



JAYARANI MATRIC. HR. SEC. SCHOOL

# ECONOMICS PLUS TWO — 2025 —

**M.SHANMUGAM**

Strategies and Insights for Thriving  
in the Economics World



# ECONOMICS

*for*  
**CLASS XII**

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*M.Sc., M.A., B.Ed., M.Phil., (MFM)*



Price : Free



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## Preface

Welcome to the Multiple-Choice Questions (MCQ) section for Plus Two Economics. This section is designed to test and reinforce your understanding of key economic concepts, theories, and applications. The questions cover a broad range of topics, including Macro Economics, International Economics, Fiscal Economics, Environmental Economics and Development Economics. Each question is followed by the correct answer and a detailed explanation to enhance your learning experience.

Each section contains questions that vary in difficulty, designed to challenge and improve your understanding of economic principles. We encourage you to carefully read each question and review the explanations to gain a deeper insight into the subject matter. This approach will not only help you prepare for exams but also enable you to apply economic reasoning to real-world problems.

Good luck, and enjoy your journey through the fascinating world of economics!

All suggestions and feedback would be gratefully acknowledged.

I would like to express my sincere gratitude to the Principal, **Rev. Sr. Dr. Meldintha Mary**, for her unwavering support and interest.

M.Shanmugam

#94433-00023





# JAYARANI MATRIC. HR. SEC. SCHOOL

## NETHIMEDU, SALEM-2

### ECONOMICS

## XII- MULTIPLE CHOICE QUESTIONS (2025)

### Chapter 1 Introduction to Macro Economics

#### Multiple Choice Questions

1. The branches of the subject Economics are \_\_\_\_\_.

- |                       |                               |
|-----------------------|-------------------------------|
| a) Wealth and welfare | b) production and consumption |
| c) Demand and supply  | d) micro and macro            |



**Ans: d) micro and macro**

#### Explanation:

- Economics is broadly divided into two main branches:
- Microeconomics, which focuses on individual units such as households and firms.
- Macroeconomics, which looks at the economy as a whole, dealing with aggregate variables such as GDP, unemployment rates, and inflation.

2. Who coined the word 'Macro'?

- |                  |               |
|------------------|---------------|
| a) Adam Smith    | b) J M Keynes |
| c) Ragnar Frisch | d) Karl Marx  |

**Ans: c) Ragnar Frisch**

#### Explanation:

- Ragnar Frisch, a Norwegian economist, is credited with coining the terms "microeconomics" and "macroeconomics."
- He was a pioneer in econometrics and received the first Nobel Memorial Prize in Economic Sciences.

3. Who is regarded as the Father of Modern Macro Economics?

- |                  |               |
|------------------|---------------|
| a) Adam Smith    | b) J M Keynes |
| c) Ragnar Frisch | d) Karl Marx  |

**Ans: b) J M Keynes**

#### Explanation:

- John Maynard Keynes is considered the father of modern macroeconomics due to his work during the Great Depression.
- His book "The General Theory of Employment, Interest and Money" laid the foundation for Keynesian economics.



4. Identify the other name for Macro Economics.

- |                  |                  |
|------------------|------------------|
| a) Price Theory  | b) Income Theory |
| c) Market Theory | d) Micro Theory  |

**Ans: b) Income Theory**

**Explanation:**

- Macroeconomics is sometimes referred to as “Income Theory” because it deals with the aggregate income and expenditure of an economy.

5. Macro economics is a study of \_\_\_\_\_.

- a) individuals
- b) firms
- c) a nation
- d) aggregates

**Ans: d) aggregates**

**Explanation:**

- Macroeconomics focuses on aggregates such as total national output, overall price levels, and aggregate demand and supply in the economy.

6. Indicate the contribution of J M Keynes to economics.

- |                      |                   |
|----------------------|-------------------|
| a) Wealth of Nations | b) General Theory |
| c) Capital           | d) Public Finance |

**Ans: b) General Theory**

**Explanation:**

- John Maynard Keynes’ most notable contribution to economics is his book “The General Theory of Employment, Interest and Money,” which revolutionized economic thought and policy.

7. A steady increase in general price level is termed as\_\_\_\_\_.

- |                          |                    |
|--------------------------|--------------------|
| a) wholesale price index | b) Business Cycle  |
| c) Inflation             | d) National Income |

**Ans: c) Inflation**

**Explanation:**

- Inflation is defined as a sustained increase in the general price level of goods and services in an economy over a period of time.



8. Identify the necessity of Economic policies.

- |                                |                              |
|--------------------------------|------------------------------|
| a) to solve the basic problems | b) to overcome the obstacles |
| c) to achieve growth           | d) all the above             |

**Ans: d) all the above**

**Explanation:**

- Economic policies are necessary to solve basic problems (like scarcity and resource allocation), overcome obstacles (such as inflation and unemployment), and achieve growth (ensuring sustainable economic development).

9. Indicate the fundamental economic activities of an economy.

- |                                |                             |
|--------------------------------|-----------------------------|
| a) Production and Distribution | b) Production and Exchange  |
| c) Production and Consumption  | d) Production and Marketing |

**Ans: c) Production and Consumption**

**Explanation:**

- The fundamental economic activities include production (creating goods and services) and consumption (using these goods and services).

10. An economy consists of \_\_\_\_\_.

- |                       |                      |
|-----------------------|----------------------|
| a) consumption sector | b) Production sector |
| c) Government sector  | d) All the above     |

**Ans: d) All the above**

**Explanation:**

- An economy includes various sectors such as the consumption sector, production sector, and government sector, all of which play crucial roles in the economic system.

11. Identify the economic system where only private ownership of production exists.

- |                       |                      |
|-----------------------|----------------------|
| a) Capitalist Economy | b) Socialist Economy |
| c) Globalist Economy  | d) Mixed Economy     |

**Ans: a) Capitalist Economy**

**Explanation:**

- In a capitalist economy, the means of production are owned and controlled by private individuals or corporations.

12. Economic system representing equality in distribution is \_\_\_\_\_.

- |               |              |
|---------------|--------------|
| a) Capitalism | b) Globalism |
| c) Mixedism   | d) Socialism |

**Ans: d) Socialism**









**Ans: a) National Income**

**Explanation:**

- Net National Product (NNP) at factor cost is essentially the same as National Income.
- It represents the total income earned by the factors of production owned by a country's residents.

**22. Primary sector is \_\_\_\_\_.**

- |                |                  |
|----------------|------------------|
| a) Industry    | b) Trade         |
| c) Agriculture | d) Construction. |

**Ans: c) Agriculture**

**Explanation:**

- The primary sector of the economy is concerned with natural resources and includes activities like agriculture, mining, and fishing.

**23. National income is measured by using \_\_\_\_\_ methods.**

- |         |          |
|---------|----------|
| a) Two  | b) Three |
| c) Five | d) Four  |

**Ans: b) Three**

**Explanation:**

- National income is typically measured using three methods: the Income Method, the Expenditure Method, and the Production (or Output) Method.

**24. Income method is measured by summing up of all forms of \_\_\_\_\_.**

- |                |           |
|----------------|-----------|
| a) Revenue     | b) Taxes  |
| c) expenditure | d) Income |

**Ans: d) Income**

**Explanation:**

- The Income Method of calculating national income sums up all incomes earned by individuals and businesses, including wages, rents, interest, and profits.

**25. Which is the largest figure?**

- |                      |                    |
|----------------------|--------------------|
| a) Disposable income | b) Personal Income |
| c) NNP               | d) GNP             |

**Ans: d) GNP**

**Explanation:**

- Gross National Product (GNP) is generally the largest figure because it includes



the total market value of all final goods and services produced by residents of a country, including those produced abroad.

**26. Expenditure method is used to estimate national income in \_\_\_\_\_.**

- |                        |                        |
|------------------------|------------------------|
| a) Construction sector | b) Agricultural Sector |
| c) Service sector      | d) Banking sector      |

**Ans: c) Service sector**

**Explanation:**

- The Expenditure Method, which sums up consumption, investment, government spending, and net exports, is applicable across various sectors, but it is especially relevant for service sectors due to the nature of expenditure tracking.

**27. Tertiary sector is also called as \_\_\_\_\_ sector**

- |               |               |
|---------------|---------------|
| a) Service    | b) Income     |
| c) Industrial | d) Production |

**Ans: a) Service**

**Explanation:**

- The tertiary sector, or the service sector, includes industries that provide services rather than goods, such as retail, entertainment, and financial services.

**28. National income is a measure of the \_\_\_\_\_ performance of an economy.**

- |               |                 |
|---------------|-----------------|
| a) Industrial | b) Agricultural |
| c) Economic   | d) Consumption  |

**Ans: c) Economic**

**Explanation:**

- National income measures the overall economic performance of a country by calculating the total income earned by its residents.

**29. Per capita income is obtained by dividing the National income by \_\_\_\_\_.**

- |                |                            |
|----------------|----------------------------|
| a) Production  | b) Population of a country |
| c) Expenditure | d) GNP                     |

**Ans: b) Population of a country**

**Explanation:**

- Per capita income is calculated by dividing the total national income by the population of the country, giving an average income per person.



30.  $GNP = \underline{\hspace{2cm}} + \text{Net factor income from abroad.}$

- a) NNP  
b) NDP  
c) GDP  
d) Personal income

**Ans: c) GDP**

Explanation:

- Gross National Product (GNP) is calculated by adding Net Factor Income from Abroad (NFIA) to Gross Domestic Product (GDP).

