



DAILY PT MCQs-CRACK PRELIMS 2020 TEST-IX (ECONOMICS-II)

1. All revenues received by the union government by way of taxes and other receipts for the conduct of government business are credited to the?

- a) Contingency Fund of India
- b) Public Account
- c) Consolidated Fund of India
- d) Deposits and Advances Fund

2. Consider the following with reference to Indian Agricultural landholdings

- 1. High indebtedness
- 2. Rise of nuclear families
- 3. Inadequate growth in off farm employment opportunities to absorb the surplus workforce.

Which of the above lead to Fragmentation of Indian Agriculture?

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

3. Which among the following is objective of Pradhan Mantri Fasal Bima Yojana

- 1. Providing financial support to farmers suffering crop loss due to unforeseen events
- 2. Stabilizing the income of farmers to ensure their continuance in farming
- 3. Ensuring the flow of credit to the agriculture sector

Select the CORRECT answer using code given below:

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

4. Which among the following is/are provision/s under Gram scheme?

- 1. Develop and upgrade existing 22000 rural haats into Gramin Agricultural Markets
- 2. Physical infrastructure to be strengthened using MGNREGs and other Government schemes.

Select the CORRECT answer using the codes given below:

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

5. Consider the following statements with reference to World Economic Forum

- 1. World Economic Forum launches centre for the fourth Industrial Revolution network in India.
- 2. World Economic forum comprises government and central bank of member countries only

Which of the statements given above is/ are INCORRECT?

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

6. Consider the following statements

1. Infant mortality rate takes into account the death of infants within a month after birth.
2. Infant mortality rate is the number of infant deaths in a particular year per 100 live births during that year.

Which of the statements given above is/ are CORRECT?

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

7. Which of the following is treated as artificial Currency?

- a) ADR
b) GDR
c) SDR
d) None of the above

8. When RBI announces an increase of the Cash Reserve Rate, What does it means?

- a) The commercial bank will have less money to lend
b) The reserve bank of India will have less money to lend
c) The union government will have less money to lend
d) The commercial banks will have more money to lend

9. A rapid increase in the rate of inflation is sometimes attributed to the "base effect". What is the "base Effect"?

- a) It is the impact of the drastic deficiency in supply due to failure of crops
b) It is the impact of the surge in demand due to rapid economic growth
c) It is the impact of the price levels of the previous year on the calculation of inflation rate
d) None of the above

10. Which of the following would include Foreign Direct Investment in India?

1. Subsidiaries of foreign companies in India
2. Majority foreign equity holding in Indian companies
3. Companies exclusively financed by foreign companies
4. Portfolio Investment

Select the CORRECT answer using the code given below:

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

11. A rise in general level of prices may be caused by

1. An increase in the money supply
2. A decrease in the aggregate level of output
3. An increase in the effective demand

Select the CORRECT answer using the codes given below

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

12. To obtain full benefit of Demographic dividend, what should Indian do?

- a) Introducing more social security schemes
b) Reducing infant mortality rate
c) Privatization of higher education
d) None of the above

13. Which one of the following is likely to be the most inflationary in its effect?

- a) Repayment of public debt
b) Borrowing from public to finance a budget deficit

- c) Borrowing from banks to finance a budget deficit
 d) Creating new money to finance a budget deficit
14. **Economic growth in country A will necessarily have to occur if**
 a) There is technical progress in the world economy
 b) There is population growth in A
 c) There is capital formation of A
 d) The volume of trade grows in the world economy
15. **If the interest rate is decreased in an economy, it will**
 a) Decrease the consumption expenditure in the economy
 b) Increase the tax collection of the government
 c) Increase the investment expenditure in the economy
 d) Increase the total saving in the economy
16. **Which among the following launched the Bali Fintech agenda?**
 a) IMF
 b) World Bank
 c) IMF and World Bank
 d) None of the above
17. **With reference to Insurance sector, consider the following statements**
 1. Insurance regulatory and Development Authority is an statutory body
 2. Both Life and Non life insurance sector is regulated by Insurance Regulatory and Development Authority
- Which of the statements given above is/ are CORRECT?
 a) 1 only b) 2 only
 c) Both d) Neither 1 nor 2
18. **Which of the following could be the reason for Direct Tax Buoyancy?**
 1. Demonetization
 2. Digital platform
 3. Higher Incomes
 Select the CORRECT answers using the codes given below
 a) 1 and 2 only b) 1 only
 c) 2 and 3 only d) 1, 2 and 3
19. **Consider the following statements**
 1. Aykar setu app helps users to understand the various nuances of direct taxes
 2. Project Insight uses big data to process the high amount transactions
 Which of the statement given above is/are INCORRECT?
 a) 1 only b) 2 only
 c) Both d) Neither 1 nor 2
20. **Brasilia declaration is often seen in News. This declaration is related to**
 a) Road Accidents
 b) Zika Virus
 c) Global cooperation on cyber safety
 d) None of the above
21. **Global Competitive index is released by**
 a) World Bank
 b) World Trade Organization
 c) Asian Development Bank
 d) None of the above

