

PRELIMS SPECIAL - 4 (FOR UPSC CSE 2018)

1. Which of the following is/are the part of Non-Tax Revenue receipts?
 1. Long-term loans raised by the Government.
 2. Fees, Penalties and Fines received by the Government.
 3. Grants which the Governments receives.

Select the correct answer using the code given below:

(a) 1 and 3 only (b) 2 and 3 only
(c) 1 and 2 only (d) 1, 2 and 3
2. Which of the following statement is correct regarding the Primary deficit?
 - (a) It is the difference between Revenue receipts and Revenue Expenditure.
 - (b) It is the difference between capital receipts and Interest Payment.
 - (c) It is the difference between the Fiscal Deficit and Interest Payment.
 - (d) It is an addition of Fiscal Deficit and Interest Payment.
3. Consider the following:
 1. Current Account Deficit
 2. Primary Deficit
 3. Gross Fiscal Deficit

Which of the given above is/are considered as Fiscal Indicators?

(a) 3 only (b) 2 and 3 only
(c) 1 and 3 only (d) 1, 2 and 3
4. Consider the following components
 1. Treasury Bills
 2. Small savings and provident funds
 3. Loans from International Monetary Fund (IMF)

Which of the components are included into the internal debt of the Union Government?

(a) 1 and 2 only (b) 3 only
(c) 1, 2 and 3 only (d) 2 and 3
5. Consider the following statements regarding Cash Reserve Ratio
 1. It is the ratio of the total deposits of a bank with the Reserve Bank of India in cash form on monthly basis.
 2. Banks doesn't earn interest rate on their deposits with Reserve Bank of India.
 3. Banks can't lend this portion of money to borrowers.

Which of the statements given above are correct?

(a) 1 and 2 only (b) 2 and 3 only
(c) 1 and 3 only (d) 1, 2 and 3 only
6. Budget deficit can be reduced by:
 1. Decreasing the direct taxes
 2. Implementation of GST
 3. Increasing expenditure on welfare programmes

Select the correct answer using the code given below.

(a) 1 and 2 only (b) 2 and 3 only
(c) 1 and 3 only (d) 2 only
7. In an economy a situation of liquidity trap is characterised by which of the following?
 1. High savings rate

2. High demand for bonds
 3. Expansionary monetary policy
- Select the correct answer using the code given below.
- (a) 1 and 2 only (b) 2 and 3 only
 - (c) 1 and 3 only (d) 1, 2 and 3
8. Which of the following are the Direct taxes in India?
1. Customs duty
 2. Security Transaction Tax
 3. Capital Gains Tax
 4. Professional Tax
- Select the correct answer using the code given below.
- (a) 1, 2 and 3 only (b) 1, 3 and 4 only
 - (c) 2, 3 and 4 only (d) 1, 2, 3 and 4
9. Which of the following statements is/are correct regarding fiscal deficit?
1. It leads to crowding-out of private investment
 2. It leads to inflation in economy.
 3. It leads to increase in primary deficit.
- Select the correct answer using the code given below.
- (a) 1 and 3 only (b) 2 only
 - (c) 2 and 3 only (d) 1, 2 and 3
10. Which of the following sets of figures can be found in the Budget presented annually by the Government of India?
1. Actual figures for the preceding year
 2. Actual figures for the current year
 3. Revised figures for the current year
 4. Budget estimates for the following year
- Select the correct answer using the code given below.
- (a) 1, 2 and 3 only (b) 1, 3 and 4 only
 - (c) 2 and 4 only (d) 1 and 3 only
11. As per RBI norms, what is the need for Banks to classify Special Mention Accounts (SMA)?
- (a) Capital norms as per Basel III norms.
 - (b) Early recognition of stressed assets.
 - (c) Identification of zero balance personal accounts.
 - (d) None of the above
12. With reference to the term 'Internal and Extra Budgetary Resources', consider the following statements:
1. It is the sum of domestic and foreign loans raised directly by CPSUs.
 2. It includes external commercial borrowings raised in addition to the Gross Budgetary Support.
- Which of the statements given above is/are correct?
- (a) 1 only (b) 2 only
 - (c) Both 1 and 2 (d) Neither 1 nor 2
13. Consider the following statements regarding Domestic Systemically Important Banks (DSIBs):
1. These are banks whose failure would have an impact on the entire domestic financial system.
 2. Banks are designated as D-SIBs by the RBI.
- Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only
(c) 1 and 2 only (d) None
14. Which of the following are the qualitative methods used to ration credit by the Central Bank?
1. Regulation of margin requirements
 2. Variable portfolio ceiling
 3. Moral suasion
- Select the appropriate code
- (a) 1 and 2 only (b) 2 and 3 only
(c) 1 and 3 only (d) 1, 2 and 3
15. With reference to the budget receipts of the government, consider the following statements:
1. Revenue receipts create liabilities for the government.
 2. Interest receipts on account of loans by the central government fall under the capital receipts.
- Which of the statements given above is/are INCORRECT?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
16. Which of the following could be an effect of Deficit Financing?
1. Increase in public debt
 2. Rise in price levels
 3. Widening of income inequality
- Select the correct answer using the code given below.
- (a) 1 and 2 only (b) 1 and 3 only
(c) 2 and 3 only (d) 1, 2 and 3
17. Consider the following statement about monetary policy in India
1. Primary objective of the monetary policy is to maintain price stability, while keeping in mind the objective of growth.
 2. Failure to meet the inflation target will require RBI to send a report to the Central Government stating the reasons for failure to achieve the inflation target.
- Which of the statement is/are correct?
- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2
18. What is crowding out effect?
1. Increase in interest rate due to increase in fiscal deficit which further leads to decrease in private investment.
 2. Crowding out decreases the vulnerability of economy.
- Select the appropriate option
- (a) Only 1 (b) Only 2
(c) Both 1 and 2 (d) None of the above
19. Consider the following statements related to 15th Finance Commission
1. It has been asked to recommend appropriate levels of general and consolidated government debt and deficit levels for the centre and states.
 2. It will propose measurable performance-based incentives in areas such as efforts and progress made in moving towards replacement rate of population growth.
- Which of the above statement(s) is/are true?
- (a) 1 only (b) 2 only
(c) Both (d) None

20. Sterilization of Foreign inflows is done by

- (a) Reserve Bank of India
- (b) Finance Ministry
- (c) Cabinet Committee on Finance
- (d) International Monetary Fund

ANSWER KEYS

01 b 02 c 03 b 04 a 05 b 06 d 07 c 08 c 09 d 10 b
11 b 12 c 13 c 14 d 15 c 16 d 17 c 18 a 19 c 20 a