31. NNP stands for \_\_\_\_\_.

- a) Net National Product  
b) National Net product  
c) National Net Provident  
d) Net National Provident

**Ans: a) Net National Product**

Explanation:

- NNP stands for Net National Product, which is GNP minus depreciation.

32. \_\_\_\_\_ is deducted from gross value to get the net value.

- a) Income  
b) Depreciation  
c) Expenditure  
d) Value of final goods

**Ans: b) Depreciation**

Explanation:

- Depreciation is deducted from gross value to calculate the net value, as it accounts for the wear and tear on capital assets.

33. The financial year in India is \_\_\_\_\_.

- a) April 1 to March 31  
b) March 1 to April 30  
c) March 1 to March 16  
d) January 1 to December 31

**Ans: a) April 1 to March 31**

Explanation:

- The financial year in India runs from April 1 to March 31 of the following year.

34. When net factor income from abroad is deducted from NNP, the net value is \_\_\_\_\_.

- a) Gross National Product  
b) Disposable Income  
c) Net Domestic Product  
d) Personal Income

**Ans: c) Net Domestic Product**

Explanation:

- Net Domestic Product (NDP) is obtained by subtracting net factor income from abroad from Net National Product (NNP).





35. The value of NNP at production point is called \_\_\_\_\_.

- |                       |                       |
|-----------------------|-----------------------|
| a) NNP at factor cost | b) NNP at market cost |
| c) GNP at factor cost | d) Per capita income  |

**Ans: a) NNP at factor cost**

**Explanation:**

- NNP at factor cost refers to NNP calculated at the production point, excluding indirect taxes and including subsidies.

36. The average income of the country is \_\_\_\_\_.

- |                    |                      |
|--------------------|----------------------|
| a) Personal Income | b) Per capita income |
| c) Inflation Rate  | d) Disposal Income   |

**Ans: b) Per capita income**

**Explanation:**

- Per capita income is the average income earned per person in a given area in a specified year.

37. The value of national income adjusted for inflation is called \_\_\_\_\_.

- |                   |                         |
|-------------------|-------------------------|
| a) Inflation Rate | b) Disposal Income      |
| c) GNP            | d) Real national income |

**Ans: d) Real national income**

**Explanation:**

- Real national income is the value of national income adjusted for changes in the price level, reflecting the true purchasing power.

38. Which is a flow concept ?

- |                     |                 |
|---------------------|-----------------|
| a) Number of shirts | b) Total wealth |
| c) Monthly income   | d) Money supply |

**Ans: c) Monthly income**

**Explanation:**

- Monthly income is a flow concept because it measures income over a period of time, unlike a stock concept, which measures at a single point in time.

39. PQLI is the indicator of \_\_\_\_\_.

- |                      |                         |
|----------------------|-------------------------|
| a) Economic growth   | b) Economic welfare     |
| c) Economic progress | d) Economic development |



**Ans: d) Economic development**

**Explanation:**

- Physical Quality of Life Index (PQLI) is an indicator used to measure the economic development of a country.

**40. The largest proportion of national income comes from \_\_\_\_\_.**

- |                   |                      |
|-------------------|----------------------|
| a) Private sector | b) Local sector      |
| c) Public sector  | d) None of the above |

**Ans: a) Private sector**

**Explanation:**

- In most economies, the largest proportion of national income is generated by the private sector through businesses and industries.

**41. Every able bodied person who is willing to work at the prevailing wage rate is employed called as \_\_\_\_\_.**

- |                    |                           |
|--------------------|---------------------------|
| a) Full employment | b) Under employment       |
| c) Unemployment    | d) Employment opportunity |

**Ans: a) Full employment**

**Explanation:**

- Full employment refers to a situation where all able-bodied individuals willing to work at the current wage rates are employed.

**42. Structural unemployment is a feature in a \_\_\_\_\_.**

- |                    |                      |
|--------------------|----------------------|
| a) Static society  | b) Socialist society |
| c) Dynamic society | d) Mixed economy     |

**Ans: c) Dynamic society**

**Explanation:**

- Structural unemployment occurs in a dynamic society where economic changes cause certain skills to become obsolete.

**43. In disguised unemployment, the marginal productivity of labour is \_\_\_\_\_.**

- |         |             |
|---------|-------------|
| a) Zero | b) One      |
| c) Two  | d) Positive |

**Ans: a) Zero**

**Explanation:**

- Disguised unemployment refers to a situation where additional workers do not contribute to productivity, resulting in a marginal productivity of zero.



44. The main contention of the Classical Economic Theory is .....

- a) Under employment                      b) Economy is always in the state of equilibrium  
c) Demand creates its supply            d) Imperfect competition

**Ans: b) Economy is always in the state of equilibrium**

**Explanation:**

- Classical economic theory asserts that markets are self-regulating and always move towards equilibrium through the forces of supply and demand.

45. J.B. Say is a \_\_\_\_\_.

- a) Neo Classical Economist                      b) Classical Economist  
c) Modern Economist                              d) New Economist

**Ans: b) Classical Economist**

**Explanation:**

- Jean-Baptiste Say was a classical economist known for Say's Law, which states that supply creates its own demand.

46. According to Keynes, which type of unemployment prevails in capitalist economy ?

- a) Full employment                              b) Voluntary unemployment  
c) Involuntary unemployment                d) Under employment

**Ans: c) Involuntary unemployment**

**Explanation:**

- Keynes argued that capitalist economies can experience involuntary unemployment, where workers who are willing to work at the prevailing wage rate cannot find jobs.

47. The core of the classical theory of employment is \_\_\_\_\_.

- a) Law of Diminishing Return                      b) Law of Demand  
c) Law of Markets                                      d) Law of Consumption

**Ans: c) Law of Markets**

**Explanation:**

- The core of the classical theory of employment is the Law of Markets, often summarized as "supply creates its own demand."

48. Keynes attributes unemployment to \_\_\_\_\_.

- a) A lack of effective supply                      b) A lack of effective demand  
c) A lack of both                                      d) None of the above



**Ans: b) A lack of effective demand**

**Explanation:**

- Keynes believed that unemployment is primarily caused by insufficient aggregate demand in the economy.

**49. \_\_\_\_\_ Flexibility brings equality between saving and investment.**

- |            |             |
|------------|-------------|
| a) Demand  | b) Supply   |
| c) Capital | d) Interest |

**Ans: d) Interest**

**Explanation:**

- Interest rate flexibility helps to balance saving and investment by adjusting the cost of borrowing.

**50. \_\_\_\_\_ theory is a turning point in the development of modern economic theory.**

- |              |               |
|--------------|---------------|
| a) Keynes'   | b) Say's      |
| c) Classical | d) Employment |

**Ans: a) Keynes'**

**Explanation:**

- Keynes' theory, particularly his work in "The General Theory of Employment, Interest, and Money," marked a significant turning point in modern economic theory by introducing the concepts of aggregate demand and government intervention.

**51. The basic concept used in Keynes Theory of Employment and Income is \_\_\_\_\_**

- |                     |                                |
|---------------------|--------------------------------|
| a) Aggregate demand | b) Aggregate supply            |
| c) Effective demand | d) Marginal Propensity Consume |

**Ans: c) Effective demand**

**Explanation:**

- Keynes emphasized the role of effective demand in determining the levels of employment and income.
- Effective demand refers to the total demand for goods and services in an economy at a given overall price level and in a given period.

**52. The component of aggregate demand is \_\_\_\_\_.**

- |                    |                           |
|--------------------|---------------------------|
| a) Personal demand | b) Government expenditure |
| c) Only export     | d) Only import            |







56. Classical theory advocates \_\_\_\_\_.

- |                    |                      |
|--------------------|----------------------|
| a) Balanced budget | b) Unbalanced budget |
| c) Surplus budget  | d) Deficit budget    |

**Ans: a) Balanced budget**

**Explanation:**

- Classical economic theory generally emphasizes the importance of maintaining a balanced budget, where government expenditures are equal to government revenues, to avoid deficits and debt accumulation.

57. Keynes theory emphasized on \_\_\_\_\_ equilibrium.

- |                   |              |
|-------------------|--------------|
| a) Very short run | b) Short run |
| c) Very long run  | d) Long run  |

**Ans: b) Short run**

**Explanation:**

- Keynesian economics focuses on short-run fluctuations in the economy and the use of fiscal and monetary policy to manage aggregate demand and smooth out business cycles.

58. According to classical theory, rate of interest is a reward for \_\_\_\_\_.

- |               |           |
|---------------|-----------|
| a) Investment | b) Demand |
| c) Capital    | d) Saving |

**Ans: d) Saving**

**Explanation:**

- In classical theory, the interest rate is viewed as the reward for saving. It equilibrates savings and investment in the economy.

59. In Keynes theory , the demand for and supply of money are determined by \_\_\_\_\_

- |                     |                     |
|---------------------|---------------------|
| a) Rate of interest | b) Effective demand |
| c) Aggregate demand | d) Aggregate supply |

**Ans: a) Rate of interest**

**Explanation:**

- According to Keynes, the demand for money is influenced by the interest rate, which affects the opportunity cost of holding money versus investing it.
- The supply of money is determined by the central bank.



60. Say's law stressed the operation of \_\_\_\_\_ in the economy.

- a) Induced price mechanism                      b) Automatic price mechanism  
c) Induced demand                                d) Induced investment

**Ans: b) Automatic price mechanism**

**Explanation:**

- Say's law posits that supply creates its own demand, implying that free markets naturally regulate themselves through price mechanisms without the need for government intervention.

