

SHORT ANSWER TYPE QUESTIONS (3 & 4 MARKS)

Q.1. Distinguish between real and nominal gross domestic product and which of these is a better index of welfare of the people and why.

Q.2. Give reason and classifying the following into intermediate and final goods.

- a) Computer installed in an office
- b) Mobile set purchased by a mobile dealer

Q.3. Distinguish between intermediate goods and final goods.

Q.4. Explain how distribution of G.D.P. is its limitation as a measure of economic welfare.

Q.5. explain how 'non-monetary exchanges' are a limitation in taking domestic product as an index of welfare.

Q.6. Describe the four major sectors in an economy according to macro-economy point of view.

Q.7. Classify the following into stock and flow :

- (i) Population of India
- (ii) Exports
- (iii) Investment
- (iv) Expenditure on food by household.
- (v) National Capital
- (vi) Deposits in saving account of bank.

Q.8. Explain how distribution of Gross domestic product is a limitation in taking domestic product as an Index of welfare.

Q.9. How can externalities be a limitation of using gross domestic product as an index of welfare?

Q.10. Giving reasons, classify the following into intermediate and final goods :

- (i) Machines purchased by a dealer of machines.
- (ii) A car purchased by a house hold.

- Q.11. Distinguish between stock and flows. Give an example of each.
- Q.12. What is meant by a normal resident? State which of the following are treated as normal resident of India.
- (i) An American working in the office of WHO located in India.
 - (ii) Indian working in U.S.A. embassy located in India.
- Q.13. Which of the following is factor income from abroad for an Indian resident and why?
- (a) Interest income received by Indian resident on the bonds of companies operating in USA.
 - (b) Remittances by Indians settled abroad to their families in India.
- Q.14. Explain why subsidies are added to and indirect taxes deducted from domestic product at market price to arrive at domestic product at factor cost.
- Q.15. Giving reasons, explain how are the following treated in estimating national Income by the income method.
- (a) Interest on a car loan paid by an individual
 - (b) Interest on a car loan paid by a Govt. owned company.
- Q.16. Why is the following income does not include in estimation of national income. Do we arrive at the value that these are not important for the economy?
- i) Taxes paid by households
 - ii) Interest received by households on government loans.
 - ii) Income received through sale of an old house.
- Q.17. Define operating surplus, write its components.
- Q.18. Distinguish between domestic product and national product. When can domestic product be more than National Product?

Q19 calculate sales from the following data

S.NO	CONTENT	RS(IN LAKH)
1	Subsides	200
2	Opening stock	100
3	Closing stock	600
4	Intermediate goods	3000
5	Consumption of fixed capital	700
6	Profit	750
7	Net value added at factor cost	2000

Ans : Sales = Rs 5000 lakh

Q20 Why is the flow of income and product called as circular flow.

Q21 if Real GDP is Rs 200 and Price Index (with base =100) is 110, calculate Nominal GDP.

Q22 if the Nominal GDP is Rs 1200 and price index (with base =100) is 120, calculate Real GDP.

Q.23 Calculate private income :	Rs. (Crore)
(i) Interest on national debt	10
(ii) Personal disposable income	150
(iii) Corporate Profit Tax	25
(iv) Personal Taxes	50
(v) Retained earnings of private corporations	05

[Ans.: Rs. 230 crores]

LONG ANSWER QUESTIONS (6 MARKS)

Q.1 How will you treat the following while estimating domestic factor income of India? Give reasons for your answer.

- I. Remittances from non-resident Indian to their families in India
- II. Rent paid by embassy of Japan in India to a resident Indians
- III. Profit earned by branches of foreign bank in India

Q.2. How will you treat the following while estimating national income of India?

Give reasons for your answer.

- (a) Dividend received by a foreigner from investment in shares of an Indian Company.
- (b) Money received by a family in India from relatives working abroad.
- (c) Interest received on loan given to a Friend for purchasing a car.

