

FISCAL POLICY, PUBLIC FINANCE AND MONETARY POLICY BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION

For All Competitive SSC, Bank, IBPS, UPSC, Railway, IT & Other Govt. Exams

Created By [Careericons](#) Team

Q1. Fiscal policy means

- a) policy relating to financial matters of international trade
 - b) policy relating to government spending, taxation and borrowing
 - c) policy relating to money and banking in a country
 - d) policy relating to non-banking financial institutions
-

Q2. New capital issue is placed in

- a) Black market
 - b) Grey market
 - c) Secondary market
 - d) Primary market
-

Q3. Regressive tax can be defined as

- The one by which the revenue collected rises proportionally with income
 - The rates of tax increase for increasing values or volumes on which the tax is levied
 - The one where the proportion of tax paid falls as income rises
- a) 1 only
 - b) 3 only
 - c) 2 only
 - d) 1, 2 and 3
-

Q4. Capital formation in an economy depends on

- a) Total production

- b) Total demand
- c) Total Income
- d) Total savings

5000+ FREE INDIAN ECONOMY MCQ QUESTION BANK FOR ALL SSC, UPSC, BANK, RAILWAY EXAMS

[Free Practice MCQs »](#)

[Download More PDF »](#)

[Free Online Quiz »](#)

Q5. The aim of Differentiated Interest Scheme was to provide concessional loans to _____.

- a) big exports
- b) Public Sector Industries
- c) weaker section of the society
- d) Public Limited Companies

Q6. Which one of the following is the most appropriate reason for Inequalities in Income ?

- a) Differences in Ability
- b) Lack of opportunities
- c) Racial factors
- d) Inheritance from family Environment

Q7. Which of the following statements is **incorrect** about Repo and Reverse Repo?

- At present, the repo rate is 11.75%
- At present, the reverse repo rate is 5.75%
- Repo rate is the rate at which RBI lends to commercial banks
- Reverse Repo is the rate at which RBI borrows from commercial banks

- a) 1 only
- b) 1, 3 and 4

- c) 1 and 2
 - d) None of the above
-

Q8. The process of budget making after re-evaluating every item of expenditure in every financial year is known as-

- a) Performance Budgeting
 - b) Fresh Budgeting
 - c) Deficit Budgeting
 - d) Zero Based Budgeting
-

Q9. When RBI announces an increase in Cash Reserve Ratio (CRR) it means:

- a) The Union Government will have less money to lend.
 - b) The RBI will have less money to lend.
 - c) The commercial banks will have less money to lend.
 - d) The commercial banks will have more money to lend.
-

Q10. Current account in the Balance of Payment comprise is ____?

- a) difference of total exports and imports in one year
 - b) trade balance plus invisible balance
 - c) invisible account like tourism, shipping, insurance, etc.
 - d) transactions like net external assistance, NRI deposits, etc.
-

Q11. Mixed Economy means :

- a) Co-existence of small and large industries
 - b) Co-existence of public and private sectors
 - c) Promoting both agriculture and industries in the economy
 - d) Co-existence of rich and poor
-

Q12. Which one of the following statements regarding the levying, collecting, and distribution of Income Tax is **correct**?

- a) The Union levies, collects, and distributes the proceeds of income tax between itself and the states.
- b) Only the surcharge levied on income tax is shared between the Union and the states.
- c) The Union levies, collects, and keeps all the proceeds of income tax itself.
- d) The Union levies and collects the tax but all the proceeds are distributed among the states

1000+ FREE FISCAL POLICY, PUBLIC FINANCE AND MONETARY POLICY BASED QUESTIONS AND ANSWERS FOR ALL COMPETITIVE EXAMS

[Free Practice MCQs »](#)

[Download More PDF »](#)

[Free Online Quiz »](#)

Q13. With reference to the Finance Commission of India, which of the following statements is **correct** ?

- a) It encourages the inflow of foreign capital for infrastructure development
- b) None of the statements (a), (b) and (c) given above is correct in his context
- c) It facilitates the proper distribution of finances among the Public Sector Undertakings
- d) It ensures transparency in financial administration

Q14. Which of the following refers to the set of measures adopted by the central bank?

- Monetary policy
- GAAR
- Finance Commission
- Black Money

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

Q15. _____ is **not a non-Plan expenditure?**

- a) Interest payment
- b) Defense expenditure
- c) Subsidies
- d) Central assistance for states and UT plans

[Read More public finance fiscal and monetary policy Question and Answers »](#)

Answers to the above questions :

Q1. Answer: (b)

Q2. Answer: (d)

The primary market is that part of the capital markets that deals with the issuance of new securities.

