,000
 - c. 5,000
 - d. 6,000

5. How is LRR related to money multiplier?

- a. Directly
- b. Inversely
- c. Constant
- d. exponentially

Q2. The present monetary system in India is managed and controlled by RBI and is known as the inconvertible paper currency standard. Currencies are limited legal tender money and can be used for making small payments. RBI has sole monopoly to issue all notes except one rupee note. However, the responsibility of putting all notes and coins into circulation rests with the RBI.

1. The sole authority of note issue with RBI leads to
- a. a public faith in currency system
 - b. uniformity in note circulation
 - c. stabilization of value of currency
 - d. all of the above
2. RBI was established in
- a. 1934
 - b. 1935
 - c. 1936
 - d. 1937
3. _____ money is regulated and controlled by RBI

- a. Commodity money
- b. Metallic money
- c. Paper money

Q3. The demand for money tells us what makes people desire a certain amount of money. Since money is required to conduct transactions, the value of transactions will determine the money people will want to keep: the larger is the quantum of transactions to be made, the larger is the quantity of money demanded. Since the quantum of transactions to be made depends on income, it should be clear that a rise in income will lead to rise in demand for money. Also, when people keep their savings in the form of money rather than putting it in a bank which gives them interest, how much money people keep also depends on rate of interest. Specifically, when interest rates go up, people become less interested in holding money since holding money amounts to holding less of interest-earning deposits, and thus less interest received. Therefore, at higher interest rates, money demanded comes down.

1. Money enables people to save. Which function of money does this describe?

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

2. Money is most liquid of all assets because_____

- a. It includes share and equities
- b. Money itself is a medium of exchange
- c. It has few functions
- d. It does not have general acceptability

3. Demand of money depends on?

- a. Savings
- b. Income
- c. Investment
- d. All of the above

4. It should be clear that a _____ in income will lead to _____ in the demand for money.

- a. Rise, Decrease
- b. Decrease, Rise
- c. Rise, Rise
- d. None of the above

5. At _____ interest rates, money demanded comes down.

- a. Higher
- b. Lower
- c. Constant
- d. All of the above

Q4. The GDP of India contracts by 7.5% in second quarter of fiscal year 2020-21 as per the government data that was released on November 27, 2020. With this contraction, India officially entered into a technical recession for the first time. The contraction is a rebound from the earlier quarter of the fiscal year 2020-21. Indian economy had contracted by 23.9% in the April to June quarter which marked first contraction in the first forty years as covid 19 pandemic majorly impacted consumer demand and private investments. According to ministry of Statistics and Programme Implementation, the gross value added came in at minus 7% during second quarter of FY21.

1. Repo rate is the rate at which
 - a. Commercial bank purchases government securities from the central bank
 - b. Central bank offers short term loans to commercial banks
 - c. Commercial bank can keep their deposits with central bank
 - d. Short term loans are given by commercial bank
2. An increase in bank rate is effective to combat inflation in context to above case study
 - a. True
 - b. False
3. To encourage the flow of goods, RBI should
 - a. Increase bank rate
 - b. Sell government securities by CRR
 - c. Increase CRR
 - d. None of the above
4. In order to increase purchasing power of people to come out of low aggregate demand trap and to increase the growth rate of GDP of economy. Which of the following will increase the money supply?
 - a. Fall in repo rate
 - b. Purchase of securities in open market
 - c. Decrease in CRR
 - d. All of these

MARKING SCHEME

STAND ALONE MCQs

1. (a) credit multiplier
2. (b) sell securities in the open market
3. (b) banking facilities to public
4. (a) Reserve Bank of India
5. (b) saving account deposits and current account deposits
6. (c) Ministry of Finance
7. (b) Statutory Liquidity Ratio
8. (c) 10
9. (a) Bank of Issue
10. (a) Fiat Money
11. (b) double coincidence of wants
12. (d) both (a) and (b)

ASSERTION-REASON BASED QUESTIONS

1. (d) Assertion is false but reason is true
2. (b) both assertion and reason are true and reason is not the correct explanation of assertion
3. (d) Assertion is false but reason is true
4. (a) both assertion and reason are true and reason is the correct explanation of assertion
5. (c) assertion is true but reason is false
6. (c) assertion is true but reason is false
7. (a) both assertion and reason are true and reason is the correct explanation of assertion
8. (b) both assertion and reason are true and reason is not the correct explanation of assertion

CASE STUDY BASED QUESTIONS

Q1.

1. (c)10%
2. (d) All of the above
3. (b) 4
4. (a) 8000
5. (b) inversely

Q2.

1. (d) all of the above
2. (b) 1935
3. (c) paper money

Q3.

1. (a) store of value
2. (b) Money itself is a medium of exchange
3. (b) Income
4. (c) rise, rise
5. (a) higher

Q4.

1. (b) Central bank offers short term loans to commercial banks
2. (b) false, (as in present situation economy is already facing fall in purchasing power)
3. (d) none of the above
4. (d) All of the above

UNIT-4: GOVT. BUDGET AND THE ECONOMY

STAND ALONE MCQs

1. Balanced budget leads to:
 - a. Stagnation of the economy
 - b. Growth of the economy
 - c. Backwardness of the economy
 - d. None of the above

2. If gross fiscal deficit is worth rupees 30,000 crore and interest payment amount to rupees 8000 crores, then primary deficit will amount to:
 - a. 38,000 crores
 - b. 22000 crores
 - c. 30000 crores
 - d. 46000 crores

3. Deficit financing leads to:
 - a. Increase in aggregate demand in the economy.
 - b. Decrease in aggregate demand in the economy.
 - c. No effect on the aggregate demand in the economy.
 - d. Both (a) and (c).

4. Which of the following is not an implication of revenue deficit?
 - a. Reduction of government expenditure.
 - b. Decrease in tax revenue.
 - c. Increase in non-tax revenue.
 - d. Increase in government borrowing.

5. Primary deficit is borrowing requirement of government for making:

a. Interest Payments	b. Other than interest payments
c. All types of Payments	d. Some specific payments

6. Fiscal deficit equals:

a. Interest payments	b. Borrowings
c. Interest payment less borrowings	d. Borrowing less interest payments

7. In a situation of Hyper-inflation, the government should adopt for

a. Balanced Budget	b. Deficit Budget
c. Capital Budget	d. Surplus Budget

8. The primary deficit in a government budget is:
 - a. Revenue expenditure- Revenue Receipts
 - b. Total Expenditure- Total Receipts
 - c. Revenue deficit- Interest payments
 - d. Fiscal deficit- Interest Payments

9. If government borrowings equal to Rs. 800 crore and interest payments equal to Rs. 155 crores, then find fiscal deficit and primary deficit.

- a) Fiscal deficit Rs. 155 crore and Primary deficit= Rs. 800 crores
- b) Fiscal Deficit Rs. 800 crore and Primary deficit Rs. 155 crores
- c) Fiscal deficit Rs. 155 crore and Primary Deficit Rs. 645 crores
- d) Fiscal Deficit Rs. 800 crore and Primary Deficit Rs. 645 crores

ASSERTION AND REASON BASED QUESTIONS

1. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): Higher value of primary deficit is better for the economy.

REASON(R): High value of primary deficit indicates the situation where even after paying the amount of interest, significant amount of borrowings are left to be used for other expenses.

- a. Both Assertion (A) and Reason (R) are true and Reason(R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true and Reason(R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason ® is false.
- d. Assertion (A) is false but Reason ® is true.

2. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): Net fiscal deficit is the difference between gross fiscal deficit and interest payment.

REASON (R): Deficit financing leads to inflationary situation in the country.

- a. Both Assertion (A) and Reason (R) are true and Reason(R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true and Reason(R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason ® is false.
- d. Assertion (A) is false but Reason ® is true.

3. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): The revenue deficit includes only such transactions that affect the current income and expenditure of the government.

REASON (R): revenue deficit is the difference between total expenditure and total receipts.

- a. Both Assertion (A) and Reason (R) are true and Reason(R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true and Reason(R) is not the correct explanation of Assertion (A).

- c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
4. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): Fiscal deficit indicates the total borrowing requirements of the government.

REASON (R): Government mainly borrows from RBI to meet its fiscal deficit.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is False
 - d. Assertion (A) is False but Reason (R) is true.
5. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:
- ASSERTION (A):** A deficit budget is good for developing countries like India.
- REASON (R):** It helps in generating additional demand during a time of recession.
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is False
 - d. Assertion (A) is False but Reason (R) is true.
6. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:
- ASSERTION (A):** Higher value of fiscal deficit creates an alarming situation for the economy as a whole.
- REASON (R):** Fiscal deficit indicates the borrowings requirements of the government.
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is False
 - d. Assertion (A) is False but Reason (R) is true
7. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): Primary Deficit is the Root Cause of Fiscal Deficit.

REASON (R): High Primary Deficit indicates that interest commitments (on earlier loans) have forced the government to borrow.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is False
- d. Assertion (A) is False but Reason (R) is true.

CASE STUDYBASED QUESTIONS

1. Read the following case study and answer the following questions.

Budgetary deficits must be financed by either taxation, borrowing or printing money. Governments have mostly relied on borrowing, giving rise to what is called government debt. If the government continues to borrow year after year, then interest payments increase and these further increase the debt. Also, government borrowing from the people reduces the savings available to the private sector. This reduces capital formation and growth. These debts increase the burden on future generations as the debts raised today are required to be paid off in future.

1. Budgetary deficits can be financed by
 (a) taxation (b) borrowings (c)printing money (d) All of the above
2. If the government borrows year after year, then this interest payments.
 (a) increases (b) decreases (c)has no effect on (d) None of the above
3. Government borrowing _____ the savings available to the private sector.
 (a) increases (b) decreases (c)do not impact (d) None of these
4. Government borrowings... the burden on future generations.
 (a) increases (b) decreases (c)do not impact (d) Either (a)or (b)
5. **ASSERTION (A):** Budgetary deficits financed through monetising of debts leads to fall in purchasing power of money.

REASON (R): Availability of more money in the economy then required leads to rise in price levels.

- (a) Assertion (A) is true and Reason (R)is correct reason of Assertion (A).
- (b) Assertion (A) is true and Reason (R)is not correct reason of Assertion (A).
- (c) Assertion (A) is false, but Reason (R) is true
- (d) Both are false.

2. Read the following case study and answer the following questions.

February-1 is a well-known date in India when the finance minister presents the annual budget of the government for its approval by the parliament. The budget unfolds: (i) the financial performance of the government over the past one year, and (ii) the financial programmes and policies of the government for the next one year. As regards the financial performance of the government, it is more like a description of what happened during the past year. Focus is placed largely on the other part of the budget describing programmes and policies of the government for the next year. The programmes and policies of the government (as presented in the budget) are known as 'Budgetary Policy' of the government, or 'Fiscal Policy' of the government. It has two aspects: (i) revenue aspect and (ii) expenditure aspect. On the revenue side, the budgetary policy reveals the expected receipts of the government. On the expenditure side, it reveals the expected expenditure of the government. It is by managing the budgetary revenue and budgetary expenditure that the government tries to achieve 'growth with stability'. Thus, the government budget is a statement of expected receipts and expected expenditure of the government (for the financial year to come) that

reveals the budgetary policy of the government to achieve the twin objective of growth with stability.

1. In the context of the government budget, which of the following statements is correct?
 - a) It is a statement of expected annual receipts and expenditures of the government
 - b) It is a detail of actual receipts and expenditures of the government in a financial year
 - c) It offers a detailed description of the achievements of the government during the five-year plans
 - d) It indicates the BOP status of the dormant economy.
2. A tax, the burden of which can be shifted on to others, is called ____.
a) direct tax b) indirect tax c) value-added tax d) income tax
3. A tax is said to be _____ when it causes a greater real burden on the poor than the rich.
a) progressive b) regressive c) direct d) indirect
4. GST is a/an _____ tax.
a) direct b) income c) value-added d) indirect

3. Read the following case study and answer the following questions.

Prime Minister Narendra Modi's second budget in seven months disappointed investors who were hoping for big-bang stimulus to revive growth in Asia's third-largest economy. The fiscal plan delivered by Finance Minister Nirmala Sitharaman proposed tax reductions for individuals and wider deficit targets, but failed to provide specific steps to fix a struggling financial sector, improve infrastructure and create jobs. Stocks slumped, reflecting the subdued sentiment

"Far from being a game changer, the budget provides little in terms of short-term growth stimulus," said Priyanka Kishore, head of India and South-East Asia economics at Oxford Economics Ltd. in Singapore. "While income tax cuts will provide some relief on the consumption front, the multiplier effect is low and the overall stance of the budget is not expansionary"

The focus now shifts to the Reserve Bank of India's interest rate decision on February 6, 2020. However, having already cut interest rates five times last year and with inflation exceeding 7 per cent, well above the central bank's target, there's limited scope for Governor Shaktikanta Das to ease more.