Q.3. Explain the problem of double counting in estimating national income, with

the help of an example. Also explain two alternative ways of avoiding the problem.

Q.4. Giving reasons explain how should the following be treated in estimation of national income:

- i) Expenditure by a firm on payment of fees to a chartered accountant.
- ii) Payment of corporation tax by firm
- iii) Purchase of refrigerator by firm for own use.

Q.5. How will you treat the following in estimating national income of India? Give reasons for your answer.

- (a) Value of bonus shares received by share holders of a company.
- (b) Fees received from students.
- (c) Interest received on loan given to a foreign company in India.

Q.6. Explain the steps of measuring national income by income method.

Q.7. Giving reasons, categorise following into transfer payment or factor payments.

- (a) Financial help given to flood victims
- (b) Old age pension.
- (c) Imputed rent.

Q.10. Giving reasons explain whether the following are included in domestic product of India.

- (i) Profit earned by a branch of foreign bank in India.
- (ii) Payment of salaries to its staff by an embassy located in New Delhi.
- (iii) Interest received by an Indian resident from firms abroad.

Q.11. How will you treat the following while estimating national income. Give reasons for your answer.

- A) Payment of interest by a firm to a bank
- B) Payment of interest by bank to an individual.
- C) Payment of interest by an individual to a bank

Q.12 Describe any four precautions required while estimating national income by expenditure method and income method.

NUMERICALS FOR PRACTICE

Q.1. Calculate (i) gross domestic product at factor cost and (ii) net national disposable income : 6

	Rs. (in Crores)
(i) Net indirect tax	130
(ii) Government final consumption expenditure	100
(iii) Profit	90
(iv) Net domestic capital formation	120
(v) Change in stocks (–)	10
(vi) Private final consumption expenditure	500
(vii) Net imports	20
(viii) Net current transfers to abroad	10
(ix) Net factor income to abroad	30
(x) Gross domestic capital formation	160

Q.2. Calculate net national product at factor cost and gross national disposable income from the following :

	Rs. (Crore)
(i) Net current transfers to rest of the world	10
(ii) Savings of non-departmental enterprises	60
(iii) Net indirect tax.	90

(iv) Income from property and entrepreneurship to the Govt. administrative departments	80
(v) Consumption of fixed capital	70
(vi) Personal Tax	100
(vii) Corporation tax	40
(viii) National debt interest	30
(ix) Current transfer payments by Govt.	50
(x) Retained Earnings of PVT. Corporate	10
(xi) Personal disposable income.	1100

[Ans. : (a) $NNP_{FC} = \text{Rs. } 1320 \text{ Crores}$ (b) $GNDI = 1470 \text{ Crores}$]

Q.3. Calculate (a) Gross domestic product at market price (GDP_{MP}) (b) Factor income from abroad.

	Rs. (Crore)
(i) Profit	500
(ii) Export	40
(iii) Compensation of Employees	1500
(iv) Net current transfer from Row	2800
(v) Rent	90
(vi) Interest	300
(vii) Factor income to abroad	400
(viii) Net indirect tax	120
(ix) Gross fixed capital formation	250
(x) Net domestic capital formation	650
(xi) Gross fixed capital formation	700
(xii) Change in stock	50

[Ans. : $GDP_{MP} = 3050 \text{ Crores}$ (b) $FIFA = 120 \text{ Crores}$]

Q.4. From the following data calculate (a) GDP_{MP} and (b) Factor income from abroad.