61. The average propensity to consume is measured by \_\_\_\_\_.

- a)  $C/Y$     b)  $C \times Y$   
c)  $Y/C$     d)  $C+Y$

**Ans: a)  $C/Y$**

**Explanation:**

- The average propensity to consume (APC) is the ratio of total consumption (C) to total income (Y).

62. An increase in the marginal propensity to consume will:

- a) Lead to consumption function becoming steeper  
b) Shift the consumption function upwards  
c) Shift the consumption function downwards  
d) Shift savings function upwards

**Ans: a) Lead to consumption function becoming steeper**

**Explanation:**

- The marginal propensity to consume (MPC) is the change in consumption due to a change in income.
- A higher MPC means that a greater proportion of additional income is spent on consumption, making the consumption function steeper.

63. If the Keynesian consumption function is  $C=10+0.8 Y$  then, if disposable income is ₹ 1000, what is amount of total consumption?

- a) ₹ 0.8    b) ₹ 800  
c) ₹ 810    d) ₹ 0.81

**Ans: b) ₹ 800**

**Explanation:**

- Plugging in the disposable income ( $Y = 1000$ ) into the consumption function  $C = 10 + 0.8Y$ , we get  $C = 10 + 0.8(1000) = 10 + 800 = 810$ .







**68. Lower interest rates are likely to :**

- |                            |                                    |
|----------------------------|------------------------------------|
| a) Decrease in consumption | b) increase cost of borrowing      |
| c) Encourage saving        | d) increase borrowing and spending |

**Ans: d) increase borrowing and spending**

**Explanation:**

- Lower interest rates reduce the cost of borrowing, which encourages individuals and businesses to borrow more and spend more, thereby stimulating economic activity.

**69. The MPC is equal to : \_\_\_\_\_**

- |  |                                   |
|--|-----------------------------------|
| a) Total spending / total consumption      | b) Total consumption/total income |
| c) Change in consumption /change in income | d) none of the above.             |

**Ans: c) Change in consumption /change in income**

**Explanation:**

- The marginal propensity to consume (MPC) is the ratio of the change in consumption to the change in income.

**70. The relationship between total spending on consumption and the total income is the**

- |                         |                              |
|-------------------------|------------------------------|
| a) Consumption function | b) Savings function          |
| c) Investment function  | d) aggregate demand function |

**Ans: a) Consumption function**

**Explanation:**

- The consumption function describes the relationship between total consumption and total income in an economy.

**71. The sum of the MPC and MPS is**

- |        |        |
|--------|--------|
| a) 1   | b) 2   |
| c) 0.1 | d) 1.1 |

**Ans: a) 1**

**Explanation:**

- The marginal propensity to consume (MPC) and the marginal propensity to save (MPS) together always add up to 1 because any additional income is either consumed or saved.

**72. As income increases, consumption will \_\_\_\_\_.**

- |              |               |
|--------------|---------------|
| a) fall      | b) not change |
| c) fluctuate | d) increase   |



**Ans: d) increase**

**Explanation:**

- According to Keynesian theory, as income increases, consumption also increases, though not as much as income due to the marginal propensity to save.

**73. When investment is assumed autonomous the slope of the AD schedule is determined by the \_\_\_\_\_.**

- a) marginal propensity to invest      b) disposable income  
c) marginal propensity to consume      d) average propensity to consume

**Ans: c) marginal propensity to consume**

**Explanation:**

- The slope of the aggregate demand (AD) schedule in Keynesian economics is determined by the marginal propensity to consume (MPC) because it affects the multiplier and, hence, the overall level of aggregate demand.

**74. The multiplier tells us how much \_\_\_\_\_ changes after a shift in \_\_\_\_\_.**

- a) Consumption , income      b) investment, output  
c) savings, investment      d) output, aggregate demand

**Ans: d) output, aggregate demand**

**Explanation:**

- The multiplier effect refers to the change in output resulting from a change in aggregate demand. It shows the proportional amount of increase in final income that results from an injection of spending.

**75. The multiplier is calculated as \_\_\_\_\_.**

- a)  $1/(1-MPC)$       b)  $1/MPS$   
c)  $1/MPC$       d) a and b

**Ans: d) a and b**

**Explanation:**

- The multiplier can be calculated as  $1/(1-MPC)$  or  $1/MPS$ , as  $MPS$  is equal to  $1 - MPC$ .

**76. If the MPC is 0.5, the multiplier is \_\_\_\_\_.**

- a) 2      b) 1/2  
c) 0.2      d) 20

**Ans: a) 2**





81. The RBI Headquarters is located at\_\_\_\_\_..

- a) Delhi  
b) Chennai  
c) Mumbai  
d) Bengaluru

**Ans: c) Mumbai**

**Explanation:**

- The Reserve Bank of India (RBI) headquarters is located in Mumbai.

82. Money is\_\_\_\_\_.

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

**Ans: c) the most liquid of all assets**

**Explanation:**

- Money is considered the most liquid asset because it can be quickly and easily used to purchase goods and services.

83. Paper currency system is managed by the\_\_\_\_\_.

- a) Central Monetary authority  
b) State Government  
c) Central Government  
d) Banks

**Ans: a) Central Monetary authority**

**Explanation:**

- In most countries, the central monetary authority, such as the central bank, is responsible for managing the paper currency system.

84. The basic distinction between M1 and M2 is with regard to .

- a) post office deposits  
b) time deposits of banks  
c) saving deposits of banks  
d) currency

**Ans: b) time deposits of banks**

**Explanation:**

- M1 includes the most liquid forms of money, such as cash and checking deposits. M2 includes all of M1 plus less liquid forms, such as savings deposits and time deposits.

85. Irving Fisher's Quantity Theory of Money was popularized in\_\_\_\_\_.

- a) 1908  
b) 1910  
c) 1911  
d) 1914.



**Ans: c) 1911**

**Explanation:**

- Irving Fisher's Quantity Theory of Money was popularized in his book "The Purchasing Power of Money" published in 1911.

**86. MV stands for\_\_\_\_\_.**

- |                         |                                 |
|-------------------------|---------------------------------|
| a) demand for money     | b) supply of legal tender money |
| c) Supply of bank money | d) Total supply of money        |

**Ans: d) Total supply of money**

**Explanation:**

- In the equation  $MV = PT$ , M stands for the total supply of money, and V stands for the velocity of money.

**87. Inflation means\_\_\_\_\_.**

- |                                 |                                  |
|---------------------------------|----------------------------------|
| a) Prices are rising            | b) Prices are falling            |
| c) Value of money is increasing | d) Prices are remaining the same |

**Ans: a) Prices are rising**

**Explanation:**

- Inflation is defined as a general increase in prices and fall in the purchasing value of money.

**88. \_\_\_\_\_ inflation results in a serious depreciation of the value of money.**

- |             |            |
|-------------|------------|
| a) Creeping | b) Walking |
| c) running  | d) Hyper   |

**Ans: d) Hyper**

**Explanation:**

- Hyperinflation is an extremely high and typically accelerating rate of inflation, often exceeding 50% per month, leading to a serious depreciation of the value of money.

**89. \_\_\_\_\_ inflation occurs when general prices of commodities increases due to increase in production costs such as wages and raw materials.**

- |              |                |
|--------------|----------------|
| a) Cost-push | b) demand pull |
| c) running   | d) galloping   |

**Ans: a) Cost-push**

**Explanation:** Cost-push inflation occurs when the overall price levels rise due to increases in the cost of wages and raw materials.



**90. During inflation, who are the gainers?**

- |                            |               |
|----------------------------|---------------|
| a) Debtors                 | b) Creditors  |
| c) Wage and salary earners | d) Government |

**Ans: a) Debtors**

**Explanation:**

- During inflation, debtors benefit because they can repay their debts with money that is worth less than when they originally borrowed it.

**91. \_\_\_\_\_ is a decrease in the rate of inflation.**

- |                 |               |
|-----------------|---------------|
| a) Disinflation | b) Deflation  |
| c) Stagflation  | d) Depression |

**Ans: a) Disinflation**

**Explanation:**

- Disinflation refers to a decrease in the rate of inflation – a slowdown in the rate at which prices are increasing.

**92. Stagflation combines the rate of inflation with \_\_\_\_\_.**

- |               |               |
|---------------|---------------|
| a) Stagnation | b) employment |
| c) output     | d) price      |

**Ans: a) Stagnation**

**Explanation:**

- Stagflation is an economic condition where inflation and economic stagnation (slow growth, high unemployment) occur simultaneously.

**93. The study of alternating fluctuations in business activity is referred to in Economics as**

- |             |                |
|-------------|----------------|
| a) Boom     | b) Recession   |
| c) Recovery | d) Trade cycle |

**Ans: d) Trade cycle**

**Explanation:**

- The study of alternating periods of economic expansion and contraction (boom and bust) is referred to as the trade cycle or business cycle.

**94. During depression the level of economic activity becomes extremely**

- |         |         |
|---------|---------|
| a) high | b) bad  |
| c) low  | d) good |





**Ans: c) low**

**Explanation:**

- During a depression, economic activity significantly declines, leading to very low levels of production, employment, and investment.

**95. "Money can be anything that is generally acceptable as a means of exchange and that the same time acts as a measure and a store of value", This definition was given by**

- |               |                  |
|---------------|------------------|
| a) Crowther   | b) A.C.Pigou     |
| c) F.A.Walker | d) Francis Bacon |

**Ans: a) Crowther**

**Explanation:**

- This definition of money was given by Geoffrey Crowther, emphasizing its roles as a medium of exchange, a measure of value, and a store of value.

