

IASBABA TEST 21(ECONOMY)

1. Consider the following statements -

1. Trade conducted by the private sector are also accounted for in the Balance of Payment.
2. Balance of Trade is positive for all developed economies.

Select the correct answer

- a) 1 only b) 2 only c) Both 1 and 2 d) None of the above

2. Which of following is not part of current account of balance of payments (BOP)?

- a) Goods b) Services c) Loans d) Transfers

3. Consider the following statements -

1. The balance of payment of a country considers the transaction between the citizens of a nation with the rest of the world.
 2. Capital account surplus of a country necessarily indicate the increasing foreign ownership of its assets.
- Which of the above statement(s) is/are correct?

- a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2

4. Consider the following statements -

1. Large change in the capital account can be indicative of country's attractiveness to foreign investors.
2. Large change in the capital account can have a big impact on exchange rates.

Select the correct answer

- a) 1 only b) 2 only c) Both 1 and 2 d) None of the above

5. Which of the following statement is incorrect?

- a) Currently, India is experiencing a deficit in income part of current account in BOP.
- b) Currently, India is experiencing a surplus in services part of current account in BOP.
- c) Currently, India is experiencing a deficit in transfers part of current account in BOP.
- d) None

6. Which of the following is true regarding Managed Floating Exchange Rate system:

1. It is neither fixed nor flexible.
2. Central government intervenes directly or can direct the Central Bank, whenever required.

Choose the correct answer using the codes given below

- a) 1 only b) 2 only c) Both 1 and 2 d) Neither 1 nor 2

7. Which of the following are considered as 'invisibles' in Balance of Payments calculation?

1. Tourism 2. Factor incomes from one country to another
3. Income earned from ownership of overseas assets by Indian companies.

Select the code from following:

- a) 1 and 2 only b) 2 and 3 only c) 1 and 3 only d) All of the above

8. Which of the following components are included in the calculation of Current Account Deficit?

1. Exports of goods and services 2. Imports of goods and services
3. Net income abroad 4. Net current transfers

Select the code from following:

- a) 1, 3 and 4 only b) 2, 3 and 4 only c) 1, 2 and 3 only d) All of the above

9. In external sector, capital account includes which of the following?

1. Remittances 2. Indians opening bank accounts in Foreign countries
3. Exports and Imports 4. Payments due as interests on loans
5. Holding assets abroad 6. Investing abroad by Indians

Select the code from following:

- a) 2, 4, 5 and 6 only b) 1, 3, 5 and 6 only c) 2, 5 and 6 only d) 2, 4, 5 and 6 only

10. With regard to Indian Economy, which of the following will lead to reduction of current account deficit (CAD)?

1. Decrease in crude oil consumption 2. Increase in import duty of gold
3. Boost to IT sector in India 4. Promotion of FDI

Select the correct answer

- a) 1, 2 and 3 only b) 1, 2 and 4 only c) 1, 3 and 4 only d) All of the above

11. Consider the following statements -

1. India received its highest ever FDI investment in the financial year 2018-19
2. FDI investment into India has consistently increased in the last 5 years

Which of the above statements is/are correct?

- a) 1 only b) 2 only c) Both 1 and 2 d) None of the above