	Rs. (Crore)
(i) Gross national product at factor cost	6150
(ii) Net export	(-) 50
(iii) Compensation of Employees	3000
(iv) Rent	800
(v) Interest	900
(vi) Profit	1300
(vii) Net Indirect tax	300
(viii) Net domestic capital formation	800

(ix) Gross fixed capital formation	850
(x) Change in stock	50
(xi) Dividend	300
(xi) Factor income to abroad.	80

[Ans. : GDPMP = 6400 Crores; FIFA = 130 Crores]

Q5 Calculate the gross national product at market price and personal income:

Items	(Rs in Crore)
Wages and salaries	800
Personal tax	150
Operating surplus	200
Undistributed profit	10
Social security contribution by employers	100
Corporation tax	50
net factor income to abroad	-20
personal disposable income	1200
Net indirect tax	70
Consumption of fixed capital	30
Mixed income of self-employed	500
Royalty	9

(Ans: Rs 1720 crore and Rs 1350)

Q6 Calculate national income and private income :

Items	(Rs in crore)
I. Net import	5
II. Net domestic capital formation	15
III. Personal income	90
IV. National debt interest	10
V. Corporate tax	25
VI. Government final consumption expenditure	20
VII. Net factor income to abroad	-5
VIII. Net indirect tax	10
IX. Undistributed profit	0
X. Private final consumption expenditure	100

(Ans: Rs 125 crore and Rs115 crore)

Q7 calculate net domestic product at factor cost and gross national disposable income :

Items	(rs in crore)
I. Net current transfer to abroad	15
II. Private final consumption exp.	800
III. Net imports	-20
IV. Net domestic capital formation	100
V. Net factor income to abroad	10
VI. Depreciation	50
VII. Change in stock	17
VIII. Net indirect tax	120
IX. Govt. final consumption exp.	200
X. Exports	30

Q.8. Calculate 'Net National Disposable Income' and 'Personal Income' from the following data.

	Rs. (Crore)
(i) Personal tax	212
(ii) Net national product at factor cost	2500
(iii) Net indirect tax	180
(iv) Domestic product accruing to Govt.	500
(v) Retained earnings of PVT. Corporations	80
(vi) NFIA	23
(vii) National debt interest	100
(viii) Net current transfer from abroad	20
(ix) Corporation tax	70
(x) Current transfer from Government	30

[Ans. : NNDI = 2700 Crore; P.I. = 2000 Crore]

Q.9. Find out (a) national income and (b) net national disposable income :

	Rs. (Crore)
(i) Factor income from abroad	15
(ii) Private final consumption expenditure	600
(iii) Consumption of Fixed capital	50
(iv) Government final consumption expenditure	200
(v) Net current transfers to abroad	(-) 5

(vi)	Net domestic fixed capital formation	110
(vii)	Net factor income to abroad	10
(viii)	Net imports	(-) 20
(ix)	Net indirect tax	70
(x)	Change in stocks	(-) 10

[Ans. : N.I. - 840 Crore NNDI - 915 Crore]

Q.10. From the following data show that net value added at factor cost (NVA_{FC})

is equal to the sum of factor incomes

	Rs. (Crore)
(i) Purchase of raw material and other input from the domestic market	
(ii) Increase in stock	200
(iii) Domestic sales	1800
(iv) Import of raw material	100
(v) Exports	200
(vi) Depreciation of fixed capital	75
(vii) Salaries and wages	600
(viii) Interest payments	450
(ix) Rent	75
(x) Dividends	150
(xi) Undistributed profits.	80
(xi) Corporate profit tax	20
(xii) Indirect tax	50

[Ans. : 1375 Crores]

Q11 calculate gross national product at market price and net national disposable income

Items	(rs in crore)
i. Rent	100
ii. Net current transfer to rest of the world	30
iii. Social security contribution by employers	47
iv. Mixed income	600
v. Gross domestic capital formation	140
vi. Royalty	20
vii. Interest	110
viii. Compensation of employees	500
ix. Net domestic capital formation	120
x. Net factor income from abroad	-10
xi. Net indirect tax	150
xii. Profit	200

DI =1690 crore and NNDI= 1640)

MONEY AND BANKING

VERY SHORT ANSWER TYPE QUESTIONS (1 MARK)