**96. Debit card is an example of\_\_\_\_\_.**

- |                  |                   |
|------------------|-------------------|
| a) currency      | b) paper currency |
| c) plastic money | d) money          |

**Ans: c) plastic money**

**Explanation:**

- Debit cards are a form of plastic money, as they are made of plastic and are used as an electronic means of payment.

**97. Fisher's Quantity Theory of money is based on the essential function of money as**

- |                       |                                 |
|-----------------------|---------------------------------|
| a) measure of value   | b) store of value               |
| c) medium of exchange | d) standard of deferred payment |

**Ans: c) medium of exchange**

**Explanation:**

- Fisher's Quantity Theory of Money focuses on money's role as a medium of exchange in transactions.

**98. V in  $MV = PT$  equation stands for\_\_\_\_\_**

- |                          |                                     |
|--------------------------|-------------------------------------|
| a) Volume of trade       | b) Velocity of circulation of money |
| c) Volume of transaction | d) Volume of bank and credit money  |

**Ans: b) Velocity of circulation of money**

**Explanation:** In the equation  $MV = PT$ , V stands for the velocity of circulation of money, which is the rate at which money is exchanged in the economy.



**99. When prices rise slowly, we call it**

- |                        |                   |
|------------------------|-------------------|
| a) galloping inflation | b) mild inflation |
| c) hyper inflation     | d) deflation      |

**Ans: b) mild inflation**

**Explanation:**

- Mild inflation refers to a slow and steady increase in prices, typically at a rate of about 1-3% per year.

**100. \_\_\_\_\_ inflation is in no way dangerous to the economy.**

- |             |              |
|-------------|--------------|
| a) walking  | b) running   |
| c) creeping | d) galloping |

**Ans: c) creeping**

**Explanation:**

- Creeping inflation, which refers to a very low, gradual rate of inflation (1-3% per year), is generally considered to be not dangerous to the economy and can even be beneficial by encouraging consumption and investment.

**101. A Bank is a \_\_\_\_\_**

- |                          |                         |
|--------------------------|-------------------------|
| a) Financial institution | b) Corporate            |
| c) An Industry           | d) Service institutions |

**Ans: a) Financial institution**

**Explanation:**

- A bank is a financial institution that accepts deposits, provides loans, and offers various financial services to its customers.

**102. A Commercial Bank is an institutions that provides services \_\_\_\_\_**

- |                       |                      |
|-----------------------|----------------------|
| a) Accepting deposits | b) Providing loans   |
| c) Both a and b       | d) None of the above |

**Ans: c) Both a and b**

**Explanation:**

- Commercial banks perform two main functions: accepting deposits and providing loans to individuals and businesses.

**103. The Functions of commercial banks are broadly classified into \_\_\_\_\_**

- |                      |                        |
|----------------------|------------------------|
| a) Primary Functions | b) Secondary functions |
| c) Other functions   | d) a, b, and c         |





**Ans: d) a, b, and c**

**Explanation:**

- The functions of commercial banks include primary functions (accepting deposits and lending money), secondary functions (agency services like collection of cheques), and other functions (providing locker facilities, foreign exchange services, etc.).

**104. Bank credit refers to \_\_\_\_\_**

- |                            |               |
|----------------------------|---------------|
| a) Bank Loans              | b) Advances   |
| c) Bank loans and advances | d) Borrowings |

**Ans: c) Bank loans and advances**

**Explanation:**

- Bank credit includes all loans and advances provided by banks to their customers.

**105. Credit creation means.**

- |   |            |
|---|------------|
| a) Multiplication of loans and advances | b) Revenue |
| c) Expenditure                          | d) Debt    |

**Ans: a) Multiplication of loans and advances**

**Explanation:**

- Credit creation refers to the process by which banks create more money in the economy by lending out a portion of the deposits they receive.

**106. NBFIs do not have.**

- |                          |                              |
|--------------------------|------------------------------|
| a) Banking license       | b) government approval       |
| c) Money market approval | d) Finance ministry approval |

**Ans: a) Banking license**

**Explanation:**

- Non-Banking Financial Institutions (NBFIs) do not have a banking license and cannot accept deposits from the public like traditional banks.

**107. Central bank is \_\_\_\_\_ authority of any country.**

- |             |                    |
|-------------|--------------------|
| a) Monetary | b) Fiscal          |
| c) Wage     | d) National Income |

**Ans: a) Monetary**

**Explanation:** The central bank is the primary monetary authority in any country, responsible for managing the currency, money supply, and interest rates.



**108. Who will act as the banker to the Government of India?**

- a) SBI  
b) NABARD  
c) ICICI  
d) RBI

**Ans: d) RBI**

**Explanation:**

- The Reserve Bank of India (RBI) acts as the banker to the Government of India, managing its accounts and facilitating transactions.

**109. Lender of the last resort is one of the functions of.**

- a) Central Bank  
b) Commercial banks  
c) Land Development Banks  
d) Co-operative banks

**Ans: a) Central Bank**

**Explanation:**

- The central bank acts as the lender of last resort, providing financial institutions with emergency funding to prevent financial crises.

**110. Bank Rate means.**

- a) Re-discounting the first class securities  
b) Interest rate  
c) Exchange rate  
d) Growth rate

**Ans: a) Re-discounting the first class securities**

**Explanation:**

- The bank rate is the rate at which the central bank re-discounts bills of exchange and other first-class securities held by commercial banks.

**111. Repo Rate means.**

- a) Rate at which the Commercial Banks are willing to lend to RBI  
b) Growth rate of the economy  
c) Rate at which the RBI is willing to lend to commercial banks  
d) Exchange rate of the foreign bank

**Ans: c) Rate at which the RBI is willing to lend to commercial banks**

**Explanation:**

- The repo rate is the rate at which the Reserve Bank of India lends short-term money to commercial banks

**112. Moral suasion refers.**

- a) Optimization  
b) Maximization  
c) Persuasion  
d) Minimization



**Ans: c) Persuasion**

**Explanation:**

- Moral suasion refers to the central bank's use of persuasive techniques to influence and encourage banks to adhere to policy guidelines.

**113. ARDC started functioning from**

- |                 |                 |
|-----------------|-----------------|
| a) June 3, 1963 | b) July 3, 1963 |
| c) June 1, 1963 | d) July 1, 1963 |

**Ans: b) July 3, 1963**

**Explanation:**

- The Agricultural Refinance and Development Corporation (ARDC) started functioning on July 3, 1963.

**114. NABARD was set up in.**

- |              |              |
|--------------|--------------|
| a) July 1962 | b) July 1972 |
| c) July 1982 | d) July 1992 |

**Ans: c) July 1982**

**Explanation:**

- The National Bank for Agriculture and Rural Development (NABARD) was established in July 1982 to promote sustainable agriculture and rural development.

**115. EXIM bank was established in.**

- |              |               |
|--------------|---------------|
| a) June 1982 | b) April 1982 |
| c) May 1982  | d) March 1982 |

**Ans: b) April 1982**

**Explanation:**

- The Export-Import Bank of India (EXIM Bank) was established in April 1982 to facilitate and promote India's international trade.

**116. The State Financial Corporation Act was passed by\_\_\_\_\_**

- |                                    |                            |
|------------------------------------|----------------------------|
| a) Government of India             | b) Government of Tamilnadu |
| c) Government of Union Territories | d) Local Government.       |

**Ans: a) Government of India**

**Explanation:**

- The State Financial Corporation Act, which provides for the establishment of state financial corporations, was passed by the Government of India.



**117. Monetary policy his formulated by.**

- a) Co-operative banks                      b) Commercial banks  
c) Central Bank                                d) Foreign banks

**Ans: c) Central Bank**

**Explanation:**

- Monetary policy, which includes controlling the money supply and interest rates, is formulated by the central bank.

**118. Online Banking is also known as.**

- a) E-Banking              b) Internet Banking              c) RTGS              d) NEFT

**Ans: b) Internet Banking**

**Explanation:**

- Online banking, also known as internet banking, allows customers to conduct financial transactions via the internet.

**119. Expansions of ATM.**

- a) Automated Teller Machine              b) Adjustment Teller Machine  
c) Automatic Teller mechanism              d) Any Time Money

**Ans: a) Automated Teller Machine**

**Explanation:**

- ATM stands for Automated Teller Machine, a device that allows bank customers to perform financial transactions without needing a human teller.

**120. 2016 Demonetization of currency includes denominations of \_\_\_\_\_**

- a) ₹ 500 and ₹ 1000                      b) ₹ 1000 and ₹ 2000  
c) ₹ 200 and ₹ 500                      d) All the above

**Ans: a) ₹ 500 and ₹ 1000**

**Explanation:**

- In 2016, the Indian government demonetized ₹ 500 and ₹ 1000 currency notes to combat black money and counterfeit currency.

**121. Trade between two countries is known as \_\_\_\_\_ trade**

- a) External                                      b) Internal  
c) Inter-regional                              d) Home

**Ans: a) External**

**Explanation:**

- Trade between two countries is referred to as external trade or international trade.



**122. Which of the following factors influence trade?**

- a) The stage of development of a product
- b) The relative price of factors of productions.
- c) Government.
- d) All of the above.

**Ans: d) All of the above**

**Explanation:**

- The stage of development of a product, the relative price of factors of production, and government policies all influence trade.

**123. International trade differs from domestic trade because of \_\_\_\_\_**

- a) Trade restrictions
- b) Immobility of factors
- c) Different government policies
- d) All the above

**Ans: d) All of the above**

**Explanation:**

- International trade differs from domestic trade due to trade restrictions, immobility of factors of production, and different government policies.