1. A direct tax cut in government budget helps to stimulate economic growth by
 - (a) Increasing disposable income
 - (b) Increasing production activity
 - (c) Increasing demand
 - (d) Both(a) and (c)
2. Decreasing tax is a fiscal measure to deal with.... situation in an economy.
 - (a) Reducing Inequality
 - (b) Reallocation
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
3. What will be the impact on the overall money supply if government reduces income tax slabs?
 - (a) There will be more money supply in the economy.
 - (b) There will be less money supply in the economy.
 - (c) There will be no impact on the money supply.
 - (d) It depends upon the behaviour of the targeted population.

4. **Assertion (A)** A tax cut need not always leads to increase in economic growth in the economy.

Reason (R) Inequality in distribution of income leads to uneven growth impacts.

Choose from the options below.

- (a) Assertion (A) is true and Reason(R) is correct reason of Assertion (A).
- (b) Assertion (A) is true and Reason(R) is not correct reason of Assertion (A).
- (c) Assertion (A) is false, Reason (R) is true
- (d) Both are false

5. Choose the correct statement from below

- (a) A tax cut in the economy widens fiscal deficit.
- (b) Fiscal deficit increases the burden of taxes on future generation.
- (c) Higher income groups should not be taxed at a progressive rate.
- (d) All of the above statements are correct.

MARKING SCHEME

STAND ALONE MCQs

1. (a) stagnation of the economy
2. (b) 22000 crores.
3. (a) increase in aggregate demand in the economy.
4. (b) decrease in tax revenue
5. (b) Other than interest payment
6. (b) Borrowings
7. (d) Surplus Budget.
8. (d) Fiscal deficit – interest payment
9. (d) Fiscal deficit Rs. 800 crore and Primary deficit Rs. 645 crores

ASSERTION AND REASON BASED QUESTIONS

1. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
2. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
3. (c) Assertion (A) is true but Reason (R) is false
4. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
5. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
6. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
7. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

CASE STUDY BASED QUESTIONS

Q1.

1. (d) All of the above
2. (a) increases
3. (b) decreases
4. (a) increases
5. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

Q2.

1. (a) It is a statement of expected annual receipts and expenditures of the government
2. (b) indirect tax
3. (b) regressive
4. (d) indirect

Q3.

1. (d) Both (a) and (c)
2. (c) Both (a) and (b)
3. (a) There will be more money supply in the economy.
4. (b) Assertion (A) is true and Reason(R) is not correct reason of Assertion (A)
5. (b) Fiscal deficit increases the burden of taxes on future generation.

UNIT-5: BALANCE OF PAYMENTS AND FOREIGN EXCHANGE RATE

STAND ALONE MCQs

1. price of one currency in terms of other currency is known as:
 - a. Foreign exchange market.
 - b. Foreign exchange rate.
 - c. Real exchange rate.
 - d. Both (b) and (c).

2. If one wants to plan a trip to London, she needs to know how expensive British goods are relative to goods at home. This is an example of:
 - a. Nominal exchange rate.
 - b. Real exchange rate.
 - c. Exchange rate
 - d. Both (b) and (c).

3. The Indian resident buying a Japanese car pays for it in rupees but the Japanese exporter will expect to be paid in -----.
 - a. Dollar
 - b. Yen
 - c. Rupee
 - d. Pound

4. Under flexible exchange rate system, if the equilibrium rupee-dollar exchange rate was rupees 45 and now it has become rupees 50 per dollar, the rupee has;
 - a. Depreciated
 - b. Appreciated
 - c. Devaluated
 - d. Revaluated

5. Under fixed exchange rate system, if the equilibrium rupee-dollar exchange rate was rupees 50 per dollar and now it has become rupees 60 per dollar, the rupee has;
 - a. Revaluated
 - b. Depreciated
 - c. Appreciated
 - d. Devaluated

6. Under ----- system of exchange rate, the Central Bank intervenes to buy and sell foreign currency in an attempt to moderate exchange rate movements whenever they feel that such actions are appropriate.
 - a. Fixed exchange rate.
 - b. Flexible exchange rate.
 - c. Managed floating exchange rate.
 - d. Both (b) and (c).

7. The market converting the currency of a country into the currency of other country is known as:
- Factor market.
 - Commodity market.
 - Share market.
 - Foreign exchange market.
8. If the currency of domestic country devaluated in terms of foreign currency leads to:
- Increase in imports from domestic country.
 - Increase in exports of domestic country.
 - Decrease in exports of domestic country.
 - No effect on exports and imports of domestic country.
9. Prior to the breakdown of the Bretton wood system in the early 1970s, most of the countries had a ----- system of exchange rate.
- Flexible Exchange rate
 - Fixed exchange rate
 - Managed floating exchange rate
 - None of these.
10. The operation of daily nature in the foreign exchange market is known as
- Spot market
 - Forward market
 - Domestic market
 - International market
11. Foreign exchange transactions which are independent of other transactions in the Balance of Payments Account are called:
- | | |
|----------------------------|-------------------------------|
| a. Current transactions | b. Capital transactions |
| c. Autonomous transactions | d. Accommodating transactions |
12. What is the cause of the devaluation of any country's currency?
- Increase in the domestic inflation rate
 - Domestic real interest rates are less than foreign interest rates
 - Much increase in the income
 - All of these
13. Trade of visible items between the countries is known as
- | | |
|------------------------|----------------------|
| (a) Balance of Payment | (b) Balance of Trade |
| (c) Deficit Balance | (d) All of these |
14. When there is a favorable balance of trade?
- | | | | |
|-------------|-------------|-------------|-------------------|
| (a) $X > M$ | (b) $X = M$ | (c) $X < M$ | (d) None of these |
|-------------|-------------|-------------|-------------------|
15. The trade of visible and invisible items is known as _
- | | |
|-------------------------|----------------------|
| (a) Balance of Payments | (b) Balance of Trade |
| (c) Deficit of interest | (d) Profit |
16. Which one is a source of the demand for foreign exchange?
- Imports of Goods and Services from Abroad
 - Investment in Foreign Nations
 - Gift Scheme to Foreign Nations
 - All the above

17. By exchange rate we mean:
- How much local currency we have to pay for a foreign currency
 - How much of a foreign currency we have to pay for another foreign currency
 - The rate at which foreign currency is bought and sold
 - All of these
18. Goods and Services Tax Act, 2016 which came into effect from July 2017, is expected to:
- Generate additional revenue for the government
 - Reduce tax evasion
 - Create 'one nation, one tax and one market'
 - All of these
19. BOP deficit leads to: -
- Decrease in official reserves
 - increase in official reserves
 - No change in official reserves
 - Increase in BOT account
20. Aim of demonetization not included:
- Form a cashless economy
 - Check on tax evasion
 - It will lead to money supply contraction in the form of cash
 - Adding savings into the formal financial system
21. An Indian Real Estate Company receives rent from Google in New York. This transaction would be recorded on _____ side of _____ account.
- | | |
|--------------------|--------------------|
| a) Credit, current | b) Credit, capital |
| c) Debit, capital | d) Debit, current |
22. Who is the Chairman of the GST Council?
- | | |
|-----------------------|-----------------------------------|
| (a) Finance Minister | (b) Prime Minister |
| (c) Finance Secretary | (d) Deputy Chairman of NITI Aayog |
23. In 1991, an immediate measure to resolve the balance of payments crisis was:
- To free the determination of rupee value in the foreign exchange market from government control.
 - Devaluation of rupee against foreign currencies.
 - Removing the trade barriers-quotas and tariffs.
 - Simplification of export and import procedures.
24. _____ account cause a change in the asset and liability of the resident of a country.
- balance of payments account
 - current account
 - capital account
 - none of these
25. An Indian company located in India invests in a company located abroad. This transaction is entered in India's balance of payments account on:
- | | |
|-----------------------------------|----------------------------------|
| a) Credit side of current account | b) Debit side of current account |
| c) Credit side of capital account | d) Debit side of capital account |

26. _____ transactions of BOP are carried by the Central Bank to bring equilibrium.
- a) Autonomous
 - b) Accommodating
 - c) Both a) and b)
 - d) None of the above
27. Which side of BOP (credit/debit) a gift from foreigners is recorded:
- (a) credit side of current account
 - (b) debit side of current account
 - (c) credit side of capital account
 - (d) debit side of capital account
28. Loans taken from world bank are recorded in the:
- | | |
|------------------------------------|-----------------------------------|
| (a) credit side of capital account | (b) debit side of capital account |
| (c) credit side of current account | (d) debit side of current account |
29. Capital account includes those transactions which:
- (a) Affect assets and liability status of a country
 - (b) Do not affect assets and liability status of a country
 - (c) Lead to inflow of foreign exchange
 - (d) All of these

ASSERTION AND REASON BASED QUESTIONS

1. Read the following statements - Assertion (A) and Reason (R).

Choose one of the correct alternatives given below:

ASSERTION (A): In a system of flexible exchange rate (also known as floating exchange rates), the exchange rate is determined by the forces of market demand and supply.

REASON (R): Central Bank do not intervene in the foreign exchange market under a flexible exchange rate system.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

2. Read the following statements - Assertion (A) and Reason (R).

Choose one of the correct alternatives given below:

ASSERTION (A): Devaluation of domestic currency leads to increase in export.

REASON (R): Under devaluation of domestic currency domestic products become cheaper.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

- c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
3. Read the following statements - Assertion (A) and Reason (R).
Choose one of the correct alternatives given below:
ASSERTION (A): a typical fixed exchange rate system was associated with the gold standard system.
REASON (R): Under the gold standard system each currency was made of gold, so exchange value was fixed according to the gold value of the currency.
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
4. Read the following statements - Assertion (A) and Reason (R).
Choose one of the correct alternatives given below:
ASSERTION (A): Flexible exchange rate is also known as free rate of exchange.
REASON(R): Under flexible exchange rate, exchange rate is freely and automatically determined by the forces of demand and supply of foreign exchange.
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
5. Read the following statements - Assertion (A) and Reason (R).
Choose one of the correct alternatives given below:
ASSERTION (A): Depreciation of domestic currency occurs under a fixed exchange rate system.
REASON (R): Depreciation of domestic currency in terms of foreign currency is due to excess demand of foreign currency over its supply.
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.
6. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): Demand for foreign exchange and exchange rate moves in the same direction.

REASON (R): When the exchange rate rises domestic goods become cheaper in the international market

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is False
 - d. Assertion (A) is False but Reason (R) is true
7. Read the following statements Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): Appreciation of domestic currency means a rise in the price of the domestic currency.

REASON (R): Appreciation leads to an increase in Exports

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is False
 - d. Assertion (A) is False but Reason (R) is true
8. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): In the case of the Floating Exchange Rate System, the currency price of a nation is set by the forex market based on supply and demand relative to other currencies

REASON (R): Government intervenes in the foreign exchange market under Floating Exchange Rate System to restrict the fluctuations in the exchange rate with certain limits

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is False
 - d. Assertion (A) is False but Reason (R) is true
9. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): Other things being equal an increase in demand for foreign exchange leads to upvaluation of foreign currency.

REASON (R): Increase in demand for foreign exchange shows a shortage of foreign currency in the Indian reserve

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is False
 - d. Assertion (A) is False but Reason (R) is true
10. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

ASSERTION (A): Managed Floating exchange rate system is a hybrid system of the exchange rate used by most of the countries in recent time.

REASON (R): Excessive fluctuation in the exchange rate system is checked by the central authority under dirty floating exchange rate.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is False
- d. Assertion (A) is False but Reason (R) is true.

11. Read the following statements Assertion (A) and Reason (R):

ASSERTION (A): Acquisition of a domestic (Indian) company by a foreign (Australian) company will be recorded on the credit side of Balance of Payment Account.

REASON (R): It leads to outflow of foreign exchange from the domestic economy.

From the given alternatives choose the correct one:

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

12. Read the following statements - Assertion (A) and Reason (R).

Choose one of the correct alternatives given below:

ASSERTION (A): Interest received on loan given by the Central Government to state government is a revenue receipt.