- Q.1. Define commercial bank.
- Q.2. What are time deposits?
- Q.3. What is meant by the term money supply?
- Q.4. What is bank rate?
- Q.5. State two primary functions of money.
- Q.6. What is meant by credit creation?
- Q.7. What is credit multiplier?
- Q.8. What is meant by reverse repo rate?
- Q.9. What is cash reserve ratio (CRR)?
- Q.10. What is statutory liquidity ratio (SLR)?
- Q.11. What are demand deposits by banks?
- Q.12. State function of commercial bank?
- Q.13. What are components of supply of money?
- Q.14. What is margin requirement of loans.
- Q.15. Define money?
- Q.16. What is Repo rate?

SHORT ANSWER TYPE QUESTIONS (3-4 MARKS)

- Q.1. Explain the standard of deferred payment function of money?
- Q.2. Explain problem of double coincidence of wants faced under barter system. How has money solved it?
- Q.3. Explain the significance of the 'unit of account' function of money?
- Q.4. Define money supply and its components?
- Q.5. Explain the 'lender of last resort' function of central bank.
- Q.6. Distinguish between SLR and CRR. Explain the Role of SLR and CRR in credit control.

- Q.7 Explain the currency authority function of central bank?
- Q.8. State the role of central Bank as a banker of the Government.
- Q.9. State any four functions of money.
- Q.10. What are open market operations? What is their effect on availability of credit?
- Q.11. How central bank is controller of credit?
- Q.12. Explain how does following help to control the credit creation.
- (i) Open market operation
 - (ii) Margin requirement of loans
- Q.13. What is meant by statutory liquidity ratio (SLR). State the effect of rise in rate of SLR on creation of credit.
- Q.14. How does changes in Bank rate affect money creation by commercial Bank?
Explain
- Q15. Explain the acceptance of deposit function of commercial banks?
- Q16. State any three methods of credit creation control used by the central bank.

LONG ANSWER TYPE QUESTIONS (6 MARKS)

- Q.1 Government of India has recently launched 'jan-dhan yojana' aimed at every household in the country to have at least one bank account. Explain how deposit made under the plan is going to affect national income of the country?
- Q.2. Explain any four functions of money.
- Q.3. Explain the meaning of Open market operation . how does the central bank use it for controlling credit creation by commercial bank?
- Q.4. Explain the process of credit creation or money creation by commercial banks with the help of numerical example.
- Q5 Why do we say that commercial bank create money while we also say that the central bank has the sole right to issue currency ? Explain. What is the likely impact of money creation by the commercial bank on national income?
- Q6 define central bank . what are the function of central bank?

DETERMINATIONS OF INCOME & EMPLOYMENT

1 MARK QUESTIONS

(1 MARKS) VERY SHORT ANSWER TYPE QUESTIONS

- 1) What is excess of export of goods over the imports of goods called?
- 2) Define investment?
- 3) Give the meaning of aggregate supply?
- 4) Define marginal propensity to consume?
- 5) Give the meaning of autonomous consumption?
- 6) What is consumption function?
- 7) If marginal propensity to save is 0.3, what is the value of marginal propensity to consume?
- 8) Define average propensity to save?
- 9) If the value of average propensity to consume is 1.5, what will be the value of average propensity to save?
- 10) Give the meaning of ex-ante saving?
- 11) When will there be equilibrium level of national income?
- 12) What can be the minimum value of investment multiplier?
- 13) If the investment multiplier is 1, what will be the value of marginal propensity to consume?
- 14) What is under employment equilibrium?
- 15) Give the meaning of deficit of demand?
- 16) Define full employment?
- 17) Give the meaning of deflationary gap?
- 18) If $MPC=1$, the value of multiplier is :
 - a) 0
 - b) Between 0 and 1
 - c) 1
 - d) infinity
- 19) Can the value of APC be greater than one?
- 20) What do you mean investment multiplier?
- 21) What will be the impact of increase in cash reserve ratio on the aggregate demand?
- 22) What is the relationship between APC and APS?
- 23) Define ex-ante investment?
- 24) Why can the value of MPC not be greater than 1?
- 25) What happen to aggregate income in an economy in which intended saving exceeds intended investment?
- 26) What is the relationship between MPS and multiplier?
- 27) Define inflationary gap?
- 28) Define aggregate demand?