**124. In general, a primary reason why nations conduct international trade is because....**

- a) Some nations prefer to produce one thing while others produce another
- b) Resources are not equally distributed among all trading nations
- c) Trade enhances opportunities to accumulate profits
- d) Interest rates are not identical in all trading nations

**Ans: b) Resources are not equally distributed among all trading nations**

**Explanation:**

- Nations engage in international trade because resources are not equally distributed, allowing countries to specialize in the production of goods where they have a comparative advantage.

**125. Which of the following is a modern theory of international trade?**

- a) absolute cost
- b) comparative cost
- c) Factor endowment theory
- d) none of these

**Ans: c) Factor endowment theory**

**Explanation:** The factor endowment theory, also known as the Heckscher-Ohlin theory, is a modern theory of international trade that explains how countries trade based on their factor endowments.





126. Exchange rates are determined in \_\_\_\_\_

- |                 |                            |
|-----------------|----------------------------|
| a) money market | b) foreign exchange market |
| c) stock market | d) capital market          |

**Ans: b) foreign exchange market**

**Explanation:**

- Exchange rates are determined in the foreign exchange market, where currencies are traded.

127. Exchange rate for currencies is determined by supply and demand under the system of

- |                        |                           |
|------------------------|---------------------------|
| a) Fixed exchange rate | b) Flexible exchange rate |
| c) Constant            | d) Government regulated   |

**Ans: b) Flexible exchange rate**

**Explanation:**

- Under a flexible exchange rate system, currency exchange rates are determined by supply and demand in the foreign exchange market.

128. Net export equals \_\_\_\_\_

- |                    |                             |
|--------------------|-----------------------------|
| a) Export x Import | b) Export + Import          |
| c) Export – Import | d) Exports of services only |

**Ans: c) Export – Import**

**Explanation:**

- Net exports are calculated as the difference between a country's exports and imports.

129. Who among the following enunciated the concept of single factoral terms of trade?

- |                |               |
|----------------|---------------|
| a) Jacob Viner | b) G.S.Donens |
| c) Taussig     | d) J.S.Mill   |

**Ans: a) Jacob Viner**

**Explanation:**

- Jacob Viner introduced the concept of single factoral terms of trade, which measures the terms of trade by considering the productivity of a single factor of production.

130. Terms of Trade of a country show \_\_\_\_\_

- |   |                           |
|---|---------------------------|
| a) Ratio of goods exported and imported   | b) Ratio of import duties |
| c) Ratio of prices of exports and imports | d) Both (a) and (c)       |



**Ans: d) Both (a) and (c)**

**Explanation:**

- The terms of trade of a country indicate the ratio of goods exported to goods imported and the ratio of prices of exports to imports.

**131. Favourable trade means value of exports are ..... Than that of imports.**

- |                 |                  |
|-----------------|------------------|
| a) More         | b) Less          |
| c) More or Less | d) Not more than |

**Ans: a) More**

**Explanation:**

- Favourable trade, also known as a trade surplus, occurs when the value of a country's exports exceeds the value of its imports.

**132. If there is an imbalance in the trade balance (more imports than exports), it can be reduced by\_\_\_\_\_**

- |                              |                             |
|------------------------------|-----------------------------|
| a) decreasing customs duties | b) increasing export duties |
| c) stimulating exports       | d) stimulating imports      |

**Ans: c) stimulating exports**

**Explanation:**

- To reduce a trade deficit, a country can stimulate exports, making its goods more competitive in international markets and increasing foreign demand.

**133. BOP includes**

- |                                     |                           |
|-------------------------------------|---------------------------|
| a) visible items only               | b) invisible items only   |
| c) both visible and invisible items | d) merchandise trade only |

**Ans: c) both visible and invisible items**

**Explanation:**

- The Balance of Payments (BOP) includes all transactions between a country and the rest of the world, encompassing both visible items (goods) and invisible items (services, income, and transfers).

**134. Components of balance of payments of a country includes\_\_\_\_\_**

- |                    |                     |
|--------------------|---------------------|
| a) Current account | b) Official account |
| c) Capital account | d) All of above     |

**Ans: d) All of above**

**Explanation:**

- The Balance of Payments includes the current account (trade in goods and services, income, and transfers), the capital account (financial investments and transfers), and the official account (official reserves).

**135. In the case of BOT,**

- Transactions of goods are recorded.
- Transactions of both goods and services are recorded.
- Both capital and financial accounts are included.
- All of these

**Ans: a) Transactions of goods are recorded.**

**Explanation:**

- The Balance of Trade (BOT) specifically records transactions involving the export and import of goods.

**136. Tourism and travel are classified in which of balance of payments accounts?**

- merchandise trade account
- services account
- unilateral transfers account
- capital account

**Ans: b) services account**

**Explanation:**

- Tourism and travel are part of the services account within the balance of payments, as they involve the provision of services to foreign visitors.

**137. Cyclical disequilibrium in BOP occurs because of \_\_\_\_\_**

- Different paths of business cycle.
- The income elasticity of demand or price elasticity of demand is different.
- long-run changes in an economy
- Both (a) and (b).

**Ans: d) Both (a) and (b).**

**Explanation:**

- Cyclical disequilibrium in the Balance of Payments occurs due to different paths of business cycles and differences in income elasticity or price elasticity of demand.

**138. Which of the following is not an example of foreign direct investment?**

- the construction of a new auto assembly plant overseas
- the acquisition of an existing steel mill overseas
- the purchase of bonds or stock issued by a textile company overseas





d) the creation of a wholly owned business firm overseas

**Ans: c) the purchase of bonds or stock issued by a textile company overseas**

**Explanation:**

- Foreign Direct Investment (FDI) involves substantial investment in foreign businesses (e.g., setting up factories or acquiring companies), while purchasing stocks or bonds is considered portfolio investment.

**139. Foreign direct investments not permitted in India**

- |                   |                  |
|-------------------|------------------|
| a) Banking        | b) Atomic energy |
| c) Pharmaceutical | d) Insurance     |

**Ans: b) Atomic energy**

**Explanation:**

- In India, FDI is not permitted in certain sensitive sectors like atomic energy, which are reserved for the government due to national security concerns.

**140 Benefits of FDI include, theoretically**

- |  |
|--|
| a) Boost in Economic Growth                                |
| b) Increase in the import and export of goods and services |
| c) Increased employment and skill levels                   |
| d) All of these  |

**Ans: d) All of these**

**Explanation:**

- The benefits of FDI include boosting economic growth, increasing imports and exports, and creating jobs while enhancing skill levels.

**141. International Monetary Fund was an outcome of \_\_\_\_\_**

- |                             |                    |
|-----------------------------|--------------------|
| a) Pandung Conference       | b) Dunkel Draft    |
| c) Bretton Woods Conference | d) Doha Conference |

**Ans: c) Bretton Woods Conference**

**Explanation:**

- The International Monetary Fund (IMF) was established at the Bretton Woods Conference in 1944 to promote international monetary cooperation and financial stability.

**142. International Monetary Fund is having its headquarters at \_\_\_\_\_**

- |                    |             |
|--------------------|-------------|
| a) Washington D.C. | b) New York |
| c) Vienna          | d) Geneva   |



**Ans: a) Washington D.C.**

**Explanation:**

- The headquarters of the International Monetary Fund (IMF) is located in Washington D.C., United States.

**143. IBRD is otherwise called \_\_\_\_\_**

- |          |                                      |
|----------|--------------------------------------|
| a) IMF   | b) World Bank                        |
| c) ASEAN | d) International Finance Corporation |

**Ans: b) World Bank**

**Explanation:**

- The International Bank for Reconstruction and Development (IBRD) is commonly known as the World Bank, providing loans and financial assistance for development projects.

**144. The other name for Special Drawing Rights is \_\_\_\_\_**

- |                                  |                  |
|----------------------------------|------------------|
| a) Paper gold                    | b) Quotas        |
| c) Voluntary Export Restrictions | d) None of these |

**Ans: a) Paper gold**

**Explanation:**

- Special Drawing Rights (SDRs) are referred to as “paper gold” because they serve as a supplementary international reserve asset created by the IMF.

**145. The organization which provides long term loan is \_\_\_\_\_**

- |                             |                                |
|-----------------------------|--------------------------------|
| a) World Bank               | b) International Monetary Fund |
| c) World Trade Organisation | d) BRICS                       |

**Ans: a) World Bank**

**Explanation:**

- The World Bank provides long-term loans and grants to support development projects and reduce poverty in developing countries.

**146. Which of the following countries is not a member of SAARC?**

- |               |                |
|---------------|----------------|
| a) Sri Lanka  | b) Japan       |
| c) Bangladesh | d) Afghanistan |

**Ans: b) Japan**

**Explanation:** Japan is not a member of the South Asian Association for Regional Cooperation (SAARC), which includes countries like Sri Lanka, Bangladesh, and Afghanistan.



147. International Development Association is an affiliate of \_\_\_\_\_

- a) IMF  
b) World Bank  
c) SAARC  
d) ASEAN

**Ans: b) World Bank**

**Explanation:**

- The International Development Association (IDA) is an affiliate of the World Bank, providing concessional loans and grants to the world's poorest countries.

148. \_\_\_\_\_ relates to patents, copyrights, trade secrets, etc.,

- a) TRIPS  
b) TRIMS  
c) GATS  
d) NAMA

**Ans: a) TRIPS**

**Explanation:**

- The Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement covers issues related to patents, copyrights, and trade secrets.

149. The first ministerial meeting of WTO was held at \_\_\_\_\_

- a) Singapore  
b) Geneva  
c) Seattle  
d) Doha

**Ans: a) Singapore**

**Explanation:**

- The first ministerial meeting of the World Trade Organization (WTO) was held in Singapore in 1996.