REASON (R): Revenue receipts neither create any liability nor reduces assets of the government. Alternatives:

- a. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion(A).
- b. Both Assertion(A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion(A).
- c. Assertion(A) is true but Reason(R) is false.
- d. Assertion(A) is false but Reason(R) is true.

13. Read the following statements - Assertion (A) and Reason (R).

Choose one of the correct alternatives given below:

ASSERTION (A): Demonetisation refers to withdrawal of the status of "legal tender 'to the currency in circulation.

REASON (R): Demonetisation notes of Rs. 500 & Rs. 1000 with immediate effect on 08 Nov.2015. Alternatives:

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

- b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is False but Reason (R) is true.

14. Read the following statements - Assertion (A) and Reason (R).

Choose one of the correct alternatives given below:

ASSERTION (A): Balance of Accounts is always balanced.

REASON (R): Autonomous Transactions restore balance in Balance of Payments Account.

- a. Both A and R are true. R is the correct explanation of A.
- b. Both A and R are true, but R is not the correct explanation of A.
- c. A is correct, but R is incorrect.
- d. A is incorrect, but R is correct.

15. Read the following statements - Assertion (A) and Reason (R).

Choose one of the correct alternatives given below:

ASSERTION (A): Balance of Payment may improve better.

REASON (R): 'Make in India' will increase inflow of foreign exchange.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

16. Read the following statements - Assertion (A) and Reason (R).

Choose one of the correct alternatives given below:

ASSERTION (A): Capital of balance of payment is non-recurring in nature.

REASON (R): Capital transfers affects the assets and liabilities of a country.

- a. Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is True but Reason (R) is False.
- d. Assertion (A) is False but Reason (R) is True.

17. Read the following statements - Assertion (A) and Reason (R).

Choose one of the correct alternatives given below:

ASSERTION (A): Purchase of machinery from rest of the world is an economic transaction of current account of BOP.

REASON (R): Any transaction that impacts the assets or liabilities of a country are recorded on capital account of BOP.

- a. Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion A.
 - b. Both Assertion (A) and Reason (R) are correct and Reason (R) is not the correct explanation of Assertion A.
 - c. Assertion (A) is correct but Reason (R) is incorrect.
 - d. Both Assertion (A) and (R) are incorrect.
18. Read the following statements: Assertion (A) and Reason(R)
- Choose one of the correct alternatives given below:
- ASSERTION (A):** If the receipts and payments on the current account are equal to each other, it depicts a situation of Current Account Surplus.
- REASON (R):** A surplus current account means that the nation is a lender to other countries and a deficit current account means that the nation is a borrower from other countries.
- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
 - b. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
 - c. Assertion (A) is true but Reason (R) is false.
 - d. Assertion (A) is false but Reason (R) is true.

CASE STUDY BASED QUESTIONS

Read the following news report carefully and answer the questions 1 to 4 on the basis of the same:

Venezuelan president Nicolas Maduro carried out one of the greatest currency devaluations in history over the weekend - a 95% plunge that will test the capacity of an already beleaguered population to stomach even more pain. The official rate for the currency will go from about 285,000 per dollar to 6 million, a shock that officials tried to partly offset by raising the minimum wages 3500 percent to the equivalent of just \$30 a month. While Maduro boasted in Friday night's announcement that the International Monetary Fund was not involved in the policies, aspects of the moves bore a resemblance to a classic orthodox economic adjustment, albeit with some confusing twists.

-The Economic Times,

August 20,2018.

1. In the fixed exchange rate regime, adjustment of parity value was possible only if allowed by:
 - a. World Bank
 - b. International Monetary fund
 - c. World Trade organization
 - d. European Central Bank.
2. Devaluation of currency is possible in:
 - a. Managed floating

- b. Fixed exchange rate regime
 - c. Flexible exchange rate regime
 - d. Both (a) and (b).
3. As a result of devaluation:
- a. Exports from Venezuela will increase.
 - b. Imports in Venezuela will increase.
 - c. Exports from Venezuela will decrease.
 - d. Both (b) and (c).
4. Devaluation leads to:
- a. Increase in supply of foreign currency in the international money market.
 - b. Increase in supply of domestic currency in the international market.
 - c. Increase in demand for foreign currency in the international market.
 - d. Both (b) and (c).

Q2. Read the following case study and answer the questions based on the case study: -

Indian's exchange rate policy has evolved in line with international and domestic developments. Post-independence, in view of the prevailing Bretton Woods system, the Indian rupee was pegged to the Pound sterling. With the breakdown of the Bretton Woods system and also the declining share of UK in India's trade, the rupee was delinked from the Pound sterling in September, 1975. During the period between 1975 to 1992, the exchange rate was officially determined by the RBI within nominal band of plus or minus 5 percent of the weighted basket of currencies of India's major trading partners. This exchange rate was referred to as 'adjustable nominal peg with a band'.

1. post-independence, the exchange rate was determined under

(a) fixed exchange rate system	(b) flexible exchange rate system
(c) manage floating system	(d) None of the above
 2. **Assertion (A)** Under fixed exchange rate system, country's government is responsible for changing the price of foreign exchange as per the developmental needs.
- Reason(R)** Increase in the value of domestic currency as planned by the central bank is revaluation of domestic currency.
- Alternatives
- (a) Assertion (A) is true and Reason (R) is a correct reason.
 - (b) Assertion(A) is true and Reason (R) is not a correct reason.
 - (c) Assertion (A) is false, Reason(R) is true
 - (d) Both are false.
3. Immediately after independence, Indian rupee was pegged to the

(a) Pound sterling	(b) Gold	(c) US dollar	(d) None of these
--------------------	----------	---------------	-------------------

4. Indian currency was delinked from pound sterling on
 - (a) September, 1975
 - (b) November, 1975
 - (c) September, 1991
 - (d) November, 1991
5. The rupee was delinked from Pound sterling in 1975 because
 - (a) The Bretton Woods system broke down
 - (b) UK's share was declining in India's trade
 - (c) Both(a) and (b)
 - (d) None of the above

Q3. Read the following case study and answer the questions based on the case study: -

In the Indian context, the RBI Act and the Foreign Exchange Management Act, 1999 set the legal provisions for governing the foreign exchange reserves. RBI acts as the chief monetary authority and the custodian of foreign exchange assets. RBI accumulates foreign currency reserves by purchasing from authorised dealers in the open market Operations. The type of instruments in which RBI can invest is stipulated in the RBI Act. The aid received by the government also becomes a part of the reserves.

The Asian crisis tells us how countries suffer due to ill management of the foreign exchange reserves. Many countries foresaw the vulnerability to the external shocks and accumulated heavy foreign exchange reserves. Countries want to keep their exports competitive. Hence, they prefer to depreciate their currencies against dollars. In recent days, there has been a continuous appreciation of rupee vis-a-vis dollar. To avoid the appreciation of rupee, RBI has been continuously interfering in the money market. RBI is buying dollars from the market. The dollars that are being bought add to the foreign exchange kitty.

Unlike, in the past, the NRI community is more dispersed now, not just confining to the Gulf. Due to software boom, Indians are heading towards new destinations. NRIs are doing well there and ploughing back their savings to India. Moreover, foreign institutional investors are also making huge investments into Indian stocks.

The emergence of India as an offshore outsourcing hub has created new opportunities. There are huge dollar earnings for India. Further, India is also proving to be a worthy manufacturing hub for many companies. All these factors played a positive role in building up of huge foreign exchange reserves.

1. RBI's intervention in the foreign exchange market makes the exchange rate.
 - (a) Indeterminate
 - (b) Volatile
 - (c) Stable
 - (d) None of the above
2. During the economic crisis of 1990s, India opted for which of the following foreign exchange measure?
 - a. Devaluation of Currency
 - b. Moving towards market-based determination of exchange rate
 - c. Both (a)and (b)
 - d. None of the above

3. **Assertion (A)** During the Asian crisis, many countries foresaw the vulnerability to the external shocks and accumulated heavy foreign exchange reserves.

Reason (R) India devalued its currency during the 1990 to improve its export competitiveness

- a. Assertion (A) is true and Reason (R) is a correct reason of Assertion(A)
- b. Assertion(A)is true and Reason (R) is not a correct reason of Assertion (A).
- c. Assertion (A) is false, but Reason (R) is true
- d. Both are false

4. To avoid appreciation of currency, RBI should opt for

- (a) Supply of foreign exchange from its reserve
- (b) Purchase of foreign exchange from market
- (c) Devaluation of domestic currency
- (d) Revaluation of domestic currency

5. The above case depicts the example of which of the following types of exchange rate system in India?

- | | |
|------------------------------------|----------------------------|
| (a) Fixed Exchange rate | (b) Floating Exchange rate |
| (c) Managed Floating Exchange rate | (d) Both (a) & (c) |

Q4. Read the following case study and answer the questions based on the case study: -

The foreign exchange market operates either as (1) Spot Market (Current Market) or as (2) Forward Market. The spot market for foreign exchange is that market that handles only spot transactions or current transactions. Its principal characteristics are that: (i) In terms of 'period of transaction', the spot market is of 'daily nature'. It does not trade in future deliveries. (ii) The rate of exchange which is determined in the spot market is known as the spot rate of exchange.

The spot rate of exchange (or current rate of exchange) is that rate that prevails at the time when transactions are made. Forward market for foreign exchange is that market that handles such transactions of foreign exchange that are meant for future delivery. Such transactions are signed today but are to materialize (or are to be honoured) on some future date.

The principal characteristics of forward market are: (i) It only caters to forward transactions; it does not deal with spot transactions in foreign exchange. (ii) It defines (or determines) forward exchange rate-the exchange rate.

1. Hedging allows in ____ market.

- a) spot
- b) forward
- c) floating
- d) dirty

2. To make speculative gains, ____ transactions are contracted.

- a) forward
- b) spot
- c) floating
- d) dirty

3. _____ exchange rate is the exchange rate at which current transactions are to be honoured.

- a) Forward b) Floating c) Spot d) Dirty

4. _____ exchange rate depends upon supply and demand parameters of foreign exchange in the foreign exchange market.

- a) Flexible b) Spot c) Forward d) Dirty

Q5. Read the given paragraph and answer the following MCQs by choosing the most appropriate options (Question No. 1 to 4):

India posted its first current account surplus of 1.7% of GDP in April-December 2020 quarter after nine years. The last time we witnessed a surplus was in 2007. Many analysts and trade pundits welcome this development as it can give a much-needed shot in the arm to investor confidence in the country as well as the Indian currency.

A current account surplus has a direct positive impact on the rupee. The current account reflects all payments between countries for goods, services, dividends and interests. A surplus in the current account means that the country is expected to receive payment in rupees. This means other countries are likely to buy rupee and sell foreign currencies. This means the rupee could appreciate in the near future. While a current account surplus is welcome, it is important to understand how the surplus has been achieved. A current account surplus occurs partly due to an increase in exports. This leads to a stronger economy and an increase in consumer spending.

On the other hand, it could also be a result of weak domestic demand. This could result in lower consumer spending and decrease in imports. Meaning, exports did not rise, but imports fell. Hence, analysts in some quarters feel that a surplus indicates a weak economic growth in the country.

Some analysts feel that a current account surplus is not a cause for celebration as it reflects weak investment demand in the country. This directly impacts the pickup of imports from the country. In the last four months itself, imports fell by 16.33% due to lower gold and oil imports. This reflects poorly on the investment opportunities in the country.

1. _____ Account transactions bring about a change in the current level of a country's income.

- (a) Capital (b) Current (c) Fixed (d) None of these

2. Identify the incorrect statement from the following:

- (a) capital account is a stock concept
(b) capital transactions bring about a change in the capital stock of a country.
(c) capital account includes portfolio investments

(d) capital account surplus arises when debit items are more than credit items

3. International transactions which take place due to some economic motives are called _____.

4. Match the following:

	COLOUMN I		COLOUMN II
1	Accommodating transaction	A	Inflows of foreign exchange
2	Balance of trade	B	One way transaction
3	Unrequited transaction	C	Difference between export and import of goods
4	Credit side	D	Transaction done to cover the deficit or surplus in BOP

- (a) A, B, C, D
 - (b) A, C, B, D
 - (c) D, B, C, A
 - (d) D, C, B, A

Q6. India's foreign exchange reserves have jumped by \$100 billion in 10 months to a record high of \$534.5 billion. The rise has been led by strong foreign fund inflows recently and decline in import bill due to dip in crude oil prices and trade impact following COVID-19 pandemic. Reduced imports of gold also cut down India's import bill.