Short answer type question (3-4 marks)

- 1) Give the meaning of average propensity to save .what is its relationship with average propensity to consume?
- 2) Find consumption expenditure from the following:
Autonomous consumption = 100
Marginal propensity to consume=0.70
National income= 1000
- 3) Find consumption expenditure from the following
National income=5000
Autonomous consumption=1000
Marginal propensity to consume=0.8
- 4) Find national income from the following :
Autonomous consumption=100
Marginal propensity to consume=0.60
Investment=200
- 5) Explain the relationship between average propensity to consume and average propensity to save. Which of these can have a negative value and when?
- 6) Explain the meaning of marginal propensity to consume. What is its relationship with marginal propensity to save?
- 7) In an economy , total saving are 2000 crore and ratio of APS and APC is 2:7.
Calculate the level of income in an economy?
- 8) Explain the meaning of investment multiplier. What can be its minimum and maximum value?
- 9) State whether the following re true or false. Give reason for your answer
 - a) When marginal propensity to consume is greater than marginal propensity to save , the value of investment multiplier will be greater than 5.
 - b) The value of marginal propensity to save can never be negative.
- 10) Explain the concept of inflationary gap. Explain the role of repo rate in reducing this gap.
- 11) Explain the concept of deflationary gap. Explain the role of open market operation in reducing this gap?
- 12) What is deficit demand? Explain the role of bank rate in removing it?
- 13) What is excess demand? Explain the role of reverse repo rate in removing it?
- 14) What is monetary policy? Explain the role of i) bank rate and ii) margin requirements in influencing the availability of credit in an economy.

- 15) What is fiscal policy? What possible fiscal policy measure can be taken with respect to deficit demand in an economy?
- 16) What do you mean by full employment equilibrium? Explain with the help of diagram?
- 17) Explain the concept of consumption function. Use diagram?
- 18) What happen if $AD > AS$ prior to the full employment level of output?
- 19) Can economy be is equilibrium when there is unemployment in the economy? Explain?
- 20) Define aggregate demand. State its components.
- 21) If the national income is 50 crore and saving is 5 crore, find out average propensity to consume. When income rises to 60 crore and saving to 9 crore, what will be the average propensity to consume and marginal propensity to save?
- 22) In an economy, the marginal propensity to consume is 0.75. Investment expenditure in the economy increase by 75 crore. Calculate the total increase in national income?
- 23) Calculate autonomous consumption expenditure from the following data about an economy which I in equilibrium
- National income= 900
- Marginal propensity to save=0.10
- Investment expenditure= 80
- 24) Explain the distinction between voluntary and involuntary unemployment.
- 25) Distinguish between inflationary gap and deflationary gap?
- 26) Giving reason, state whether the following statement are true or false.
- I) APS is always greater than 0
- II) Value if investment multiplier varies between 0 and infinity.
- 27) Giving reason, state whether the following statement are true or false.
- i) When marginal propensity to consume is 0, the value of investment multiplier will also be 0
- ii) Value of average propensity to save can never be less than 0
- 28) Complete the following table:

Consumption expenditure	Saving	Income	Marginal propensity to consume
100	50	150	—
175	75	—	—
250	100	—	—
325	125	—	—

29) Complete the following table:

Income	Consumption expenditure	Marginal propensity to save	Average propensity to save
0	80	—	—
100	140	0.4	—
200	—	—	0
—	240	—	0.20
—	260	0.8	0.35

30) In an economy an increase in investment leads to an increase in national income which is three times more than the increase in investment. Calculate marginal propensity to consume.