150. ASEAN meetings are held once in every \_\_\_\_\_ years

- a) 2  
b) 3  
c) 4  
d) 5

**Ans: a) 2**

**Explanation:**

- ASEAN (Association of Southeast Asian Nations) meetings are held every two years to discuss regional issues and cooperation.

151. Which of the following is not the member of SAARC?

- a) Pakistan  
b) Sri Lanka  
c) Bhutan  
d) China

**Ans: d) China**





**156. The Tenth BRICS Summit was held in July 2018 at \_\_\_\_\_**

- |                 |             |
|-----------------|-------------|
| a) Beijing      | b) Moscow   |
| c) Johannesburg | d) Brasilia |

**Ans: c) Johannesburg**

**Explanation:**

- The Tenth BRICS Summit took place in Johannesburg, South Africa, in July 2018.

**157. New Development Bank is associated with \_\_\_\_\_**

- |          |          |
|----------|----------|
| a) BRICS | b) WTO   |
| c) SAARC | d) ASEAN |

**Ans: a) BRICS**

**Explanation:**

- The New Development Bank was established by the BRICS countries (Brazil, Russia, India, China, and South Africa) to support infrastructure and sustainable development projects.

**158. Which of the following does not come under 'Six dialogue partners' of ASEAN?**

- |          |                |
|----------|----------------|
| a) China | b) Japan       |
| c) India | d) North Korea |

**Ans: d) North Korea**

**Explanation:**

- North Korea is not one of the six dialogue partners of ASEAN, which include China, Japan, and India.

**159. SAARC Agricultural Information Centre (SAIC) works as a central information institution for agriculture related resources was founded on \_\_\_\_\_**

- |         |         |
|---------|---------|
| a) 1985 | b) 1988 |
| c) 1992 | d) 1998 |

**Ans: b) 1988**

**Explanation:**

- The SAARC Agricultural Information Centre (SAIC) was established in 1988 to serve as a central repository of agricultural information and resources for SAARC member countries.

**160. BENELUX is a form of \_\_\_\_\_**

- |                    |                   |
|--------------------|-------------------|
| a) Free trade area | b) Economic Union |
| c) Common market   | d) Customs union  |



**Ans: d) Customs union**

**Explanation:**

- BENELUX, comprising Belgium, the Netherlands, and Luxembourg, is a customs union, which allows for the free movement of goods without customs duties among the member countries.

**161. The modern state is \_\_\_\_\_**

- |                        |                       |
|------------------------|-----------------------|
| a) Laissez-faire state | b) Aristocratic state |
| c) Welfare state       | d) Police state       |

**Ans: c) Welfare state**

**Explanation:**

- The modern state is typically characterized as a welfare state, focusing on providing social services and ensuring the well-being of its citizens, unlike the laissez-faire, aristocratic, or police state.

**162. One of the following is NOT a feature of private finance \_\_\_\_\_**

- |  |              |
|--|--------------|
| a) Balancing of income and expenditure | b) Secrecy   |
| c) Saving some part of income          | d) Publicity |

**Ans: d) Publicity**

**Explanation:**

- Private finance typically involves balancing income and expenditure, maintaining secrecy, and saving a portion of income. Publicity is not a feature as private finances are usually kept confidential.

**163. The tax possesses the following characteristics \_\_\_\_\_**

- |                              |                    |
|------------------------------|--------------------|
| a) Compulsory                | b) No quid pro quo |
| c) Failure to pay is offence | d) All the above   |

**Ans: d) All the above**

**Explanation:**

- Taxes are compulsory, there is no direct quid pro quo, and failure to pay taxes is an offense.

**164. Which of the following canons of taxation was not listed by Adam Smith?**

- |                         |                        |
|-------------------------|------------------------|
| a) Canon of equality    | b) Canon of certainty  |
| c) Canon of convenience | d) Canon of simplicity |

**Ans: d) Canon of simplicity**







**Ans: b) Income tax**

**Explanation:**

- Income tax is a direct tax levied directly on individuals' earnings. Excise duty, customs duty, and service tax are indirect taxes.

**169. Which of the following is not a tax under Union list?**

- |                            |                    |
|----------------------------|--------------------|
| a) Personal Income Tax     | b) Corporation Tax |
| c) Agricultural Income Tax | d) Excise duty     |

**Ans: c) Agricultural Income Tax**

**Explanation:**

- Agricultural Income Tax is not under the Union list; it is a state subject. Personal income tax, corporation tax, and excise duty are under the Union list.

**170. "Revenue Receipts" of the Government do not include \_\_\_\_\_**

- |                         |                          |
|-------------------------|--------------------------|
| a) Interest             | b) Profits and dividends |
| c) Recoveries and loans | d) Rent from property    |

**Ans: c) Recoveries and loans**

**Explanation:**

- Revenue receipts include interest, profits and dividends, and rent from property. Recoveries and loans are considered capital receipts.

**171. The difference between revenue expenditure and revenue receipts is \_\_\_\_\_.**

- |                    |                    |
|--------------------|--------------------|
| a) Revenue deficit | b) Fiscal deficit  |
| c) Budget deficit  | d) Primary deficit |

**Ans: a) Revenue deficit**

**Explanation:**

- The revenue deficit is the shortfall when revenue receipts are less than revenue expenditure.

**172. The difference between total expenditure and total receipts including loans and other liabilities is called \_\_\_\_\_.**

- |                    |                    |
|--------------------|--------------------|
| a) Fiscal deficit  | b) Budget deficit  |
| c) Primary deficit | d) Revenue deficit |

**Ans: a) Fiscal deficit**

**Explanation:**

- The fiscal deficit measures the shortfall when total expenditure exceeds total receipts, including loans and liabilities.



173. The primary purpose of deficit financing is \_\_\_\_\_

- a) Economic development
- b) Economic stability
- c) Economic equality
- d) Employment generation

**Ans: a) Economic development**

**Explanation:**

- Deficit financing is primarily used to fund economic development by creating more financial resources for investment in infrastructure and growth.

174. Deficit budget means \_\_\_\_\_

- a) An excess of government's revenue over expenditure
- b) An excess of government's current expenditure over its current revenue
- c) An excess of government's total expenditure over its total revenue
- d) None of above

**Ans: c) An excess of government's total expenditure over its total revenue**

**Explanation:**

- A deficit budget occurs when a government's total expenditure exceeds its total revenue, including borrowings.

175. Methods of repayment of public debt is \_\_\_\_\_.

- a) Conversion
- b) Sinking fund
- c) Funded debt
- d) All these

**Ans: d) All these**

**Explanation:**

- Repayment methods for public debt include conversion (exchange of old bonds for new ones), sinking fund (a reserve fund for debt repayment), and funded debt (long-term debt).

176. Conversion of public debt means exchange of \_\_\_\_\_

- a) new bonds for the old ones
- b) low interest bonds for higher interest bonds
- c) Long term bonds for short term bonds
- d) All the above

**Ans: d) All the above**

**Explanation:**

- Conversion of public debt can involve exchanging new bonds for old ones, low-interest bonds for higher interest ones, and long-term bonds for short-term ones.



177. The word budget has been derived from the French word “bougette” which means

- a) A small bag  
b) An empty box  
c) A box with papers  
d) None of the above

**Ans: a) A small bag**

**Explanation:**

- The term “budget” is derived from the French word “bougette,” meaning a small bag, symbolizing a container for financial documents.

178. Which one of the following deficits does not consider borrowing as a receipt?

- a) Revenue deficit  
b) Budgetary deficit  
c) Fiscal deficit  
d) Primary deficit

**Ans: a) Revenue deficit**

**Explanation:**

- The revenue deficit is calculated as the difference between revenue expenditure and revenue receipts, not considering borrowing.

179. Finance Commission determines \_\_\_\_\_

- a) The finances of Government of India  
b) The resources transfer to the states  
c) The resources transfer to the various departments  
d) None of the above

**Ans: b) The resources transfer to the states**

**Explanation:**

- The Finance Commission is responsible for recommending the distribution of financial resources between the central government and the states.

180. Consider the following statements and identify the right ones.

i. The finance commission is appointed by the President

ii. The tenure of Finance commission is five years

- a) i only  
b) ii only  
c) both  
d) none

**Ans: c) both**

**Explanation:**

- The Finance Commission is appointed by the President of India, and its tenure is five years.

181. The term environment has been derived from a French word \_\_\_\_\_

- a) Environ  
b) Environs  
c) Environia  
d) Envir



**Ans: b) Environs**

**Explanation:**

- The term environment is derived from the French word “environs,” meaning surroundings.

**182. The word biotic means environment \_\_\_\_\_**

- |             |                      |
|-------------|----------------------|
| a) living   | b) non-living        |
| c) physical | d) None of the above |

**Ans: a) living**

**Explanation:**

- “Biotic” refers to the living components of the environment, such as plants and animals.

**183. Ecosystem is smallest unit of \_\_\_\_\_**

- |               |                |
|---------------|----------------|
| a) Ionosphere | b) Lithosphere |
| c) Biosphere  | d) Mesosphere  |

**Ans: c) Biosphere**

**Explanation:**

- The ecosystem is the smallest unit of the biosphere, which includes all living organisms and their interactions with the physical environment.

**184. Who developed Material Balance Models?**

- |                                  |  |
|----------------------------------|--|
| a) Thomas and Picardy            | b) AlenKneese and R.V. Ayres             |
| c) Joan Robinson and J.M. Keynes | d) Joseph Stiglitz and Edward Chamberlin |

**Ans: b) Alen Kneese and R.V. Ayres**

**Explanation:**

- Material Balance Models were developed by Alen Kneese and R.V. Ayres to describe the flow of materials and energy in economic systems.

