UPPCS Prelims 2025 Test 10 (Solution) – Economics Full Length (SSW - 8077834630)

Question 1. What is the current status of India's economy in terms of classification?
(a) Low-Income and Socialist
(b) Developed and Capitalist
(c) Emerging Market and Mixed Economy
(d) LDC and Command Economy
Answer: **(c)**
Explanation:

- India is recognized as an **Emerging Market Economy** due to its high growth, large population, and growing integration into global trade.
- It is also a **Mixed Economy**, combining features of both capitalism (private sector) and socialism (public sector involvement).
- India is not an LDC or a command economy anymore.

Question 2. Who is regarded as the father of modern economics?

(a) Amartya Sen
(b) Alfred Marshall
(c) Adam Smith
(d) J.M. Keynes
Answer: **(c)**
Explanation:

- **Adam Smith** is known as the **father of modern economics**.
- His seminal work **"An Inquiry into the Nature and Causes of the Wealth of Nations" (1776)** laid the foundation of classical economics.
- He emphasized the role of free markets and "invisible hand" in promoting economic efficiency.

Question 3. Consider the following statements:

1. Microeconomics deals with households and firms.
2. Macroeconomics deals with unemployment, GDP, and inflation.

Choose the correct option:
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: **(c)**
Explanation:

- **Microeconomics** is the study of individual units like consumers, producers, firms.
- **Macroeconomics** deals with aggregate phenomena like GDP, inflation, unemployment, fiscal and monetary policy.
- Both statements are correct representations of these branches.

Question 4. India is called a dualistic economy primarily because –
(a) It has high urban-rural migration
(b) Two sectors operate with different technologies and productivity
(c) It relies on imports for high-end tech
(d) Government and private firms function independently
Answer: **(b)**
Explanation:

- A **dualistic economy** has both **traditional** (agriculture, informal sector) and **modern** (industrial, service) sectors, often with sharp disparities in technology, wages, and productivity.

Question 5. Which of the following is NOT a feature of India's LPG reforms post-1991?
(a) Deregulation
(b) Nationalization
(c) Disinvestment
(d) Globalization
Answer: **(b)**
Explanation:

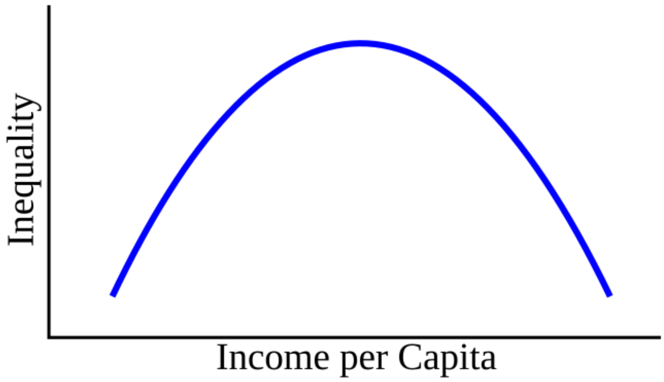
- **Nationalization** (state taking control) was pre-1991 (e.g., banks in 1969, 1980).
- **Post-1991**, the policy shift was towards **privatization**, **liberalization**, and **globalization**, not nationalization.

Question 6. Consider the following statements regarding Kuznets Curve:

1. It shows that inequality increases initially with growth and then declines.
2. It is represented as an inverted U-shape.

Which of the above is/are correct?
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: **(c)**
Explanation:

- The **Kuznets Curve** hypothesizes that in the early stages of economic development, **inequality increases**, but as development matures and redistribution improves, **inequality declines**—thus forming an **inverted-U shape**.



Question 7. Which among the following countries had the highest per capita income (PPP) in 2025?
(a) China

(b) Qatar
(c) USA
(d) Luxembourg
Answer: **(d) Luxembourg**
Explanation: As per **IMF World Economic Outlook 2025** and **World Bank estimates**, the **ranking in terms of GDP per capita (PPP)** is as follows:

1. **Luxembourg** – Over **$140,000+**
2. **Qatar** – Around **$115,000–$120,000**, due to small population and large oil & gas income

Luxembourg tops due to its **finance-driven economy and low population**.

Qatar ranks second despite recent corrections due to **its oil wealth and high-income expat population**.