22. With reference to Indian economy, consider the following

1. Bank rate
2. Open Market Operations
3. Public debt
4. Public revenue

Which of the above statement is/are component of Monetary policy?

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

23. With reference to Insurance sector in India, consider the following

1. Insurance gap is the ratio of the total premium underwritten in a particular year to GDP of the country.
2. Insurance penetration is a measure of the total value of assets divided by the value of assets that are protected by an insurance cover

Which of the statements given above is/are CORRECT?

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

24. Consider the following statements

1. Total number of Operational holding have been increased in Agricultural landholdings
2. Share of female operational holders has been nearly 50% of the total landholdings.

Which of the statements given above is/are INCORRECT?

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

25. Which among the following payment systems are managed by National Payments Corporate of India (NPCI)?

- a) Immediate payment Service
- b) Real time gross settlement
- c) National Electronic Fund Transfer
- d) All the above

ANSWER

1. Answer: (c)

- The constitution of India provides for the establishment of 3 major funds:

(1) Consolidated Fund of India:

- a. Constituted under Art. 266.
- b. Fund to which receipts – including all revenue receipts, all loans raised and all repayments received – are credited and all expenditures of government are debited.
- c. No money out of this fund can be appropriated except in accordance with parliamentary law.

(2) Contingency Fund of India:

- a. Constituted under Art. 267.
- b. Placed at the President's disposal.
- c. Held by the finance secretary on his behalf.
- d. Expenditures from this fund are made for unforeseen expenses.

(3) Public Account of India:

- a. Constituted under Art. 266.
- b. All other public money, other than those, which are credited to the CFI, received by or on behalf of the government, are credited here.

- c. Includes PF deposits, savings banks deposits & so on.
- d. Operated by the executive.
2. **Answer: (d)**
3. **Answer: (d)**
- Explanation: Objectives of the PMFBY scheme:
 - **Financial support** to the farmers in the event of failure of any of the **'notified crop'** through provision of crop insurance.
 - **Stabilize farmer incomes** to boost morale and ensure continued interest in farming.
 - **Encourage farmers** to adopt innovative and modern agricultural practices.
 - **Ensure flow of credit** to the agricultural sector.
4. **Answer: (c)**
- The Gramin Agricultural Markets (GrAM) scheme was announced by the Finance Minister during the 2018-19 budget.
 - The scheme involves the development and upgradation of existing 22,000 rural haats into **Gramin Agricultural Markets (GrAMs)**,
 - More than 86% of farmers in India are small and marginal who are not always in a position to directly transact at APMCs and other wholesale markets.
 - In these GrAMs, physical infrastructure will be strengthened using MGNREGA and other Government Schemes and would be electronically linked to e-NAM and exempted from regulations of APMCs.
 - This would provide farmers facility to make direct sale to consumers and bulk purchasers

5. **Answer: (b)**

Explanation:

Statement (2) is incorrect.

About the WEF:

- Established in 1971 as a not-for-profit foundation.
 - Headquartered in Geneva, Switzerland.
 - The institution carefully blends and balances the best of many kinds of organizations, from both the public and private sectors, international organizations and academic institutions.
 - Famous for its annual meeting held in Davos, Switzerland
- About the Center for Fourth Industrial Revolution Network:
- Announced in October 2018
 - Would be based in Maharashtra

6. **Answer: (d)**

- **Explanation:** Infant mortality is deaths occurring within first 1 year of birth.

7. **Answer (c)**

- **Explanation:** Special Drawing Rights (SDRs): are special instruments created by IMF to supplement its member countries official reserves and serve as an international reserve asset since 1969. It is essentially an artificial currency instrument made up of a basket of currencies: Dollar, Euro, Yuan, Yen & Pound-Sterling.

8. **Answer (a)**

- **Explanation:** Cash Reserve Ratio is the ratio of the total deposits of a bank, which is kept with the RBI in the form of cash. An increase in cash reserve ratio would mean greater

amount of such deposits with the bank & thus lesser amount of money available with commercial banks for lending purposes.

