

(SOLUTION) Mock Test 11

1 Correct Answer : D

Answer Justification :

Justification: The coincidence of wants (often known as double coincidence of wants) lacking a medium of exchange (such as money), which have to rely on barter or other in-kind transactions.

Double coincidence of wants means that the both the parties have to agree to sell and buy each commodities. The problem is caused by the improbability of the wants, needs, or events that cause or motivate a transaction occurring at the same time and the same place.

One example is the bar musician who is "paid" with liquor or food, items which his landlord will not accept as rent payment, when the musician would rather have a month's shelter. If, instead, the musician's landlord were to throw a party and desire music for it, hiring the musician to play it by offering the month's rent in exchange, a coincidence of wants would exist.

In-kind transactions have several limitations, most notably timing constraints. If you wish to trade fruit for wheat, you can only do this when the fruit and wheat are both available at the same time and place (and, additionally, only if someone wishes to trade wheat for fruit). That may be a very brief time, or it may be never.

Q Source: Chapter 3: 12th NCERT: Macroeconomics

2 Correct Answer : D

Answer Justification :

Justification: S1: Prime Minister also announced significant increase in the honorarium given to Anganwadi workers. Those receiving Rs. 3000 so far, would now receive Rs. 4500. Similarly those receiving Rs. 2200, would now get Rs. 3500. The honorarium for Anganwadi helpers has also been increased from Rs. 1500 to Rs. 2250.

This is despite that they are still considered as contract workers.

Prime Minister also announced that Anganwadi workers and helpers using techniques such as Common Application Software (ICDS-CAS), would get additional incentives. The incentives ranging from Rs. 250 to Rs. 500, would be based on performance.

S2: In addition to increase in remuneration, all ASHA workers and their helpers would be provided free insurance cover under Pradhan Mantri Jeevan Jyoti Bima Yojana and Prime Minister Suraksha Bima Yojana.

The Prime Minister appreciated their efforts to work together, to use innovative means and technology, to improve the delivery of health and nutrition services and achieve the goal of the POSHAN Abhiyan - reduction of malnutrition in the country.

Q Source: <http://pib.nic.in/PressReleaseDetail.aspx?PRID=1545620>

3 Correct Answer : C

Answer Justification :

Justification: Statement 1: A high (or low) value of CRR or SLR helps increase (or decrease) the value of reserve deposit ratio, thus diminishing (or increasing) the value of the money multiplier and money supply in the economy in a similar fashion.

Statement 2: A low (or high) bank rate encourages banks to keep smaller (or greater) proportion of their deposits as reserves, since borrowing from RBI is now less (or more) costly than before. As a result banks use a greater (or smaller) proportion of their resources for giving out loans to borrowers or investors, thereby enhancing (or depressing) the multiplier process via assisting (or resisting) secondary money creation.

In short, a low (or high) bank rate reduces (or increases) rdr and hence increases (or decreases) the value of the money multiplier, which is $(1 + cdr)/(cdr + rdr)$. Thus, for any given amount of high powered money, H , total money supply goes up.

Q Source: Page 44: Chapter 3: 12th NCERT: Macroeconomics