31) As a result of an increase in investment national income rises by 600 crore. If marginal propensity to consume is 0.75, calculate the increase in investment.

32) Giving reason state whether the following statement are true or false

- i) If the ratio of marginal propensity to consume and marginal propensity to save is 4:1, the value of investment multiplier will be 4.
- ii) Sum of average propensity to consume and marginal propensity to consume is always equal to 1.

LONG ANSWER TYPE QUESTION (6 MARKS)

- Q.1. Why must aggregate demand be equal to aggregate supply at the equilibrium level of income and output? Explain with the help of a diagram?
- Q.2. Explain the equilibrium level of income with the help of saving and investment curves. If saving exceed planned investment, what changes will bring about the equality between them?
- Q.3. Explain the working of multiplier with the help of a numerical example.
- Q.4. When planned investment is more than planned savings, what will be its impact on income and employment? Explain with the help of diagram.
- Q.5. What do you mean by Fiscal Policy? How it helps in controlling excess demand?
- Q.6. Explain national income equilibrium through aggregate demand and aggregate supply. Use diagram. Also explain the changes that take place in an economy when the economy is not in equilibrium.

Q.7. How quantitative and qualitative instruments of Govt. monetary policy controls deficient demand?

Q.8. Distinguish between inflationary gap and deflationary gap. Show deflationary gap on a diagram. Can this gap exist at equilibrium level of income? Explain.

Q.9. In an economy $S = -50 + 0.5Y$ is the saving function (where S = saving and Y = national income) and investment expenditure is 7000. Calculate.

- (i) Equilibrium level of national income
- (ii) Consumption expenditure at equilibrium level of national income.

Q.10. $C = 100 + 0.75y$ is a consumption function where C = consumption expenditure and Y = national income and investment expenditure is 800. On the basis of this information calculate.

- (i) Equilibrium level of national income.
- (ii) Saving at equilibrium level of national income.

Q.11. Given below is the consumption function in an economy.

$$C = 100 + 0.5Y$$

With the help of a numerical example show that in this economy, as income increase APC will decrease.

Q.12. Distinguish between inflationary gap and deflationary gap. State two measures by which these can be corrected.

Q.13. How increase in investment will affect income level of an economy? Explain with the help of an example and diagram.

Q.14. In an economy, $s = -100 + 0.6Y$ is the saving function, where S is saving and Y is national income. If investment expenditure is 1100, calculate:

- i) Equilibrium level of national income
- ii) Consumption expenditure at equilibrium level of national income

Q.15. Explain the meaning of underemployment equilibrium. Explain two measure by which full employment equilibrium can be reached?

Q.16. Explain the step taken in derivation of the saving curve from the consumption curve use. Use diagram.

Q.17. When is an economy in equilibrium? Explain with the help of saving and investment functions. Also explain the changes that take place in an economy when the economy is not in equilibrium. Use diagram?

GOVERNMENT BUDGET AND THE ECONOMY

VERY SHORT ANSWER TYPE QUESTIONS (1 MARK)

- Q.1. Define Government Budget.
- Q.2. What is meant by non-tax receipts?
- Q.3. What are revenue receipts?
- Q.4. Give two examples of indirect taxes?
- Q.5. Give one examples of direct taxes?
- Q.4. What are capital receipts?
- Q.5. Give two examples of non-tax revenue receipts.
- Q.6. What are the two sources of capital receipts?
- Q.7. Define revenue deficit.
- Q.8. Define fiscal deficit.
- Q.9. Why is repayment of loan a capital expenditure?
- Q.10. Why is recovery of loan treated a capital receipt?
- Q.11. w h a t is a balanced budget.
- Q. 12 The non-tax revenue in the following is : (choose the correct alternative)
- | | |
|----------------|----------------|
| a) Export duty | b) Import duty |
| c) Dividends | d) Excise |
- Q.13 Define capital expenditure.
- Q.14. In a Govt. Budget primary deficit is Rs. 25,000 Cr. and interest payments are Rs. 15,000 Cr. How much is the fiscal deficit?
- Q15 Direct tax is called direct because it is collected directly from :
- | | |
|-----------------------------------|-----------------------------|
| a) the producer on goods produced | b) the seller on goods sold |
| c) the buyers of goods | d) the income earners |
- Q16 Primary deficit in a government equals:
- | | |
|-------------------------------------|--------------------------------------|
| a) interest payment | b) interest payments less borrowings |
| c) borrowing less interest payments | d) none of these |
- Q.17. Define a Tax.
- Q.18. What is Direct Tax