**185. Environmental goods are \_\_\_\_\_**

- |                 |                      |
|-----------------|----------------------|
| a) Market goods | b) Non-market goods  |
| c) Both         | d) None of the above |

**Ans: b) Non-market goods**

**Explanation:**

- Environmental goods, such as clean air and water, are non-market goods because they are not typically bought and sold in markets.





186. In a pure public good, consumption is \_\_\_\_\_

- a) Rival  
b) Non-rival  
c) Both  
d) None of the above

**Ans: b) Non-rival**

**Explanation:**

- In a pure public good, consumption is non-rival, meaning one person's consumption does not reduce the availability of the good for others

187. One of the most important market failures is caused by \_\_\_\_\_

- a) Positive externalities  
b) Negative externalities  
c) Both  
d) None of the above

**Ans: b) Negative externalities**

**Explanation:**

- Negative externalities, such as pollution, are a major cause of market failure because the costs are imposed on third parties not involved in the transaction.

188. The common source of outdoor air pollution is caused by combustion processes from the following

- a) Heating and cooking  
b) Traditional stoves  
c) Motor vehicles  
d) All the above

**Ans: d) All the above**

**Explanation:**

- Common sources of outdoor air pollution include combustion processes from heating and cooking, traditional stoves, and motor vehicles.

189. The major contributor of Carbon monoxide is \_\_\_\_\_

- a) Automobiles  
b) Industrial process  
c) Stationary fuel combustion  
d) None of the above

**Ans: a) Automobiles**

**Explanation:**

- Automobiles are the major contributors to carbon monoxide emissions due to the incomplete combustion of fuel.

190. Which one of the following causes of global warming?

- a) Earth gravitation force  
b) Oxygen  
c) Centripetal force  
d) Increasing temperature







**195. Primary cause of Soil pollution is \_\_\_\_\_**

- a) Pest control measures                      b) Land reclamation  
c) Agricultural runoff                         d) Chemical fertilizer

**Ans: d) Chemical fertilizer**

**Explanation:**

1. The primary cause of soil pollution is the overuse of chemical fertilizers, which can contaminate the soil and affect its quality.

**196. Which of the following is main cause for deforestation?**

- a) Timber harvesting industry                b) Natural afforestation  
c) Soil stabilization                            d) Climate stabilization

**Ans: a) Timber harvesting industry**

**Explanation:**

- The timber harvesting industry is a major cause of deforestation, leading to the clearing of forests for wood and other products.

**197. Electronic waste is commonly referred as \_\_\_\_\_**

- a) solid waste                                      b) composite waste  
c) e-waste                                         d) hospital waste

**Ans: c) e-waste**

- Explanation: Electronic waste, or e-waste, refers to discarded electronic devices and components, such as computers, smartphones, and televisions.

**198. Acid rain is one of the consequences of \_\_\_\_\_ Air pollution**

- a) Water Pollution                                b) Land pollution  
c) Noise pollution                                d) Air pollution

**Ans: a. Air pollution**

**Explanation:**

- Acid rain is caused by air pollution, particularly from the emission of sulfur dioxide and nitrogen oxides, which combine with water vapor to form acidic precipitation.

**199. Sustainable Development Goals and targets are to be achieved by \_\_\_\_\_**

- a) 2020    b) 2025  
c) 2030    d) 2050



**Ans: c) 2030**

**Explanation:**

- The Sustainable Development Goals (SDGs) are a set of 17 global goals established by the United Nations, with targets to be achieved by 2030.

**200. Alkali soils are predominantly located in the \_\_\_\_\_ plains?**

- |                    |                  |
|--------------------|------------------|
| a) Indus-Ganga     | b) North-Indian  |
| c) Gangetic plains | d) All the above |

**Ans: a) Indus-Ganga**

**Explanation:**

- Alkali soils, also known as sodic soils, are predominantly found in the Indus-Ganga plains of India, where the accumulation of sodium salts affects soil fertility.

**201. “Redistribution with Growth” became popular slogan for which approach?**

- |                         |                                  |
|-------------------------|----------------------------------|
| a) Traditional approach | b) New welfare oriented approach |
| c) Industrial approach  | d) None of the above             |

**Ans: b) New welfare oriented approach**

**Explanation:**

- “Redistribution with Growth” emerged as a slogan to reflect a welfare-oriented approach, focusing on equitable distribution of wealth along with economic growth.

**202. Which is not the feature of economic growth?**

- |                                       |                   |
|---------------------------------------|-------------------|
| a) Concerned with developed nations   | b) Gradual change |
| c) Concerned with quantitative aspect | d) Wider concept  |

**Ans: d) Wider concept**

**Explanation:**

- Economic growth is primarily concerned with quantitative aspects, gradual change, and is often a focus for developed nations. It is not a wider concept, which would encompass economic development.

**203. Which among the following is a characteristic of underdevelopment?**

- |                              |                              |
|------------------------------|------------------------------|
| a) Vicious circle of poverty | b) Rising mass consumption   |
| c) Growth of Industries      | d) High rate of urbanization |

**Ans: a) Vicious circle of poverty**

**Explanation:**

- Underdevelopment is characterized by a vicious circle of poverty, where low income leads to low savings and investment, perpetuating poverty. Rising mass consumption, growth of industries, and high urbanization are characteristics of developed or developing economies.

**204. The non-economic determinant of economic development \_\_\_\_\_**

- |                      |                   |
|----------------------|-------------------|
| a) Natural resources | b) Human resource |
| c) Capital formation | d) Foreign trade  |

**Ans: b) Human resource****Explanation:**

- Non-economic determinants of economic development include human resources, as the quality and skills of the workforce significantly impact economic progress.
- Natural resources, capital formation, and foreign trade are economic determinants.

**205. Economic growth measures the \_\_\_\_\_**

- |                           |                               |
|---------------------------|-------------------------------|
| a) Growth of productivity | b) Increase in nominal income |
| c) Increase in output     | d) None of the above          |

**Ans: c) Increase in output****Explanation:**

- Economic growth measures the increase in the output of goods and services in an economy over time.

**206. The supply side vicious circle of poverty suggests that poor nations remain poor because \_\_\_\_\_**

- |  |                           |
|--|---------------------------|
| a) Saving remains low                      | b) Investment remains low |
| c) There is a lack of effective government | d) a and b above          |

**Ans: d) a and b above****Explanation:**

- The supply-side vicious circle of poverty suggests that poor nations remain poor because saving remains low and investment remains low, hindering economic growth and development.

**207. Which of the following plan has focused on the agriculture and rural economy?**

- |                  |                       |
|------------------|-----------------------|
| a) People's Plan | b) Bombay Plan        |
| c) Gandhian Plan | d) Vishveshwarya Plan |



**Ans: c) Gandhian Plan**

**Explanation:**

- The Gandhian Plan focused on the agriculture and rural economy, emphasizing small-scale industries and self-sufficiency in villages.

**208. Arrange following plans in correct chronological order \_\_\_\_\_**

- |                          |                       |
|--------------------------|-----------------------|
| a) People's Plan         | b) Bombay Plan        |
| c) Jawaharlal Nehru Plan | d) Vishveshwarya Plan |

**Answer choices :**

- |                        |                        |
|------------------------|------------------------|
| a) (i) (ii) (iii) (iv) | b) (iv) (iii) (ii) (i) |
| c) (i) (ii) (iv) (iii) | d) (ii) (i) (iv) (iii) |

**Ans: b) (iv) (iii) (ii) (i)**

**Explanation: The correct chronological order is:**

- (iv) Vishveshwarya Plan (1934)
- (iii) Jawaharlal Nehru Plan (1944)
- (ii) Bombay Plan (1944-45)
- (i) People's Plan (1945)

**209. M.N. Roy was associated with \_\_\_\_\_**

- |                  |                      |
|------------------|----------------------|
| a) Congress Plan | b) People's Plan     |
| c) Bombay Plan   | d) None of the above |

**Ans: b) People's Plan**

**Explanation:**

- M.N. Roy was associated with the People's Plan, which was a socio-economic plan for India focusing on socialism and democratic planning.

**210. Which of the following country adopts indicative planning?**

- |           |            |
|-----------|------------|
| a) France | b) Germany |
| c) Italy  | d) Russia  |

**Ans: a) France**

**Explanation:**

- France is known for adopting indicative planning, where the government sets broad economic goals and encourages the private sector to meet these targets.

**211. Short-term plan is also known as \_\_\_\_\_**

- |                      |                         |
|----------------------|-------------------------|
| a) Controlling Plans | b) De-controlling Plans |
| c) Rolling Plans     | d) De-rolling Plans     |





**Ans: c) Rolling Plans**

**Explanation:**

- Short-term plans are often referred to as rolling plans, which are updated and revised regularly to reflect changing economic conditions.

**212. Long-term plan is also known as \_\_\_\_\_**

- |                      |                          |
|----------------------|--------------------------|
| a) Progressive Plans | b) Non-progressive Plans |
| c) Perspective Plans | d) Non-perspective Plans |

**Ans: c) Perspective Plans**

**Explanation:**

- Long-term plans are also known as perspective plans, which outline long-term goals and strategies for economic development over an extended period

**213. The basic philosophy behind long-term planning is to bring \_\_\_\_\_ changes in the economy?**

- |               |                 |
|---------------|-----------------|
| a) Financial  | b) Agricultural |
| c) Industrial | d) Structural   |

**Ans: d) Structural**

**Explanation:**

- The basic philosophy behind long-term planning is to bring about structural changes in the economy, addressing fundamental issues and ensuring sustainable development.