Questions:

1. Import of Petroleum from Iran will be mentioned:

- | | |
|--|--|
| (a) Credit side of Capital Account
(c) Credit side of Current Account | (b) Debit side of Capital Account
(d) Debit side of Current Account |
|--|--|

2. Increase in import duty of gold will lead to:

3. India's foreign exchange reserves has jumped high; the reason may be:

- (a) Inflow of foreign exchange
 - (b) Outflow of Foreign Exchange
 - (c) autonomous payment over autonomous receipt
 - (d) All of the Above

Q7. Foreign trade influences Indian aggregate demand in two ways. First, when Indians buy foreign goods, this spending i.e., imports escape as a leakage from the circular flow of income decreasing aggregate demand. Second, our exports to

foreigners enter as an injection into the circular flow, increasing aggregate demand for goods produced within the domestic economy. Balance of Payment record the transactions in goods, services and financial assets between residents of a country with the rest of the world. There are two main accounts in the BOP- the Current Account and Capital Account. Current account is the record of trade in goods and services and transfer payments. Capital account records all international transactions of assets, E.g., Money, stocks, bonds, government debt, etc.

Questions:

1. Which of the following is not a component of the current account of Balance of Payment?

- a. export and import of goods and services
- b. remittances given by private citizens living abroad
- c. Net International income from compensation of employees
- d. None of the above

2. Which of the following is not recorded in the Capital Account of Balance of Payments?

- | | |
|--------------------|-----------------------------------|
| (a) Equity capital | (b) Gifts, remittances and grants |
| (c) Government aid | (d) Offshore funds |

3. Which of the following items are included in current account BOP?

- | | |
|-------------------------|------------------------|
| (a) Foreign investment | (b) External borrowing |
| (c) External assistance | (d) non-factor income |

4. Foreign exchange transactions which are independent of other transactions in the Balance of Payment Account are called:

- | | |
|-----------------------------|-------------------------------|
| (a) Current Transactions | (b) Capital Transactions |
| (c) Autonomous Transactions | (d) Accommodating Transaction |

Q8. India's current account balance posted a marginal surplus of USD 0.6 billion (0.1% of GDP) in the Jan-Mar quarter 2020, as against a deficit of USD 4.7 billion in Jan-Mar 2019 and USD 2.6 billion in the previous quarter. It is noteworthy that this is the first quarterly current account surplus since the Jan-Mar quarter of 2007. It is primarily on account of lower trade deficit at USD 35 billion and a rise in net invisible receipts (which includes services, primary and secondary income) at USD 35.6 billion. The lower trade deficit is a result of the sharp decline in demand at both the national and international levels following the implementation of COVID-19 lockdowns and a fall in global crude oil prices since the beginning of this year. In the financial account, net foreign direct investment at USD 12 billion was higher than USD 6.4 billion in Jan-March quarter 2019. On the portfolio investment side, there was a net outflow of USD 13.7 billion compared to USD 9.4 billion inflow the same quarter last year on account of money being pulled out from both debt and equity markets. A surplus at both current and capital account has resulted in a forex reserve accretion of USD 18.8 billion in the Jan-Mar quarter 2020.

Questions:

MARKING SCHEME

STAND ALONE MCQs

1. (b) foreign exchange rate
2. (b) real exchange rate
3. (b) Yen
4. (a) depreciated
5. (d) devaluated
6. (c) managed floating exchange rate.
7. (d) foreign exchange market
8. (b) increase in export of domestic country.
9. (b) fixed exchange rate.
10. (a) Spot market
11. (c) Autonomous transactions
12. (d) All of these
13. (b) Balance of Trade
14. (a) $X > M$
15. (a) Balance of Payments
16. (d) All the above
17. (d) All of these
18. (d) All of the above
19. (a) Decrease in official reserves
20. (c) It will lead to money supply contraction in the form of cash
21. (a) Credit, current
22. (a) Finance Minister
23. (b) Devaluation of rupee against foreign currencies
24. (c) Capital account
25. (d) Debit side of capital account
26. (b) Accommodating
27. (a) credit side of current account
28. (a) credit side of capital accounts
29. (a) Affect assets and liability status of a country

ASSERTION AND REASON BASED QUESTIONS

1. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
2. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
3. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

4. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
5. (d) Assertion (A) is false but Reason (R) is true.
6. (d) Assertion (A) is false but Reason (R) is true
7. (c) Assertion (A) is true but Reason (R) is false
8. (c) Assertion (A) is true but Reason (R) is false
9. (d) Assertion (A) is false but Reason (R) is true.
10. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
11. (c) Assertion (A) is true but Reason (R) is false.
12. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
13. (c) Assertion (A) is true but Reason (R) is false
14. (c) Assertion (A) is true but Reason (R) is false
15. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
16. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
17. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
18. (d) Assertion (A) is false but Reason (R) is true.

CASE STUDY BASED QUESTIONS

Q1.

1. (b) International Monetary fund
2. (d) both (a) and (b)
3. (a) export from Venezuela will increase
4. (a) increase in supply of foreign currency in the international money market.

Q2.

1. (a) fixed exchange rate system
2. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
3. (a) pound sterling
4. (a) September, 1975
5. (c) Both (a) and (b)

Q3.

1. (c) Stable
2. (c) Both (a) & (c)
3. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
4. (b) Purchase of foreign exchange from market

5. (c) Managed floating exchange rate

Q4.

1. (b) Forward
2. (a) Forward
3. (c) Spot
4. (a) Flexible

Q5.

1. (b) Current
2. (d) Capital account surplus arises when debit items are more than credit items
3. (b) Autonomous Transaction
4. (d) D, C, B, A

Q6.

1. (d) Debit side of current account
2. (a) Reduction in import of gold
3. (a) Inflow of foreign exchange

Q7.

1. (d) None of the above
2. (b) Gift, remittances and grants
3. (d) Non-factor income
4. (c) Autonomous Transaction

Q8.

1. False: It also records unilateral receipts and payments.
2. (c) More than
3. (c) Credit side of Capital account
4. Flow

PART-2: INDIAN ECONOMIC DEVELOPMENT

UNIT-6: DEVELOPMENT EXPERIENCE 1947 – 1990 AND ECONOMIC REFORMS SINCE 1991

INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

STAND ALONE MCQs

Q.1. _____ is considered as one of the most important contributions of the British.

- (a) Construction of all-weather roads
- (b) Introduction of the railways in 1850
- (c) Introduction of electric telegraph in India
- (d) The postal services

Q.2. The opening of the Suez Canal in 1869:

- (a) Raised the cost of transportation between Britain and India.
- (b) Intensified British control over India's foreign trade.
- (c) Reduced the cost of transportation and made access to the Indian market easier.
- (d) Both (b) and (c).

Q. 3. The Tata Iron and Steel Company was established in:

- (a) 1857
- (b) 1907
- (c) 1921
- (d) 1951

Q.4. During the first half of the 20th Century, the growth rate of National Income was:

- (a) Less than 2%
- (b) more than 2%
- (c) 2%
- (d) None of these

Q.5. which industry suffered a major setback during the British rule?

- (a) Cement
- (b) Iron and steel
- (c) Handicraft
- (d) Paper

Q.6. during the British rule, the agricultural sector experienced stagnation mainly due to the:

- (a) Land settlement systems.
- (b) Foreign trade
- (c) Infrastructure.
- (d) Industries

Q.7. Arrange the following events of India before the independence in chronological order:

- i. The opening of the Suez Canal
- ii. Introduction of the railways
- iii. Second stage of demographic transition
- iv. Incorporation of the Tata Iron and Steel Company

- a) (i), (iii), (ii), (iv).
- (b) (ii), (i), (iii), (iv).
- (c) (ii), (i), (iv), (iii).
- (d) (i), (ii), (iii), (iv)

- Q.8. India's demographic condition on the eve of independence was characterized by:
- (a) High level of literacy, high mortality rates, high life expectancy and high level of poverty.
 - (b) Low level of literacy, low mortality rates, low life expectancy and Low level of Poverty.
 - (c) Low level of literacy, low mortality rates, high life expectancy and high level of poverty
 - (d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.

Q.9. Identify the economist who did not provide any estimate about the national and per capita income during the colonial period:

- (a) Dadabhai Naoroji
- (b) V.K.R.V. Rao
- (c) Horace Secrist
- (d) Findlay Shirras

Q.10. The export surplus during the British rule was used to:

- (a) Import invisible items
- (b) Make payments for expenses incurred by an office setup by the colonial government in Britain.
- (c) Meet the expenses on War fought by the British government
- (d) All the above

Q.11. The second stage of demographic transition began;

- (a) After 1921
- (b) before 1921
- (c) from 1921
- (d) none of the above

Q.12. which one of the following was high during British rules in India?

- (a) Literacy Rate.
- (b) Female literacy.
- (c) Infant Mortality Rate.
- (d) Life Expectancy.

Q.13. Read the following statements relating to industrial sector during British rule and state the correct sequence of these statements.

- (i) Cheap imports of British manufactured goods increased in the country.
 - (ii) The growth rate of Industrial sector was very small.
 - (iii) India was reduced to be mere exporter of raw material
 - (iv) India faced shortage of local made goods.
- (a) (i), (iii), (ii), (iv).
 - (b) (ii), (i), (iii), (iv).
 - (c) (ii), (i), (iv), (iii).
 - (d) (iii), (iv), (i), (ii).

Q.14. Colonial government restricted India's foreign trade with which of these nations?

- (a) Britain, China, America & Sri Lanka
- (b) Britain, China, America & Iran
- (c) Britain, America, Sri Lanka & Iran
- (d) Britain, China, Sri Lanka & Iran

Q.15. From the following statements given in Column I and Column II, choose the correct pair of statements:

	COLOLUMN I		COLOLUMN II
A	Depleted	1	Largely depending on agriculture
B	Agrarian	2	Traditional work
C	Mortality Rate	3	Devold all resources
D	Handicraft	4	No. of those dying with reference to those born

Codes: -

- | | A | B | C | D |
|----|---|---|---|---|
| a. | 4 | 1 | 2 | 3 |
| b. | 3 | 1 | 4 | 2 |
| c. | 4 | 3 | 1 | 2 |
| d. | 2 | 1 | 4 | 3 |

ASSERTION AND REASONING BASED QUESTIONS

(II) Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternative.

16. **Assertion (A):** India becomes an exporter of primary products and an importer of finished consumer and capital goods produced in Britain.

Reason (R): Restrictive policies of commodity production, trade, and tariff pursued by the colonial government adversely affected the structure, composition, and volume of India's foreign trade.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is False
- (d) Assertion (A) is False but Reason (R) is true.

17. **Assertion (A):** The infrastructure facilities during British rule were highly developed.

Reason (R): The main aim motive behind infrastructural development was to serve various colonial interests.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is False
- (d) Assertion (A) is False but Reason (R) is true.

18. Assertion (A): Farmers were forced to produce cash crops like cotton or jute instead of conventional crops like rice and wheat during the British Rule.

Reason (R): Agriculture was exploited through Zamindari system under Colonial Rule.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is False
- (d) Assertion (A) is False but Reason (R) is true.

19. Assertion (A): 1921 is regarded as the Year of the Great Divide.

Reason (R): After 1921 the total population in India never declined.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is False
- (d) Assertion (A) is False but Reason (R) is true.

20. Assertion (A): India could not develop a sound industrial base under British Rule.

Reason (R): The colonial government reduced India to the status of a mere exporter of raw materials to be used by upcoming industries in Britain.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is False
- (d) Assertion (A) is False but Reason (R) is true.

21. Assertion (A): The agricultural sector accounted for the largest share of workforce with approximately 75%

Reason (R): All the states witnessed an increase in dependence of workforce on the agricultural sector

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is False
- (d) Assertion (A) is False but Reason (R) is true.

22. Assertion (A): Postal services in Colonial India were replaced by the expensive electric telegraph.

Reason (R): Electric telegraph was introduced primarily to serve the Britisher's interest.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is False
- (d) Assertion (A) is False but Reason (R) is true.

23. Assertion (A): Commercialization of agriculture assisted farmer community to improve the economic conditions.

Reason (R): Commercialization of cash crops assisted in improved agricultural yield in some parts of the country.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is False
- (d) Assertion (A) is False but Reason (R) is true.