9. **Answer (c)**

10. **Answer (d)**

- **Explanation:** FDI takes the form of Wholly Owned Subsidiaries, Joint Ventures & Acquisitions.

11. **Answer: (d)**

- **Explanation:** Inflation is driven by demand-pulls or supply bottlenecks. While an increase in money supply means more disposable income in the hands of the consumers causing surging demands, a decrease in aggregate level of output means the demands cannot be met, thus driving up prices.

12. **Answer: (d)**

- **Explanation:** To reap the benefit of demographic dividend we need to generate more employment opportunities and skill the youth to cater to the rising technology demands of the industry.

13. **Answer: (d)**

- **Explanation:** Creating new money augments the existing money supply having the greatest inflationary effect.

14. **Answer: (c)**

- **Explanation:** Increase in capital formation leads to rising investments, which in turn generates employment opportunities, creating income for the population, spurring demand & leading to even more savings & investments.
- Thus, economic growth is a result of increasing capital formation.

15. **Answer: (c)**

- **Explanation:** Reduced interest rates imply cheap loan availability. This provides potential investors the opportunities to access cheap capital for their ventures & hence increases investment expenditure.

16. **Answer: (c)**

- **Explanation:** The International Monetary Fund and the World Bank Group launched, in October 2018, the Bali Fintech Agenda, a set of 12 policy elements aimed at helping member countries to harness the benefits and opportunities of rapid advances in financial technology that are transforming the provision of banking services, while at the same time managing the inherent risks.

17. **Answer: (c)**

- **Explanation:** The IRDA is a statutory body established under the IRDA Act, 1999 and is responsible for regulation of the entire insurance sector – life & non-life.

18. **Answer: (d)**

Explanation:

- Demonetization brought the erstwhile unreported incomes into the banking net and thus the reported incomes of individuals increased leading to increased direct tax collections.
- Digital platform propagation has reduced the incidence of cash transactions. Since a large share of transactions are now digital, they are recorded, and incomes are reported. E.g. Paytm transactions - which previously used to take place by cash now take place electronically. Greater reporting of incomes means wider tax nets.
- Higher incomes directly translate into better tax collections.

19. Answer: (d)

20. Answer: (a)

- **Explanation:** The Brasilia Declaration on Road Safety was adopted in 2015 at the close of the 2nd High Level Conference on Road Safety in Brasilia, Brazil. The Declaration agreed at ways to halve the road traffic related deaths by the end of the decade – a key milestone within the SDGs of 2030 (Target 3.6). The Decade of 2011 – 20 has been declared as the ‘Decade of Road Safety’.

21. Answer: (d)

- **Explanation:** The Global Competitiveness Report is published annually by the World Economic Forum since 2004.

22. Answer: (c)

Explanation:

Qualitative Tools of Monetary Policy:

- Fixation of margin requirements.
- Regulation of consumer credit
- Rationing of credit
- Publicity
- Issue of directives
- Moral suasion
- Direct Action.

Quantitative Tools of Monetary Policy:

- Repo
- Reverse Repo
- Marginal Standing Facility (MSF)
- Bank Rate
- Cash Reserve Ratio (CRR)
- Statutory Liquidity Ratio (SLR)
- Liquidity Adjustment Facility (LAF)
- Open Market Operations (OMO)

- Market Stabilization Scheme (MSS)

23. Answer: (d)

- **Explanation:** Insurance Gap is a measure of the total value of assets divided by the value of assets that are protected by an insurance cover.

- Insurance Penetration is the ratio of the total premium underwritten in a particular year to the GDP of the country or industry.

24. Answer: (b)

- **Explanation:** As per the 2015-16 Agriculture Census data:

- The number of small and medium land holding and that of farmers and tillers too have increased in the country.

- As much as 86.21% of India’s cultivated farmland is held by small and marginal farmers with less than two hectares of land, while those with 10 hectares and more account for just 0.57%.

- The average size of agriculture landholding declined to 1.08 hectare in 2015-16 from 1.15 hectare in 2010-11.

- More women are getting into farming in India, with the latest Agriculture Census showing a rise in the percentage of female farmers.

- The percentage of female operational land holders increased from 12.79% in 2010-11 to 13.87% in 2015-16.

25. Answer: (a)

- **Explanation:** IMPS is managed by the NPCI, whereas, RTGS & NEFT are maintained by the RBI.

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