Question 8. Which Union Territory had the **lowest population** in Census 2011?
(a) Lakshadweep
(b) Daman and Diu
(c) Dadra and Nagar Haveli
(d) Andaman and Nicobar Islands
Answer: (a) Lakshadweep
Explanation: Lakshadweep had the smallest population among UTs with about 64,429 people.

Question 9. Which Indian state had the lowest population density in Census 2011?
(a) Arunachal Pradesh
(b) Sikkim
(c) Mizoram
(d) Nagaland
Answer: (a) Arunachal Pradesh
Explanation: Arunachal Pradesh had a density of only 17 persons per sq. km.

Question 10. According to Census 2011, the total literacy rate in India was:
(a) 65.4%
(b) 72.3%
(c) 74.04%
(d) 76.9%
Answer: (c) 74.04%
Explanation: The overall literacy rate in Census 2011 was 74.04%

Question 11. Consider the following statements:

1. The sex ratio of India in 2011 was 943 females per 1000 males.
2. Kerala had the highest sex ratio in India.

Choose the correct option:
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: (c) Both 1 and 2
Explanation: The **national sex ratio** was **943**. Kerala had the **highest sex ratio** at 1084.

Question 12. As per the **World Population Prospects 2024**, India's population in 2023:
(a) Was less than that of China
(b) Was equal to China
(c) Overtook China
(d) Was third largest
Answer: (c) Overtook China
Explanation: In 2023, **India surpassed China** to become the most populous country.

Question 13. According to Census 2011:

1. Uttar Pradesh had the highest number of children aged 0–6
2. Bihar had the highest proportion of child population
3. Kerala had the lowest population growth rate

Which are true?
(a) 1 and 2
(b) 2 and 3
(c) 1 and 3
(d) 1, 2 and 3
Answer: (d) 1, 2 and 3
Explanation: UP had the highest child numbers, Bihar had the highest proportion (18.4%), Kerala had the lowest growth rate (4.9%).

Question 14.
Assertion (A): India's population growth rate is declining.
Reason (R): Fertility rate in India has dropped below replacement level.
Code:
(a) Both A and R are true and R is correct explanation
(b) Both A and R are true but R is not correct explanation
(c) A is true but R is false
(d) A is false but R is true
Answer: (a)

Explanation: TFR in India is now below 2.1, indicating stabilizing population.

Question 15. India's demographic dividend is expected to last until:
(a) 2065
(b) 2035
(c) 2040
(d) 2055
Answer: (d) 2055
Explanation: As per economic surveys and UN estimates, India's **working-age bulge** may continue till **2055**.

Question 16. Consider the following statements:

1. Inequality in wealth is more than inequality in income.
2. Inequality in income is more than inequality in expenditure.

Which of the above is/are correct?
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2

Answer: **(c)**
Explanation:
Wealth inequality includes assets and property, which are accumulated and transferred over time. Poor people consume most of their income and save little, whereas the rich save more and invest, leading to rising inequality. Therefore:
Wealth inequality ≥ Income inequality ≥ Expenditure inequality

Question 17. Palma Ratio is used to measure:
(a) Carbon footprint per person
(b) Differences in educational attainment
(c) Inequality based on income distribution
(d) Inequality in access to natural resources
Answer: **(c)**
Explanation:
The **Palma Ratio**, developed by economist Gabriel Palma, is a tool to measure **income inequality**. It is calculated as the **ratio of income of the top 10%** of population to the **bottom 40%**. A higher value indicates more inequality.

Question 18. Which of the following are tools to measure income or wealth inequality?

1. Gini Coefficient
2. Lorenz Curve
3. Quintile Ratio

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3
Answer: **(d)**
Explanation:
All three are valid tools:

- **Gini Coefficient** – Mathematical measure
- **Lorenz Curve** – Graphical representation
- **Quintile Ratio** – Ratio of income share of richest 20% to poorest 20%

Question 19. The Environmental Kuznets Curve suggests:
(a) Inequality rises with pollution
(b) Environment degrades and then improves with growth
(c) Environment and inequality rise together
(d) Environment improves only in poor countries
Answer: (b)
Explanation:

- The **Environmental Kuznets Curve** proposes that **initial stages of development harm the environment**, but after reaching a threshold income, societies **invest in clean technologies**, leading to **environmental improvement**.