CASE STUDY BASED QUESTIONS

CASE STUDY-1

24. Read the following case study and answer the given questions

India has seen a long and rich history of handicrafts. Years and years of evolution and refinement have made it possible for India to retain a coveted spot in the handicrafts landscape of the world. Where the ancients were exemplary in their craft, the contemporary craftsmen are adept in using the knowledge of the ancients by adding modern craft techniques to them. They have carefully preserved this age-old art that represents dignity, style and beauty of the Indian culture. Voyaging through the lanes of Indian handicrafts is a tempestuous affair. There are seen striking ups and downs throughout the late 2000s, had a grave impact on handicrafts industry. Despite the growth of handicraft industry in India and the measures taken by the government to promote handicrafts, the average earning of a craftsman when compared to that of other fields is very low. Hence, the younger generation is moving to other fields with only the elder craftsmen being left behind. The country needs younger generation of craftsmen to carry on the tradition of handicrafts, and this is only possible by ensuring the assistance of craftsmen to improve their techniques, availability of quality raw materials, direct marketing channels, credit and better wages and providing them with socio-economic benefits.

Q 1. India had a worldwide reputation of.....

- (a) Handicrafts
- (b) Landscape

- (c) Labour (d) None of these
- Q.2. To preserve handicrafts industry and to promote it, the country should encourage younger generation of craftsmen helping them with:
- (a) Availability of quality raw materials (b) better wages
(c) Direct marketing channels (d) All of the above

- Q.3. During British rule, Indian handicrafts were discouraged byof their exports.
- (a) Removal of Rajas (b) Nawabs (c) Giving subsidies (d) None of these

- Q.4. Decay of indigenous handicrafts during British rule was due to:
- (a) Introduction of discriminatory tariff policy (b) Industrial Revolution in Britain
(c) Commercialization of agriculture (d) both a. and b

- Q.5. the British rule led to the collapse of India's world-famous handicraft industries. What was its effect on Indian economy?
- (a) Massive unemployment in India.
(b) Increasing imports of cheap manufactured goods from Britain.
(c) Neither (a) nor (b)
(d) Both (a) and (b)

- Q.6. India's Jute industry suffered heavily due to _____ after Partition.
- (a) Lack of raw material (b) Famines
(c) Earthquakes (d) None of these

CASE STUDY-2

25. Read the paragraph given below and answer the questions that follow:

India's economy under the British Colonial rule remained fundamentally agrarian. About 85% of the country's population lived mostly in villages and derived their livelihood directly or indirectly from agriculture. However, despite being the occupation of such a large population, the agricultural sector continued to experience stagnation and deterioration. This stagnation was mainly due to the various systems of land settlement, particularly the zamindari system. Under this system, the profit accruing out of the agricultural sector went to the zamindars instead of the cultivators who did nothing to improve the condition of agriculture. To a large extent, the terms of the revenue settlement were also responsible for the zamindars adopting this attitude. Other factors responsible for the low levels of agricultural productivity were low levels of technology, lack of irrigation facilities and negligible use of fertilizers. Despite some progress made in irrigation, India's agriculture was starved of investment in terracing, flood control, drainage and desalinization of soil.

- (1) Commercialization of agriculture resulted in shifting of agricultural production from _____ crops to _____ crops.
- (a) food, cash (b) Wheat, Rice (c) Both (a) & (b) (d) Neither (a) nor (b)

(2) Agriculture sector in India is often characterized as having a disguised unemployment. It implies _____

- (a) Marginal productivity of each additional worker is close to zero.
- (b) Less number of workers are engaged in agriculture sector than required.
- (c) More number of workers are engaged in agriculture sector than required.
- (d) Can be explained by either (a) or (c)

(3) During British period, Indian Economy was:

- (a) Semi-feudal economy.
- (b) Disintegrated economy.
- (c) Colonial economy.
- (d) All of the above.

(4) In British India, cloth industry was concentrated at:

- | | |
|---------------|---------------|
| (a) Ahmadabad | (b) Hyderabad |
| (c) Bangalore | (d) Ghaziabad |

(5) Which of the following statements is not true about the agricultural sector at the time of independence?

- (a) The agricultural produce was highly affected by zamindari system.
- (b) There were a large number of landless and bonded labours.
- (c) The yield per hectare was very less.
- (d) There was heavy mechanization of agriculture.

(6) The Tertiary/service sector accounted for _____ percent of the working population on the eve of Independence.

- (a) 20
- (b) 17
- (c) 15
- (d) 19

CASE STUDY-3

26. Read the paragraph given below and answer the questions that follow:

The details of the demographic condition regarding the population of British India were primarily obtained through a Census in 1881. Though suffering from several conditions; it unveiled the unevenness in the growth of Indian population. Consequently, in every ten years, such census procedures were conducted. Prior to 1921, India was in the initial step of demographic transition. The second step of transition started after 1921. At the time of independence, neither the total population nor its growth rate was very high. Despite this, the social development indicators were not very promising. The overall literacy level was less than 16% out of which the female literacy level was negligible at about 7%. Life expectancy was quite low at about 44 years as compared to the present 69 years. There was a lack of public health facilities which led to widespread water and air borne diseases.

Q1. _____ refers to an average number of years that a person can expect to live.

(a) Infant Mortality rate

(b) Life Expectancy

(c) Death rate

(d) Birth rate

Q2. The purpose of the British rule in India was to:

(a) Develop the Indian economy

(b) Develop the world economy

(c) Promote British interest

(d) Accelerate the process of industrialization in India

Q3. The infant mortality rate at the time of Independence was _____ per thousand in
Contrast to the present infant mortality rate of _____ per thousand.

(a) 218, 60

(b) 381, 63

(c) 218, 40

(d) 381, 60

Q4. The literacy rate at the time of Independence was _____ percent out of this female
literacy rate was _____ percent.

(a) 16, 5

(b) 16, 7

(c) 17, 9

(d) 20, 7

Q5. Which of the following statements does not characterize demographic condition of India
on the eve of independence?

(a) Literacy level was less than 16%.

(b) Water and air borne diseases were rampant.

(c) Mortality rate was low.

(d) Life expectancy was 44 years.

Q.6. During the British colonial rule, _____ was very low which _____ in contrast to
the present 68 years is.

(a) Life expectancy, 44 years

(b) Infant mortality rate, 218

(c) Literacy rate, 20

(d) Female literacy rates, 25

MARKING SCHEME

STAND ALONE MCQs

1. (b) Introduction of the railways in 1850
2. (d) Both (b) and (c).
3. (b) 1907
4. (a) Less than 2%
5. (c) Handicraft
6. (a) Land settlement systems
7. (c) (ii), (i), (iv), (iii)
8. (d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty
9. (c) Horace Secrist
10. (d) All the above
11. (a) After 1921
12. (c) Infant Mortality Rate
13. (d) (iii), (iv), (i), (ii)
14. (d) Britain, China, Sri Lanka & Iran
15. (b) 3 1 4 2
16. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
17. (d) Assertion (A) is False but Reason (R) is true
18. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
19. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
20. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
21. (c) Assertion (A) is true but Reason (R) is False
22. (d) Assertion (A) is False but Reason (R) is true
23. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

CASE STUDY

24.
 1. (a) Handicrafts
 2. (d) All of the above
 3. (c) Giving subsidies
 4. (d) Both A & B
 5. (d) Both (a) and (b)
 6. (a) Lack of raw material
25.
 1. (a) food, cash
 2. (d) Can be explained by either (a) or (c)
 3. (d) All of the above

4. (a) Ahmadabad
 5. (d) There was heavy mechanization of agriculture
 6. (b) 17
- 26.
1. (b) Life Expectancy
 2. (c) promote British interest
 3. (c) 218, 40
 4. (b) 16, 7
 5. (b) Water and air borne diseases were rampant
 6. (a) Life expectancy, 44 years

INDIAN ECONOMY 1950-1990

STAND ALONE MCQs

Q1. Just after independence, steps were taken to abolish intermediaries and to make the tillers the owner of land. The idea behind this move was:

- (a) To reduce the concentration of land ownership in a few hands.
- (b) That ownership of land would give incentives to the tillers to invest in making improvements.
- (c) Fixing the maximum size of land which could be owned by an individual.
- (d) To reduce the vast inequality in land holding.

Q2. Which of the following is not included in land reforms?

- (a) Use of high yielding variety (HYV) seeds
- (b) The abolition of intermediaries
- (c) The change in ownership of landholdings
- (d) Land ceiling

Q3. When was planning commission established?

- (a) 1947
- (b) 1948
- (c) 1950
- (d) 1951

Q4. The annual growth rate of the industrial sector during 1950-1990 was:

- (a) 5 per cent
- (b) 6 per cent
- (c) 8 per cent
- (d) 10 per cent

Q5. An economy in which means of production are used in such a manner that profits are maximized is called:

- (a) Socialist economy
- (b) Capitalist economy
- (c) Mixed economy
- (d) Central economy

Q6. Prior to 1991 which sector was given more importance to boost growth and development?

- (a) Public sector
- (b) Private sector
- (c) Joint sector
- (d) both (a) and (b)

Q7. Which of the following is not true for SSI?

- (a) SSI shows locational flexibility
- (b) SSI is labour intensive
- (c) SSI promotes equity
- (d) SSI is capital Intensive

Q8. Types of goods that are exported and imported by a nation is called:

- (a) Balance of trade
- (b) Direction of trade
- (c) Composition of trade
- (d) Trade surplus

Q9. Which strategy India adopted to save foreign exchange?

- (a) Export promotion
- (b) Import substitution
- (c) Both (a) and (b)
- (d) Outward looking trade strategy

Q10. _____ enhances the bargaining power of small land owners.

- (a) Consolidation of land
- (b) Land ceiling
- (c) Cooperative farming
- (d) Mixed farming

Q11. Licensing Policy of the Government was to promote _____

- (a) Regional equality
- (b) Resource saving
- (c) To promote entrepreneurial ability
- (d) Development of infrastructure

Q12. The share of agriculture sector in India's GDP has remained constant. (True/False)

Q13. Support price policy means subsidy to farmers. (True/False)

Q14. Prime Minister is the ex-officio chairman of the NITI Aayog. (True/False)

Q15. Twelfth five-year plan was launched in the year 2012. (True/False)

Q16. National development commission was engaged in the formulation of five-year plans in India till the end of seventh five-year plan. (True/False)

Q17. Pt. Jawaharlal Nehru is called the architect of Indian Planning. (True/False)

Q18. From the set of statements given in **Column I and Column II**, choose the incorrect pair of statements.

	COLOUMN I		COLOUMN II
A	Marketing Surplus	1	Surplus of farmers above his "on farm consumption"
B	Agricultural subsidies	2	Wasteful consumption of resources
C	Industrial concession	3	Given to industries for expanding of existing industries
D	Small scale Industries	4	Locational flexibility

Codes: -

- a. A-1
- b. B-2
- c. C-3
- d. D-4

Q19. Identify the correct sequence of alternatives given in **Column II** by matching them with respective items in **Column I**:

	COLOUMN I		COLOUMN II
1	Eleventh five-year plan	(i)	More emphasis on Industrial development
2	Fifth five-year plan	(ii)	Inclusive growth
3	Second five-year plan	(iii)	More emphasis on Agricultural development
4	First five-year plan	(iv)	Emphasis on poverty alleviation

- (a) (1) -(ii), (2) -(iv), (3) -(i), (4)-(iii)
(b) (1) -(ii), (2) -(iv), (3) -(iii), (4)-(i)
(c) (1) -(iii), (2) -(i), (3) -(ii), (4)-(iv)
(d) (1) -(iv), (2) -(ii), (3) -(i), (4)-(iii)

Q20. _____ economy is the one in which there is private as well as public ownership of the means of production. (Capitalist/mixed/socialist)

Q21. Objectives of _____ are plan-specific. (Plans/planning)

Q22. Industrial Policy Resolution of 1956, industries were classified in _____ (two/three) categories.

Assertion (A) and Reason (R) type questions:

Q23. Read the following statements- Assertion (A) and Reasoning (R). Choose one of the correct alternatives given below.

Assertion (A): The major policy initiatives i.e., land reforms and green revolution helped India to become self-sufficient in food grains production.

Reason (R): The proportion of people depending on agriculture did not decline as expected.

Alternatives:

- (a) Both Assertion (A) and Reason are true and Reason (R) is the correct Explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true but Reason (R) is false.
(d) Assertion (A) is false but Reason (R) true.

Q24. Read the following statements- Assertion (A) and Reasoning (R). Choose one of the correct alternatives given below.

Assertion (A): Inflation remained a changed during five plans except the first plan.