Q.19. Define Primary Deficit

Q.20. What are Budget Receipts

Q.21. Which one of these is a revenue expenditure?

Q.22. In a Govt. Budget, revenue deficit is Rs. 8,00,000 Cr. and borrowings are Rs. 50,000 Cr. How much is the fiscal deficit?

Q.23. What is disinvestment?

Q.24. What does zero primary deficit mean?

SHORT ANSWER TYPE QUESTIONS (3-4 MARKS)

Q.1. Explain the allocation of resources objective of Govt. budget.

Q.2. Is the following revenue receipt or a capital receipt in the context of government budget and why?

i) Tax receipts

ii) Disinvestment

Q.3. Giving reason, state whether the following is a revenue expenditure or a capital expenditure:

i) Expenditure on scholarship

ii) Expenditure on building a bridge

Q.4. State three sources each of revenue receipts and capital receipts in government budget?

Q.5. Explain any one object of government budget?

Q.6. What is the difference between revenue budget and capital budget?

Q.7. What is meant by revenue receipts? Explain the components of revenue receipts of the Govt.

Q.8. Distinguish between direct tax and indirect tax.

Q.9. What do you mean by capital receipts? What are the main components of the capital receipts?

Q.10. Distinguish between direct tax and indirect tax.

Q.11. On what basis is government expenditure classified into capital expenditure and revenue expenditure? Give an example of each.

Q.12. How can the government budget be helpful in altering distribution of income in an economy?

Q.13. Government has started spending more or providing free services like education and health to the poor. Explain the economic value it reflects?

- Q.14 Give the meaning of revenue deficit and fiscal deficit. What problems can the fiscal deficit create?
- Q.15 What is fiscal deficit? What are its implications?
- Q.16 Distinguish between revenue expenditure and capital expenditure with an example of each.?
- Q.17 Explain the “redistribution of income” objective of Govt. budget.
- Q.18. Explain the ‘Economic stability’ objective of Govt. budget.
- Q.19 Tax rate on higher income group have been increased. Which economic value does it reflect? Explain?
- Q.20 Government raise its expenditure on producing public goods. Which economic values does it reflect? explain?
- Q.21. Under which situations deficit budget is beneficial for the economy.
- Q.22. Are fiscal deficits necessarily inflationary? Give reasons in support of your view.
- Q.23. Discuss the issue of deficit reduction.
- Q.24. How can surplus budget be used during inflation.
- Q.25. Giving reasons, classify the following as direct and indirect taxes.

- | | |
|-----------------------|-------------------------|
| (i) Entertainment tax | (ii) Corporation tax |
| (iii) Excise tax | (iv) Capital gains tax. |

- Q.26. From the following data about a government budget find (a) revenue deficit, (b) fiscal deficit and (c) primary deficit.

	(Rs. arab)
(i) Plan capital expenditure	120
(ii) Revenue expenditure	100
(iii) Non-plan capital expenditure	80
(iv) Revenue receipts	70
(v) Capital receipts net of borrowing	140
(vi) Interest payments	30

- Q.27. Distinguish between :
- (i) Capital expenditure and Revenue expenditure
 - (ii) Fiscal deficit and Primary deficit.

c) to rise or to fall

d) to remain unaffected

Q.20. What will be the effect on exports, if foreign exchange rate increases?