Companies, governments or public sector institutions can obtain funding through the sale of a new stock or bond issue. This is the market for new long term equity capital.

The primary market is the market where the securities are sold for the first time. Therefore it is also called the new issue market (NIM).

Q3. Answer: (b)

Regressive tax is one where the proportion of tax paid falls as income rises. The most regressive tax is a poll tax, levied at a fixed rate per person regardless of income.

A tax system can be made regressive by having indirect taxes levied at relatively high rates on goods heavily consumed by the poor

5000+ INDIAN ECONOMY MCQ TOPIC WISE MCQ QUESTION BANK WITH SOLVED ANSWERS & FREE PDF

[INTRODUCTION TO INDIAN ECONOMY](#)

[PLANNING, ECONOMIC DEVELOPMENT & FIVE YEAR PLANS](#)

NATIONAL INCOME & HUMAN DEVELOPMENT INDEX

AGRICULTURE SECTOR, SUBSIDY AND FOOD PROCESSING

INDUSTRIES, MANUFACTURING & SERVICE SECTORS

INCLUSIVE GROWTH, SUSTAINABLE DEVELOPMENT AND EMPLOYMENT

POVERTY & UNEMPLOYMENT

INTRODUCTION TO MICRO ECONOMICS

INTRODUCTION TO MACRO ECONOMICS

MACRO FUNDAMENTALS, GDP, INVESTMENT, GROWTH

DEMAND & SUPPLY, PROFIT LOSS, INFLATION & PRICE INDEX

FISCAL POLICY, PUBLIC FINANCE AND MONETARY POLICY

MONEY SUPPLY, BANKING AND FINANCIAL INSTITUTIONS

TAXES TYPES, METHODS & BUDGETING PROCESS

BANKING, SECURITY MARKET & INSURANCE

Q4. Answer: (d)

Capital formation refers to capital accumulation, referring to the total “stock of capital” that has been formed, or to the growth of this total capital stock.

It also refers to a measure of the net additions to the (physical) capital stock of a country (or an economic sector) in an accounting interval, or, a measure of the amount by which the total physical capital stock increased during an accounting period.

Total capital formation” in national accounting equals net fixed capital investment, plus the increase in the value of inventories held, plus (net) lending to foreign countries, during an accounting period (a year or a quarter).

Capital is said to be “formed” when savings are utilized for investment purposes, often investment in production.

Q5. Answer: (c)

The Differential Rate of Interest Scheme, formulated in March 1972, offers financial assistance at concessional rate of interest @ 4% to those who intend taking up any productive activity and has been tailored for persons whose income is very low. This scheme is meant for:

- Persons belonging to SC/STs, Adivasis engaged in agricultural operations and/ or allied activities;
- Persons engaged in collection of forest products, fodder and selling these in markets;
- Persons engaged in Village and Cottage Industries on a very small scale; etc.

Q6. Answer: (b)

Joseph E. Stiglitz, a Nobel laureate in economics, has pointed how lack of opportunity leads to widening of inequality. It leads to concentration of income and wealth at the top, the hollowing out of the middle, and increasing poverty at the bottom.

Q7. Answer: (a)

At present, the repo rate is 4.00%

Q8. Answer: (d)

Q9. Answer: (c)

Cash reserve ratio (CRR) is the amount of funds that the banks have to keep with the RBI. If the central bank decides to increase the CRR, the available amount with the banks comes down.

Q10. Answer: (b)

Q11. Answer: (b)

A mixed economy is variously defined as an economic system consisting of a mixture of either markets and economic planning, public ownership and private ownership, or free

markets and economic interventionism.

All modern economies are mixed where the means of production are shared between the private and public sectors.

Q12. Answer: (a)

Q13. Answer: (b)

The Commission shall make recommendations as to the following matters, namely :

- The distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;
- The principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisions to clause (1) of that article; and
- The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.

Q14. Answer: (a)

Monetary policy refers to the set of measures adopted by the central bank (RBI) for monetary management

Q15. Answer: (d)

On our site **Careerions.com**, You can find all the content you need to prepare for any kind of exam like. **Verbal Reasoning, Non-Verbal Reasoning, Aptitude, English, Computer, History, Polity, Economy, Geography, General Science, General Awareness & So on.** Make use of our expert-curated content to get an edge over your competition and prepare for your exams effectively.

Practice with our **Free Practice MCQs, Mock Tests Series, Online Quiz** and get an idea of the real exam environment. Keep track of your progress with our detailed performance reports. They

are perfect for competitive exam preparation, as well as for brushing up on basic & fundamental knowledge. The questions are updated regularly to keep up with the changing syllabuses.

careericons.com