**214. Sarvodaya Plan was advocated by \_\_\_\_\_**

- |                   |                 |
|-------------------|-----------------|
| a) Mahatma Gandhi | b) J.P. Narayan |
| c) S. N Agarwal   | d) M.N. Roy     |

**Ans: b) J.P. Narayan**

**Explanation:**

- The Sarvodaya Plan was advocated by J.P. Narayan, focusing on the upliftment of all sections of society through decentralized planning and self-sufficiency.

**215. Planning Commission was set up in the year \_\_\_\_\_**

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

**Ans: a) 1950**

**Explanation:** The Planning Commission of India was established in 1950 to oversee and direct the country's economic planning and development.





**216. Who wrote the book 'The Road to Serfdom'?**

- a) Friedrich Hayek  
b) H.R. Hicks  
c) David Ricardo  
d) Thomas Robert Malthus

**Ans: a) Friedrich Hayek**

**Explanation:**

- Friedrich Hayek wrote 'The Road to Serfdom,' a seminal work critiquing central planning and advocating for free-market economies.

**217. Perspective plan is also known as \_\_\_\_\_**

- a) Short-term plan  
b) Medium-term plan  
c) Long-term plan  
d) None of the above

**Ans: c) Long-term plan**

**Explanation:**

- A perspective plan is another term for a long-term plan, which sets out economic and development objectives over an extended period.

**218. NITI Aayog is formed through \_\_\_\_\_**

- a) Presidential Ordinance  
b) Allocation of business rules by President of India  
c) Cabinet resolution  
d) None of the above

**Ans: c) Cabinet resolution**

**Explanation:**

- NITI Aayog was established through a cabinet resolution, replacing the Planning Commission to provide strategic and technical advice to the central and state governments.

**219. Expansion of NITI Aayog?**

- a) National Institute to Transform India  
b) National Institute for Transforming India  
c) National Institution to Transform India  
d) National Institution for Transforming India

**Ans: d) National Institution for Transforming India**

**Explanation:**

- NITI Aayog stands for the National Institution for Transforming India, focusing on sustainable development goals and cooperative federalism.



220. The Chair Person of NITI Aayog is \_\_\_\_\_

- |                     |                     |
|---------------------|---------------------|
| a) Prime Minister   | b) President        |
| c) Vice – President | d) Finance Minister |

**Ans: a) Prime Minister**

**Explanation:**

- The Prime Minister of India serves as the Chairperson of NITI Aayog, guiding its policies and initiatives.

221. The word ‘statistics’ is used as \_\_\_\_\_

- |                         |                   |
|-------------------------|-------------------|
| a) Singular.            | b) Plural         |
| c) Singular and Plural. | d) None of above. |

**Ans: c) Singular and Plural.**

**Explanation:**

- The word ‘statistics’ can be used in both singular and plural forms, depending on the context.

222. Who stated that statistics as a science of estimates and probabilities.

- |                    |                |
|--------------------|----------------|
| a) Horace Secrist. | b) R.A Fisher. |
| c) Ya-Lun-Chou     | d) Boddington  |

**Ans: d) Boddington**

**Explanation:**

- Boddington described statistics as a science of estimates and probabilities, highlighting its role in making inferences based on data.

223. Sources of secondary data are \_\_\_\_\_.

- |   |                         |
|---|-------------------------|
| a) Published sources.                         | b) Unpublished sources. |
| c) neither published nor unpublished sources. | d) Both (A) and (B)     |

**Ans: d) Both (A) and (B)**

**Explanation:**

- Secondary data can be obtained from both published and unpublished sources.

224. The data collected by questionnaires are \_\_\_\_\_ .

- |                    |                    |
|--------------------|--------------------|
| a) Primary data.   | b) Secondary data. |
| c) Published data. | d) Grouped data.   |

**Ans: a) Primary data.**

**Explanation:** Data collected through questionnaires are considered primary data, as they are collected directly from respondents for a specific research purpose.



225. A measure of the strength of the linear relationship that exists between two variables is called: \_\_\_\_\_

- a) Slope  
b) Intercept  
c) Correlation coefficient  
d) Regression equation

**Ans: c) Correlation coefficient**

**Explanation:**

- The correlation coefficient measures the strength and direction of the linear relationship between two variables.

226. If both variables X and Y increase or decrease simultaneously, then the coefficient of correlation will be: \_\_\_\_\_

- a) Positive  
b) Negative  
c) Zero  
d) One

**Ans: a) Positive**

**Explanation:**

- If both variables increase or decrease together, the correlation coefficient is positive, indicating a direct relationship.

227. If the points on the scatter diagram indicate that as one variable increases the other variable tends to decrease the value of r will be: \_\_\_\_\_

- a) Perfect positive  
b) Perfect negative  
c) Negative  
d) Zero

**Ans: c) Negative**

**Explanation:**

- If one variable increases while the other decreases, the correlation coefficient will be negative, indicating an inverse relationship.

228. The value of the coefficient of correlation r lies between: \_\_\_\_\_

- a) 0 and 1  
b) -1 and 0  
c) -1 and +1  
d) -0.5 and +0.5

**Ans: c) -1 and +1**

**Explanation:**

- The correlation coefficient r ranges from -1 to +1, indicating the strength and direction of the linear relationship between two variables.



229. The term regression was used by: \_\_\_\_\_

- a) Newton                      b) Pearson                      c) Spearman                      d) Galton

**Ans: d) Galton**

**Explanation:**

- Francis Galton first used the term “regression” in the context of statistical analysis to describe the relationship between variables.

230. The purpose of simple linear regression analysis is to: \_\_\_\_\_

- a) Predict one variable from another variable  
 b) Replace points on a scatter diagram by a straight-line  
 c) Measure the degree to which two variables are linearly associated  
 d) Obtain the expected value of the independent random variable for a given value of the dependent variable

**Ans: a) Predict one variable from another variable**

**Explanation:**

- Simple linear regression is used to predict the value of one variable based on the value of another variable by fitting a linear equation to the observed data.

231. A process by which we estimate the value of dependent variable on the basis of one or more independent variables is called: \_\_\_\_\_

- a) Correlation                      b) Regression  
 c) Residual                      d) Slope

**Ans: b) Regression**

**Explanation:**

- Regression analysis estimates the value of a dependent variable based on one or more independent variables.

232. If  $Y = 2 - 0.2X$ , then the value of Y intercept is equal to \_\_\_\_\_

- a) -0.2                      b) 2  
 c) 0.2X                      d) All of the above

**Ans: b) 2**

**Explanation:**

- In the regression equation  $Y = 2 - 0.2X$ , the Y-intercept is 2, which is the value of Y when X is zero.



233. In the regression equation  $Y = \beta_0 + \beta_1 X$ , the Y is called: \_\_\_\_\_

- a) Independent variable                      b) Dependent variable  
c) Continuous variable                      d) none of the above

**Ans: b) Dependent variable**

**Explanation:**

- In the regression equation  $Y = \beta_0 + \beta_1 X$ , Y is the dependent variable, whose value is being predicted.

234. In the regression equation  $Y = \beta_0 + \beta_1 X$ , the X is called: \_\_\_\_\_

- a) Independent variable                      b) Dependent variable  
c) Continuous variable                      d) none of the above

**Ans: a) Independent variable**

**Explanation:**

- In the regression equation  $Y = \beta_0 + \beta_1 X$ , X is the independent variable, used to predict the value of Y.

235. Econometrics is the integration of \_\_\_\_\_

- a) Economics and Statistics                      b) Economics and Mathematics  
c) Economics, Mathematics and Statistics                      d) None of the above

**Ans: c) Economics, Mathematics and Statistics**

**Explanation:**

- Econometrics combines economics, mathematics, and statistics to analyze economic data and develop theories and models.

236. Econometric is the word coined by \_\_\_\_\_

- a) Francis Galton                      b) Ragnar Frisch  
c) Karl Person                      d) Spearsman

**Ans: b) Ragnar Frisch**

**Explanation:**

- The term "econometrics" was coined by Ragnar Frisch, who was one of the founders of the discipline.

237. The raw materials of Econometrics are: \_\_\_\_\_

- a) Data                      b) Goods  
c) Statistics                      d) Mathematics

**Ans: a) Data**

**Explanation:**

- Data are the raw materials of econometrics, providing the basis for empirical analysis and model estimation.

**238. The term  $U_i$  in regression equation is**

- |                          |                   |
|--------------------------|-------------------|
| a) Residuals             | b) Standard error |
| c) Stochastic error term | d) none           |

**Ans: c) Stochastic error term****Explanation:**

- The term  $U_i$  in a regression equation represents the stochastic error term, accounting for random variations not explained by the model.

**239. The term  $U_i$  is introduced for the representation of**

- |                     |                      |
|---------------------|----------------------|
| a) Omitted Variable | b) Standard error    |
| c) Bias             | d) Discrete Variable |

**Ans: a) Omitted Variable****Explanation:**

- The term  $U_i$  is introduced to represent omitted variables and other sources of randomness in a regression model.

**240. Econometrics is the amalgamation of \_\_\_\_\_**

- |               |               |
|---------------|---------------|
| a) 3 subjects | b) 4 subjects |
| c) 2 subjects | d) 5 subjects |

**Ans: a) 3 subjects****Explanation:**

- Econometrics is an amalgamation of three subjects: economics, mathematics, and statistics.