Reason (R): GDP of India is consistently rising.

Alternatives:

- (a) Both Assertion (A) and Reason are true and Reason (R) is the correct Explanation of Assertion (A).

- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (b) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is false but Reason (R) true.

CASE STUDY BASED QUESTIONS

Direction: Read the following case study and answer the given questions 25 to 29.

During the colonial rule, there was neither growth nor equity in the agricultural sector. The policy makers of independent India had to address these issues which they did through land reforms and promoting the use of ‘High Yielding Variety’ (HYV) seeds which ushered in a revolution in Indian agriculture. The stagnation in agriculture during the colonial rule was permanently broken by the green revolution. This refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice. The use of these seeds required the use of fertilizer and pesticide in the correct quantities as well as regular supply of water. Also, the application of these inputs in correct proportions is vital. The spread of green revolution technology enabled India to achieve self-sufficiency in food grains and we no longer had to be at the mercy of America, or any other nation, for meeting our nation’s food requirements. Thus, land reform measures along with green revolution promoted equity in the agricultural sector.

Q25. Which among the following crops chiefly benefitted as a result of green revolution?

- (a) Rice and maize
- (b) Wheat and Sugarcane
- (c) Wheat and Rice
- (d) Rice and Sugarcane

Q26. There had been a significant decline in the prices of food grains in comparison to other items of consumption as a result of green revolution. The given statement is

- (a) True
- (b) False
- (c) Partially false
- (d) Can’t say

Q27. refers to a change in the ownership of land holdings.

- (a) Land ceiling
- (b) Land reforms
- (c) Land fragmentation
- (d) None of these

Q28. What do you mean by marketed surplus?

- (a) Sale of consumer goods in the domestic market
- (b) Portion of agricultural produce sold in the market by farmers
- (c) Portion of industrial produce sold in the market
- (d) A certain proportion of both industrial and domestic produce sold in the market

Q29. Read the following statements- Assertion (A) and Reasoning (R). Choose one of the correct alternatives given below.

Assertion (A): Green revolution helped India to achieve self-sufficiency in food grain production and permanently broke the agricultural stagnation.

Reason (R): Prices of food crops declined as a result of enormous marketed surplus which enabled the government to strengthen their Buffer stocks.

- (a) Both Assertion (A) and Reason are true and Reason (R) is the correct Explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is false but Reason (R) true.

Direction: Read the following case study and answer the given questions 30 to 34.

The performance of Indian economy during the period of first seven five-year plans (1950-1990) was satisfactory if not very impressive. On the eve of independence, India was an industrially backward country, but during this period of first seven plans our industries became far more diversified, with the stress being laid on the public investments in the industrial sector. The policy import substitution led to protection of the domestic industries against the foreign producers but we failed to promote a strong export surplus. Although public sector expanded a large extent but it could not bring desired level of improvement in the secondary sector. Excessive government regulations prevented the natural trajectory of growth entrepreneurship as there was no competition, no innovation and no modernization on the front of the industrial sector. Many Public Sector Undertakings (PSUs) incurred huge loss due to operational inefficiencies, red tapism, poor technology and other similar reasons. These PSUs even continued to function because it was difficult to close a government undertaking even if it is a drain on country's limited resources. On the agricultural front, due to the measures taken under the green revolution, India more or less became self-sufficient in the production of food grains. So, the need for reforms of economic policy was widely felt in the context of changing global economic scenario to achieve desired growth in the country.

Q30. Read the following statements- Assertion (A) and Reasoning (R). Choose one of the correct alternatives given below.

Assertion (A): Many public sectors under taking incurred huge losses due to operational inefficiencies.

Reason (R): Red tapism was one the reason for continuation of such enterprises.

- (a) Both Assertion (A) and Reason are true and Reason (R) is the correct Explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is false but Reason (R) true.

Q31. Mechanisation of the Indian agriculture was one of the causes of Green Revolution in India. (True/False)

Q32. Which of the following was not a reason for the public sector to play a major role in the initial phase of Indian economic planning?

- (a) Private entrepreneurs lacked sufficient capital for investment
- (b) Government aimed for social welfare
- (c) The market was big enough to encourage private industrialists for investment
- (d) The government wanted to protect domestic producers from foreign competition

Q33. Inward looking trade policy aimed at _____

- (a) Substituting import with domestic production
- (b) Substituting import of consumer goods with capital goods
- (c) Following an open economy model
- (d) All the above

Q34. Many Public Sector Undertakings (PSUs) incurred huge losses due to operational inefficiencies. (True/False)

MARKING SCHEME

1. (b) That ownership of land would give incentives to the tillers to invest in making improvements.
2. (a) Use of high yielding variety (HYV) seeds
3. (c) 1950
4. (b) 6 per cent
- 5.(b) Capitalist economy
- 6.(a) Public sector
7. (d) SSI is capital Intensive
8. (c) Composition of trade
- 9.(b) Import substitution
10. (a) Consolidation of land
11. (a) Regional equality
12. False
13. False
14. True
15. True
16. False
17. False
18. (c) Industrial concessions- (iii) given to industries for expanding of existing industries.
19. (a)(1) -(ii), (2) -(iv), (3) -(i), (4)-(iii)
20. Mixed
21. Plans
22. Three
23. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- 24.(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
25. (c) Wheat and Rice
26. (a) True
27. (b) Land reforms
28. (b) Portion of agricultural produce sold in the market by farmers
29. (a)Both Assertion (A) and Reason are true and Reason (R) is the correct Explanation of Assertion (A).
30. (a)Both Assertion (A) and Reason are true and Reason (R) is the correct Explanation of Assertion (A).
31. True
32. (c) The market was big enough to encourage private industrialists for investment
33. (a) Substituting import with domestic production
- 34.True

LIBERLISATION, PRIVATISATION ANDGLOBALISATION – AN APPRAISAL (NEP 1991)

STAND ALONE MCQs

1. Which of the followings is the component of New Economic Policy of 1991
 - a. Removal of trade barrier
 - b. Increase in the limit of FDI in the bank
 - c. Removal of licensing policy
 - d. All of these.

2. Which of the following is not a component of privatization?
 - a. Contraction of public sector
 - b. Disinvestment in public sector enterprises
 - c. Sale of public sector share
 - d. Purchase of public sector share by the government

3. _____ refers to removing all unnecessary control and restrictions like permits, licenses, protectionist duties, quotas etc. on industries and trade.
 - (a) Privatisation
 - (b) Globalisation
 - (c) Disinvestment
 - (d) Liberalisation

4. Disinvestment means selling of a public investment to a _____:
 - (a) Private enterprises
 - (b) Public enterprises
 - (c) Capital market
 - (d) Departmental enterprises

5. Which industries are now reserved for public sector?
 - (a). Defence, transport, Textile
 - (b). Atomic energy, Food processing, Iron and steel
 - (c). Railway, defence, atomic energy
 - (d). IT, Aviation, Mineral

6. Import licensing was removed except for
 - (a). Hazardous & Environment sensitive industries
 - (b). Textile industry
 - (c). IT industry
 - (d). Iron & steel industry

7. It refers to removing of the trade barriers and ensuring free flow of goods, services and capital flow across the world. What is it?
 - (a)Globalization
 - (b) Privatization
 - (c)Liberalization
 - (d)Outsourcing

8. Reasons for privatization are:
 - (a)Inefficiency, indifference and corruption
 - (b)Indifference and corruption

- (c) Inefficiency and irresponsibility
- (d) Inefficiency, indifference, irresponsibility and corruption

9. Consider the following Statement with regards to external sector reforms and make the correct combination.

- I. It falls under the category of liberalization
- II. Liberalisation of trade policy was a major reform undertaken
- III. Devaluation of Indian rupee was another major reform.

- a) only I
- b) only I and II
- c) all of these
- d) None of the above.

10. _____ implied a substantial shift in the role of the RBI from a regulator to Facilitator of the financial sector.

- a) Liberalisation
- b) Privatisation
- c) Globalisation
- d) Nationalisation

11. Which one of the following was one of the objectives of demonetization in 2016?

- (a) To gift new notes to people of India
- (b) To reduce and prevent circulation of black money in the market
- (c) To increase the interest rate
- (d) To increase the value of currency

12. Which of the following was NOT the reason for initiation of Economic Reform in 1991?

- a) Poor performance of PSUs
- b) Fall in foreign exchange reserves
- c) Mounting fiscal deficit
- d) High growth rate of population.

13. Which of the following is not true under fiscal policy reform?

- (a) Both direct and indirect tax were reduced
- (b) Tax payments were made easy
- (c) Government unplanned expenditure was increased.
- (d) None of these

14. Non – tariff barriers mainly include

- (a) Restriction on quality
- (b) Restrictions on quantity
- (c) Both (a) and (b)
- (d) None of these

ASSERTION AND REASON BASED MCQ: -

1. Assertion (A): In 1991, as an immediate measure to resolve the balance of payment crisis, the rupee was devalued against foreign currencies.

Reason(R): This devaluation has led to increase in inflow of foreign exchange.

- (a). Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b). Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c). Assertion (A) is true but Reason (R) is false.
- (d). Assertion (A) is false but Reason (R) is true.

2. Assertion (A): Stabilization measures are short-term measures, intended to correct some of the weaknesses that have developed in the balance of payments.

Reason (R): There was a need to maintain sufficient foreign exchange reserves and keep the rising prices under control.

- (a). Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b). Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c). Assertion (A) is true but Reason (R) is false.
- (d). Assertion (A) is false but Reason (R) is true.

3. Assertion (A): Since 1991, there has been continuous reduction of in the taxes of individual income.

Reason (R): It was felt that high rate of income tax was an important reason for tax evasion.

- (a). Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b). Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
- (c). Assertion (A) is true but Reason (R) is false.
- (d). Assertion (A) is false but Reason (R) is true.

4. Assertion (A): The post reforms period has not witnessed much FDI in agriculture.

Reason(R): Compulsion of IMF to reduce subsidy was not a right step in the post reform period.

- (a) Both the Assertion (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both the Assertion (A) and Reasoning (R) are true and (R) is not the correct explanation of (A).
- (c) Assertion (A) is true and Reason (R) is false.
- (d) Assertion (A) is false and Reason (R) is true.

5. Assertion (A): The government envisaged that privatization could provide strong impetus to the inflow of FDI.

Reason (R): The government has made attempts to improve efficiency of PSUs by giving them autonomy in taking managerial decisions.

- (a) Both the Assertion (A) and (R) are true and (R) is the correct explanation of (A).

- (b) Both the Assertion (A) and Reason (R) are true and (R) is not the correct explanation of (A).
- (c) Assertion (A) is true and Reason (R) is false.
- (d) Assertion (A) is false and Reason (R) is true.

6. Assertion (A): - The thrust of the New Economic Policy has been towards creating a more competitive environment in the economy as a means to improving the productivity and efficiency of the system.

Reasons(R): - This was to be achieved by imposing the barriers to entry and the restrictions on the growth of firms.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is false but Reason (R) is true.

7. Assertion (A): GST is an indirect tax.

Reason (R): All indirect taxes are imposed on the production and sale of goods and services.

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is false but Reason (R) is true.

8. Assertion (A): Demonetization is the discontinuity of the particular currency from the circulation and replacing it with new currency.

Reason (R): It is done to stop funds flow to illegal activity.

- (a) Both the Assertion (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both the Assertion (A) and Reasoning (R) are true and (R) is not the correct explanation of (A).
- (c) Assertion (A) is true and Reason (R) is false.
- (d) Assertion (A) is false and Reason (R) is true.

CASE BASED MCQ

Read the following passage and answer the following questions: -

This is one of the important outcomes of the globalisation process. In outsourcing, a company hires regular service from external sources, mostly from other countries, which was previously provided internally or from within the country (like legal advice, computer service, advertisement, security- each provided by respective departments of the company). As a form of economic activity, outsourcing has intensified, in recent times, because of the growth of fast modes of communication, particularly the growth of IT. Many of the services such as voice-based business processes (popularly known as BPO or call centers), record keeping, accountancy, banking.