Q.21. What will be the effect on imports if foreign exchange rate increases.

Q.22. Define Devaluation of Domestic Currency.

Q.23. What is meant by Depreciation of Domestic Currency?

Q.24. What is meant by Appreciation of Domestic Currency?

Q.26. In which circumstances, the devaluation of currency will be in favour of economy?

Q.27. In which circumstances the appreciation of currency will be non favourable for the economy?

Q.28. Under which circumstances, the purchasing power of foreign currency increases in comparison to domestic currency?

Q.29. With the help of which item BOP gets balanced?

Q.30. Does BOP always remain balanced?

SHORT ANSWER TYPE QUESTIONS (3-4 MARKS)

Q.1. Write any three points of difference between BOT and BOP.

Q.2. Distinguish between current account and capital account of BOP.

Q.3. How can deficit in BOP be financed?

Q.4. What are the components of the current account of the balance of payment account.

Q.5. Give difference between the autonomous and accommodating items included in BOP.

Q.6. Distinguish between autonomous and accommodating transaction in the balance of payment account. Give an example each.

Q.7. Give three reasons why people desire to have foreign exchange.

Q.8. Give any three/four sources of supply of foreign exchange.

Q.9. Explain the relationship between foreign exchange rate and demand for it.

Q.10. Explain the relationship between foreign exchange rate and supply of

foreign exchange.

- Q.11. Explain the terms 'appreciation and depreciation of currency.'
- Q.12. giving reason explain where charity to foreign country is recorded in the balance of payment accounts?
- Q13 how does giving incentives for exports influence exchange rate? explain
- Q.14. How is flexible exchange rate determined in a free market economy?
Explain with the help of diagram.
- Q.15. Higher the foreign exchange rate, lower the demand fore foreign exchange.
Explain why?
- Q.16. Lower the foreign exchange rate, higher the demand for foreign exchange.
Explain why?
- Q.17. Explain the impact of Devaluation of domestic currency on the export and imports of an economy.
- Q.18. Give the meaning of fixed flexible and managed floating exchange rate.
- Q.19. Why the demand for foreign exchange falls when the foreign exchange rate rise explain with the help of an example.
- Q20 Recently government of India has doubled the import duty on gold . what impact is it likely to have on foreign exchange rate and how?
- Q21 Visits of foreign country for sightseeing etc. by the people of India is on the rise: what will be its likely impact on foreign exchange rate and how?
- Q22 Foreign exchange rate in India is on rise recently. What impact is it likely to have on exports and how?
- Q23 When foreign exchange rate in India is on rise recently. What impact is it likely to have on imports and how?
- Q24 What is 'appreciation' of domestic currency? What is its likely to have on exports and how?
- Q25 How is exchange rate is determined in the foreign exchange market?
- Q26 How can Reserve Bank of India help in bringing down the foreign exchange rate which is very high?
- Q27 Explain two merits each of fixed exchange rate and flexible exchange rate?
- Q28 Explain the concept of surplus in the balance of payments account.

Q29 Which transactions determine the balance of trade? When is balance of trade in surplus?

Q29 Where is borrowing from abroad recorded in the balance of payment accounts? Give reasons.

Q30 Where will sale of machinery to abroad be recorded in the balance of payments accounts? Give reasons.

Q31 Giving reasons state whether the following statements are true or false

- (i) Excess of foreign exchange receipts over foreign exchange payments on account of accommodating transactions equals deficit in the balance of payments.
- (ii) Export and import of machines are recorded in capital account of the balance of payments account.

6 MARKS QUESTIONS

Q.1. Explain the distinction between Autonomous and Accommodating transactions in balance of payments. Also explain the concept of balance of payments 'deficit' in this context.

Q.2. What is balance of payments accounts? Name three components each of its current account and capital account.

Q.3. How is balance of trade different from balance of payments? State the items not included in balance of trade.