1. It refers to contracting out some of its activities to a third party which were earlier performed by the organisation. It is known as:

- (a) Disinvestment

- (b) Outsourcing
- (c) Liberalisation
- (d) Globalisation

2. The word ‘clinical advice’ means:

- (a) Investigation of a complaint
- (b) Showing financial information
- (c) A printed version of something
- (d) None of these

MARKING SCHEME **STAND ALONE MCQs**

- 1.d. All of these.
2. d. Purchase of public sector share by the government
3. (d) Liberalisation
4. (a) Private enterprises
5. (c). Railway, defence, atomic energy
6. (a). Hazardous & Environment sensitive industries
- 7.(c) Liberalisation
8. (c) Inefficiency and irresponsibility
- 9.(c) all of these
- 10.(a) Liberalisation
11. (b) To reduce and prevent circulation of black money in the market
- 12.(d) High growth rate of population.
13. (c) Government unplanned expenditure was increased.
14. (c) Both (a) and (b)

ASSERTION AND REASON BASED QUESTIONS

- 1.(a). Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
2. (b). Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
3. (a). Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
4. (b) Both the Assertion (A) and Reasoning (R) are true and (R) is not the correct explanation of (A).
5. (b) Both the Assertion (A) and Reason (R) are true and (R) is not the correct explanation of (A).
6. (c) Assertion (A) is true but Reason (R)is false.
7. (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
8. (b) Both the Assertion (A) and Reasoning (R) are true and (R) is not the correct explanation of (A).

CASE BASED MCQ

- 1.(b) Outsourcing
2. (a) Investigation of a complaint

UNIT-7: CURRENT CHALLENGES FACING IN INDIAN ECONOMY

POVERTY

STAND ALONE MCQs

Q.1. The Concept of poverty line was first discussed by _____ in India.

- a) Jawaharlal Nehru
- b) Indira Gandhi
- c) Dadabhai Naoroji
- d) Amartya Sen

Q.2. Which category of poor people keep moving up and down the poverty line –

- a) Occasionally poor
- b) Transient poor
- c) Churning poor
- d) Always poor

Q.3. Read the following statements carefully and choose the correct alternative from the following -

Statement 1 – Sonu is relatively richer than Monu but both can be absolutely poor.

Statement 2 – Ramu is relatively poorer than Shyamu but both may not be absolutely poor.

- a) Both the statements are true.
- b) Both the statements are false.
- c) Statement 1 is true and Statement 2 is false
- d) Statement 2 is true and Statement 1 is false

Q.4. When the number of poor is estimated as the proportion of people below poverty line, it is known as.....

- a) Head Count Ratio
- b) Sen Index
- c) Poverty Gap Index
- d) Squared Poverty Gap

Q.5. From the following given sets of statements in column I and II, choose the correct pair of statements.

	COLOUMN I		COLOUMN II
A	Mid-day meal scheme	i	This scheme was launched on 2 nd October, 1975
B	Valmiki Ambedkar Awaas Yojana	ii	It seeks to improve the living conditions of slum dwellers in urban areas
C	Pradhan Mantri Gramodaya Yojana	iii	This scheme was launched in the 2007
D	Integrated Child Development	IV	This scheme was introduced to increase the Number of students being enrolled in Schools belonging

- a) A-i
- b) B-ii
- c) C-iii
- d) D-iv

Q.6. _____ programme has been restructured as ‘National Rural Livelihood Mission’.

- a) Pradhan Mantri Swarozgar Yojana
- b) Swarna Jayanti Gram Swarozgar Yojana
- c) Social Assistance Programme
- d) Public Distribution System

Q.7. Read the following statements carefully and choose the correct alternative from the following -

Statement 1 –Poverty will be reduced with the acceleration of the pace of growth only if jobless growth is avoided.

Statement 2 – Jobless growth occurs when GDP growth is ‘technology driven’ rather than ‘employment driven’.

- a) Both the statements are true.
- b) Both the statements are false.
- c) Statement 1 is true and Statement 2 is false
- d) Statement 2 is true and Statement 1 is false

Q.8. Which of the following statements is incorrect-?

- a) Absolute poverty indicates towards larger inequalities of income in the society
- b) The concept of absolute poverty is prevalent in less developed countries
- c) Absolute poverty is ascertained with the help of poverty line
- d) People who are not able to satisfy their basic needs are termed as absolutely poor

Q.9. From the following given sets of statements in column I and II, choose the correct pair of statements.

	COLOUMN I		COLOUMN II
A	Jail cost of Living Method	i	Average poverty line is 2/3 rd of the adult jail cost of living
B	Task Force on Projection of Minimum Needs and Effective Consumption Demand	ii	A person consuming 2400 calories per day in rural areas and 2,100 calories per day in urban area was deemed to be able to achieve the subsistence level
C	Monthly Per Capita Expenditure	iii	A person earning 972 Rs in urban areas and 1407 Rs in rural areas is deemed to be able poverty line.
D	Poverty Gap Index	Iv	Development by Amartya Sen

- a) A-i
- b) B-ii
- c) C-iii
- d) D-iv

Q.10. Which organisation collects data on poverty in India?

- a) NSSO
- b) NABARD
- c) RBI
- d) None of these

Q.11. When was the task force on Projections of Minimum Needs and Effective Consumption Demand was formed?

- a) 1969
- b) 1979
- c) 1989
- d) 1999

Q.12. Which of the following is an action adopted under the provision of minimum basic amenities to the people?

- a) Prime Minister's Rozgar Yojana
- b) Swarna Jayanti Shahari Rozgar Yojana
- c) Pradhan Mantri Gramodaya Yojana
- d) National Rural Livelihood Mission

Q.13. NFWP was launched in

- a) November 2004
- b) December 2003
- c) November 2005
- d) December 2005

Q.14. Which of the following programmes provide assistance to elderly people?

- a) VAMBAY
- b) NSAP
- c) PMGY
- d) PMRY

ASSERTION REASON QUESTIONS

Q.15. Read the following statements – Assertion (A) and Reason (R):

Assertion (A) –The concept of Poverty line is used to measure the extent of poverty.

Reason(R) – Poverty line helps us to assess relative as well as absolute poverty.

From the given alternatives choose the correct one:

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c) Assertion (A) is true but Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

Q.16. Read the following statements – Assertion (A) and Reason (R):

Assertion (A) –There is widespread poverty in India.

Reason(R) –Primary sector contributes more to GDP than the tertiary sector in India.

From the given alternatives choose the correct one:

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c) Assertion (A) is true but Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

Q.17. Read the following statements – Assertion (A) and Reason (R):

Assertion (A) –Economic growth widens opportunities and provides resources needed to invest in human development.

Reason (R) –In India large number of people depend on agriculture for their livelihood

From the given alternatives choose the correct one:

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c) Assertion (A) is true but Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

Q.18. Read the following statements – Assertion (A) and Reason (R):

Assertion (A) –Poverty is directly related to unemployment

Reason(R) –Unemployment is directly related to population growth

From the given alternatives choose the correct one:

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c) Assertion (A) is true but Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

Q.19. Read the following statements – Assertion (A) and Reason (R):

Assertion (A) –Growth Oriented approach to remove poverty proved to be quite effective.

Reason(R) –Population growth resulted in very low growth in per capita incomes.

From the given alternatives choose the correct one:

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c) Assertion (A) is true but Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

Q.20. Read the following statements – Assertion (A) and Reason (R):

Assertion (A) – The Poverty Alleviation Programmes have been found unsatisfactory.

Reason(R) –There has been a lot of overlapping of schemes.

From the given alternatives choose the correct one:

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c) Assertion (A) is true but Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

CASE STUDY BASED QUESTIONS

Q. No. 21 – 25 are to be answered on the basis of the following hypothetical text:

Poverty is the condition of a very low economic situation, when a person experiences lack of food, shelter, clothes and basic things, required for normal life. Poverty is one of the characteristic features of human society, because people have been always divided into rich and poor. On the other hand, poverty is the result of privacy. Human society is based on the possession of material things and this provokes the financial inequality of people, because one possesses much resources, money, goods, etc., the other is not so lucky or hardworking to have the same favourable financial situation.

Q.21. What are the characteristics of a poor person?

- a) Lack of food
- b) Lack of education
- c) Poor health
- d) All of the above

Q.22 Which factors are responsible for the gap between the rich and the poor?

- a) Unequal distribution of Income
- b) Backwardness of certain sections of the society
- c) Backwardness of certain regions
- d) All of the above

Q.23. divides the poor from the non-poor in India.

- a) Gini coefficient
- b) Sen Index
- c) Poverty Line
- d) Poverty Gap Index

Q.24. The poverty across other people, regions or countries is known as.....

- a) Urban poverty
- b) Rural poverty
- c) Relative poverty
- d) Absolute poverty

Q.25. Absolute poverty is prevalent in

- a) Capitalistic countries
- b) Developed countries
- c) Socialistic Economies
- d) Developing economies

Q. No. 26 – 30 are to be answered on the basis of the following hypothetical text:

India's officials have been trying to solve the poverty problem for a long time. One of the obstacles is that the country's definition of poor is based on one's ability to afford a minimum diet requirement of 2,400 (rural population) or 2,100 (urban population) kcal per day. This way, all other people's needs, except food, remain neglected. Besides, even if the daily critical income level was raised by 100% (up to \$2.40), it would be much lower than in developed countries.

There are certain initiatives aimed at poverty reduction in India. Thus, in 2011, the number of the poor was almost 8% down as compared with 2009. Still, except for the targeted aid, too little is done to provide people, especially in rural areas, with the necessary resources, such as, education, sewerage, or proper roads. The policy makers should focus more on the country's agrarian sector (due to the large percentage of rural population), as it would serve more efficient redistribution of human resources. Access to education is also essential in the context of poverty elimination.

Q.26. Read the following statements – Assertion (A) and Reason (R):

Assertion (A) – Calories based norm is not adequate to identify the poor

Reason(R) – This method does not differentiate between the very poor and the other poor

From the given alternatives choose the correct one:

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c) Assertion (A) is true but Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

27. The aim of this program is to provide grains at highly subsidised rates to very poor families.

- a) SJRY
- b) AAY
- c) PMGSY
- d) SGSY

Q.28. Read the following statements – Assertion (A) and Reason (R):

Assertion (A) – Although there is a steady decline in poverty over the last two decades, but the total number of poor people has remained constant.

Reason(R) – There has been a considerable growth in population.

From the given alternatives choose the correct one:

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c) Assertion (A) is true but Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

Q.29. In India Poverty line is determined on the basis of monetary value of minimum subsistence level which is.....

- a) Higher in Rural areas
- b) Higher in Urban areas
- c) Only slightly higher in urban areas
- d) Higher in both areas

Q.30. Read the following statements – Assertion (A) and Reason (R):

Assertion (A) –While determining poverty line, calorie requirements in rural areas are fixed at a higher level than urban areas.

Reason(R) –People living in rural areas engage themselves in more physical work.

From the given alternatives choose the correct one:

- a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- c) Assertion (A) is true but Reason (R) is false.
- d) Assertion (A) is false but Reason (R) is true.

MARKING SCHEME

1. c) Dadabhai Naoroji
2. c) Churning poor
3. a) Both the statements are true
4. a) Head Count Ratio
5. b) B-ii
6. b) Swarna Jayanti Gram Swarozgar Yojana
7. a) Both statements are true
8. a) Absolute poverty indicates towards larger inequalities of income in the society.
9. a) A-i
10. a) NSSO
11. b) 1979
12. c) Pradhan Mantri Gramodaya Yojana
13. a) November 2004
14. b) NSAP
15. c) Assertion (A) is true but Reason (R) is false
16. c) Assertion (A) is true but Reason (R) is false
17. b) Both Assertion (A) and Reason (R) are true and Reason(R) is not the correct explanation of Assertion (A)
18. b) Both Assertion (A) and Reason (R) are true and Reason(R) is not the correct explanation of Assertion (A)
19. c) Assertion (A) is false but Reason (R) is true.
20. a) Both Assertion (A) and Reason (R) are true and Reason(R) is the correct explanation of Assertion (A)
21. d) All of the above
22. d) All of the above
23. c) Poverty Line
24. c) Relative Poverty
25. d) Developing economies
26. a) Both Assertion (A) and Reason (R) are true and Reason(R) is the correct explanation of Assertion (A)
27. b) AAY
28. a) Both Assertion (A) and Reason (R) are true and Reason(R) is the correct explanation of Assertion (A)
29. b) Higher in Urban areas
30. a) Both Assertion (A) and Reason (R) are true and Reason(R) is the correct explanation of Assertion (A)

HUMAN CAPITAL FORMATION

STAND ALONE MCQs

1. Sources of human capital are ____
 - a. Investment in health
 - b. Investment in education
 - c. On the job training
 - d. All of the above

2. Read the following statements carefully and choose the correct alternative from the following.
Statement 1- Investment in human capital contributes to economic growth.
Statement 2- Human capital is separable from its owner.
 - a. Both the statements are true.
 - b. Both the statements are false.
 - c. Statement 1 is true and Statement 2 is false.
 - d. Statement 2 is true and Statement 1 is false.

3. What is the reason for rural –urban migration in India?
 - a. Marriage
 - b. Disease
 - c. Unemployment
 - d. None

4. From the following given sets of statements in Column I and II, Choose the correct pair of statements.

Column I

- A. Economic activity
 - B. Sound Human Capital
 - C. Better indicator of development
 - D. Health infrastructure
-
- a. A-i
 - b. B-ii
 - c. C-iii
 - d. D-iv

Column II

- i. Household work
- ii. Professional skills
- iii. National production
- iv. Expenditure on migration

ASSERTION AND REASON BASED MCQ'S

5. Read the following statements – Assertion(A) and Reason(R):
Choose one of the correct alternatives.
Assertion (A): Gains of migration are greater than the cost of migration leading to human capital formation.

Reason (R): Migration contributes to human capital formation as it facilitates utilisation of inactive skills of the people.

- a. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion(A).
 - b. Both Assertion(A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion(A).
 - c. Assertion(A) is true but Reason(R) is false.
 - d. Assertion(A) is false but Reason(R) is true.
6. Read the following statements – Assertion(A) and Reason(R):
Choose one of the correct alternatives.
- Assertion (A):** “Skill India” programme launched by the Government is an attempt to increase human capital formation.
- Reason(R):** Skill is an important element of human capital.
- a. Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion(A).
 - b. Both Assertion(A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion(A).
 - c. Assertion(A) is true but Reason(R) is false.
 - d. Assertion(A) is false but Reason(R) is true.

CASE STUDY BASED QUESTIONS

Just as a country can turn physical resources like land into physical capital like factories, Similarly, it can also turn human resources like nurses, farmers, teachers, students into human capital like engineers and doctors. Societies need sufficient human capital in the first place in the form of competent people who have themselves been educated and trained as professors and other professionals. In other words, we need good human capital to produce other human capital (say, nurses, farmers, teachers, doctors, etc.).

7. The availability of _____ labour force facilitates adoption of new technologies.
(Choose the correct option).
- a. Illiterate
 - b. Educated
 - c. Modern
 - d. Social
8. Expenditure on _____ and education is integral for Human Capital Formation.
- a. land
 - b. Industries
 - c. Health
 - d. Society

9. We need good ____ to produce other human capital.
- Human Capital
 - Physical Capital
 - Social Capital
 - None of the above.
10. Which of the following is not a problem of Human Capital Formation in India?
- low academic standards
 - low savings
 - rise in population
 - deficient man power in planning
11. Read the following statements carefully and choose the correct alternative from the following
- Statement 1:** The stock of skill, ability, expertise, education and knowledge embodied in the people of a country is called Human Capital Formation.
- Statement 2:** Human Capital Formation refers to the process of increasing the skills, abilities among the population of the country.
- Both the statements are true
 - Both the statements are false.
 - Statement 1 is true and Statement 2 is false.
 - Statement 2 is true and Statement 1 is false.
12. Read the following statements – Assertion(A) and Reason(R):
Choose one of the correct alternatives.
- Assertion(A):** The economic growth of a country depends upon the quality of its human capital.
- Reason(R):** People move from rural areas to urban areas for attaining better facilities.
- Both Assertion(A) and Reason(R) are true and Reason(R) is the correct explanation of Assertion(A).
 - Both Assertion(A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion(A).
 - Assertion(A) is true but Reason(R) is false.
 - Assertion(A) is false but Reason(R) is true.

MARKING SCHEME

- 1.(d) all of the above
- 2.(c) Statement 1 is true and Statement 2 is false
- 3.(c) Unemployment
4. B-ii
- 5.(a)Both Assertion(A) and Reason(R) are true and Reason(R) is correct explanation of Assertion(A)
6. (a)Both Assertion(A) and Reason(R) are true and Reason(R) is correct explanation of Assertion(A)
- 7.(b)educated
- 8.(c)health
- 9.(a) Human capital
10. (b) low savings
11. (a) Both Statement 1 and 2 are true
- 12.(b)Both Assertion(A) and Reason(R) are true and Reason(R) is not the correct explanation of Assertion(A).

RURAL DEVELOPMENT

STAND ALONE MCQs

1. What is full form of NABARD?
 - a) National Bank of Agriculture and Rural Development
 - b) Native bank of Agriculture and Rural Development
 - c) Native bank of Agriculture and Real Development
 - d) National bank of Agriculture and Real Development
2. Which of the following is false regarding SHG's?
 - a) Small and informal association for a poor person
 - b) Provide rural credit by mobilizing their own resources
 - c) Introduced in 1982
 - d) Improve rural poor access to a formal credit system
3. An academy called for rural prosperity has been established.
 - a) Janta Tata National Virtual Academy
 - b) Jamshedji Tata National Real Academy
 - c) Jamshedji Tata Net Virtual Academy
 - d) Jamshedji Tata National Virtual Academy
4. When was the National Bank for Agricultural and Rural Development set up?
 - a) 1962
 - b) 1972
 - c) 1982
 - d) 1992
5. Which among the following is process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country?
 - a) Agricultural management
 - b) Agricultural Banking
 - c) Agricultural Diversification
 - d) Agricultural Marketing
6. What is the name of the vegetable and fruit market in Andhra Pradesh?
 - a) Apni Mandi
 - b) Hadapsar mandi
 - c) Rythu Bazar
 - d) Uzhavar Sandies
7. The duration of medium-term loans is:

- a) 6 to 12 months
 - b) 12 months to 3 years
 - c) 12 months to 5 years
 - d) 2 to 7 years
8.once said that the real progress of India did not mean simply the growth and expansion of industrial urban centers but mainly the development of the villages.
a. Jawaharlal Nehru b. Mahatma Gandhi c. Dadabhai Naoroji d. None
9. The institutional sources of credit whose area of operation is the one where banking facilities and cooperative are absent and which operate at the district level is:
- a) Regional rural bank
 - b) Commercial bank
 - c) Self-Help Group
 - d) NABARD
10. Credit needs related to constructing fences and digging wells are fulfilled by:
- a) Short term credit
 - b) Medium term credit
 - c) Long term credit
 - d) Very Short-term credit
11. Government has assured the farmers of some minimum income from the sale of their crop by introducing:
- a) Warehousing facilities
 - b) Regulated markets
 - c) Minimum support price policy
 - d) Co-operative agriculture marketing societies.
12. The sector providing alternate livelihood options to 70 million and marginal farmers is:
- a) Livestock
 - b) Agro-processing
 - c) Apni Mandi
 - d) Fisheries
13. Production of a diverse variety of crops rather than one specialized crop is called:
- a) Diversification of production activity
 - b) Diversification of crop production
 - c) Diversification of employment
 - d) Diversification of population
14. The “Golden Revolution” was a period of very high productivity in:
- a) Food grain production
 - b) Horticulture
 - c) Organic farming
 - d) Pisciculture
15. Which of the following is true about organic farming?
- a) Organically grown food is healthier and tastier
 - b) Yields in organic farming are lower than in chemical farming
 - c) It adversely effects the fertility of the soil

d) It is quite expensive method of farming

16. Match the following:

	COLOUMN I		COLOUMN II
1	Green revolution	A	1982
2	NABARD	B	1967-68
3	Land reform	C	Conversion of scattered holding into unified holdings
4	Consolidation of holding	D	Institutional reforms
5	Ceiling of landholding	E	Maximum holding size

- a. C B D A E b. B A D C E c. A B C D E d. D C A E B

ASSERTION AND REASONING BASED QUESTION

Read the following statements-Assertion (A) and Reason (R):

1. **ASSERTION (A):** Lack of warehousing causes of loss of revenue to the farmers.

REASIONING (R): Farmers are compelled to sell their produce immediately after harvest resulting in fall in prices.

From the given Alternatives choose the correct one:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true but Reason (R) is false.
(d) Assertion (A) is true but Reason (R) is true.

2. **ASSERTION (A):** SHG has emerged as the major micro finance programme in the country in recent years.

REASONING (R): SHGs have also helped in the empowerment of women.

From the given Alternatives choose the correct one:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true but Reason (R) is false.
(d) Assertion (A) is true but Reason (R) is true.

3. **ASSERTION (A):** In India, farming community uses the mixed- crop livestock farming system.

REASIONING (R): Cattle, goats, fowl are the widely held species. Livestock production provides increased stability in income, food security, transport, fuel and nutrition for the family.

From the given Alternatives choose the correct one:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is true but Reason (R) is true.
4. **ASSERTION (A):** Rural people not only face problem with regard to finance, but also encounter difficulties in marketing their goods.
REASONING (R): Agriculture Marketing needs urgent attention in the scheme of securing rapid rural development.
From the given Alternatives choose the correct one:
- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is true but Reason (R) is true.
5. **ASSERTION (A):** Rural development is a compressive term which essentially focuses on the action of overall development of rural areas.
REASONING (R): It is required to develop the standard of living of rural people.
From the given Alternatives choose the correct one:
- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is true but Reason (R) is false.
- (d) Assertion (A) is true but Reason (R) is true.

CASE STUDY BASED QUESTIONS

1. Tamil Nadu women in agriculture (TANWA) is a project initiated in Tamil Nadu to train women in latest agriculture techniques. It induces women to actively participate in raising agricultural productivity and family income. At a Farm Women's Group in Tiruchirappalli, run by Anthoniammal, trained women as successfully making and selling vermicompost and earning money from this venture. Many other women's group are creating savings in their group by functioning like mini banks through a micro-credit system. With the accumulated savings, they promote small-scale household activities like mushroom cultivation, soap manufacture, doll making or other generating activities.

Questions:

1. Self-help group and micro-credit programmes are an emerging phenomenon in the context of ----- credit.
 - a) Rural
 - b) Urban
 - c) Rural and Urban

- d) Develop
2. Institutional sources of credit have gone a long way in liberating the farmers from the debt trap of Mahajan's and money lenders.
 - a) True
 - b) False
 3. TNWA project is associated with Agriculture/ Industry.
 - a) Agriculture
 - b) Industry
 - c) Tertiary
 - d) Banking
 4. Soap manufacturing is belonging to----- industry.
 - a) Small- scale
 - b) Large scale
 - c) Large and small scale
 - d) Heavy industry
 5. TANWA project Running in peninsular state:
 - a) Tamil Nadu
 - b) Andhra Parades
 - c) Odisha
 - d) Karnataka
2. In agriculture, due to long time gap between crop sowing and realization of income, farmer is in strong need for credit. Farmers need money to meet initial investment on seed, fertilizer implements and other family expenses of marriage, death, religious ceremonies etc. So, credit is one of the important factors, which contribute to agriculture production. An efficient and effective rural credit system is crucial for raising agricultural productivity and incomes.
- Questions:
1. Which one of the following is not a non-institutional source of credit?
 - a) Money lenders
 - b) Co-operative credit
 - c) Traders and commission agents
 - d) Land development bank
 - 2.----- is the Apex Bank which coordinates the functioning of different financial institutions, working for expansion of rural credit.
 - a) NABARD
 - b) RBI
 - c) WTO
 - d) IMF
 3. Regulated markets were organized to protect the farmers from the malpractices of consumer.
 - a) True
 - b) False

4. Money lenders are ----- sources of credit in India:

- a) Formal sources
- b) Informal sources
- c) Micro credit sources
- d) Banking sources

MARKING SCHEME

STAND ALONE MCQs

1. a) National Bank of Agriculture and Rural Development
2. c) Introduced in 1982
3. d) Jamshedji Tata National Virtual Academy
4. c) 1982
5. d) Agricultural Marketing
6. c) Rythu Bazar
7. c) 12 months to 5 years
8. b. Mahatma Gandhi
9. a) Regional rural bank
10. b) medium term credit
11. c) Minimum support price policy
12. a) Livestock
13. b) Diversification of crop production
14. b) Horticulture
15. a) Organically grown food is healthier and tastier
16. b. B A D C E

ASSERTION AND REASONING BASED QUESTIONS

1. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
2. b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
3. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
4. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
5. a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

CASE STUDY BASED QUESTIONS

1.

1. a) Rural
2. a) True
3. a) Agriculture
4. a) Small-scale
5. a) Tamil Nadu

2.

1. b) Co-operative credit
2. a) NBARD
3. b) False
4. b) informal sources

==== XXX ===