Question 20. Which region, according to the World Inequality Report 2025, is the most unequal in the world?
(a) Europe
(b) East Asia
(c) North America
(d) MENA (Middle East and North Africa)
Answer: (d)

Explanation:

- The **World Inequality Report 2025** identifies **MENA (Middle East and North Africa)** as the **most unequal region in the world**.
- This is primarily due to **extreme concentration of wealth** among the top 10% of the population, fueled by:
  - **High oil revenues** concentrated among ruling elites and oligarchic families.

- **Weak redistribution mechanisms** (low taxation, weak public services).
- **Elite capture of state assets** and a lack of democratic institutions or transparency.

- In contrast, **Europe** remains the **least unequal** region due to robust welfare states and progressive taxation.
- **East Asia and North America**, though showing high levels of inequality, still fall below MENA in terms of the top 10% share of national income.

Question 21. What does the Unemployment Rate (UR) represent?
(a) Percentage of people without jobs in the total population
(b) Percentage of people not seeking work
(c) Percentage of unemployed people in the labour force
(d) Percentage of self-employed individuals
Answer: **(c) Percentage of unemployed people in the labour force**
Explanation:

- **Unemployment Rate (UR)** is defined as the proportion of people who are **unemployed but are actively seeking jobs** among those who are part of the **labour force** (which includes both employed and unemployed individuals).

Question 22. Which of the following is the most comprehensive method of measuring unemployment?
(a) Usual Principal Status (UPS)
(b) Current Weekly Status (CWS)
(c) Usual Principal and Subsidiary Status (UPSS)
(d) Current Daily Status (CDS)
Answer: **(d) Current Daily Status (CDS)**
Explanation:

- **CDS** measures daily employment activity using **man-days**. It records whether a person worked:
  - More than 4 hours (1 man-day),
  - Between 1–4 hours (0.5 man-day), or
  - Less than 1 hour (0 man-day).
- It captures **underemployment**, **disguised unemployment**, and **part-time work**, making it the most comprehensive tool.
- UPS and UPSS use longer reference periods (365 days) and miss short-term fluctuations.
- CWS uses a 7-day window and doesn't capture hour-wise data.

Question 23. Consider the following statements about Labour Force Participation Rate (LFPR):

1. LFPR includes both employed and unemployed individuals.
2. Low LFPR indicates higher dependency ratio.

Which of the above statements is/are correct?
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: **(c) Both 1 and 2**
Explanation:

- **Statement 1 is correct**: LFPR = (Labour Force ÷ Working Age Population or Total Population) × 100. Labour Force includes both the employed and those actively seeking work (unemployed).
- **Statement 2 is also correct**: A lower LFPR means **fewer people are working or seeking work**, increasing the burden on working individuals (i.e., **dependency ratio increases**).
- Hence, both statements are valid.

Question 24. Who conducts the Periodic Labour Force Survey (PLFS) in India?
(a) Ministry of Labour
(b) Labour Bureau
(c) NITI Aayog
(d) National Statistical Office (NSO)
Answer: **(d) National Statistical Office (NSO)**
Explanation:

- **NSO**, under the **Ministry of Statistics and Programme Implementation (MoSPI),** has conducted the **PLFS since 2017**.
- It replaced the earlier quinquennial Employment-Unemployment Survey of NSSO.

- **Labour Bureau** conducts separate surveys, such as the Annual Employment-Unemployment Survey till 2015-16.
- NITI Aayog is a policy think tank and does not conduct surveys.

Question 25. Which of the following are major types of unemployment in developing countries like India?

1. Disguised Unemployment
2. Structural Unemployment
3. Frictional Unemployment

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3
Answer: **(a) 1 and 2 only**
Explanation:

- **Disguised Unemployment** (e.g., surplus labour in agriculture) and **Structural Unemployment** (due to skill mismatch) are common in **developing economies like India**.
- **Frictional Unemployment** (job switch delay) is typically seen in **developed countries** with dynamic job markets.
- Hence, only options 1 and 2 are relevant to India.

Question 26. Match the types of unemployment with their characteristics:
A. Structural – 1. Skill Mismatch
B. Disguised – 2. Zero marginal productivity
C. Seasonal – 3. Work only in part of year
D. Frictional – 4. Between jobs transition
Code:
(a) A-1, B-2, C-3, D-4
(b) A-2, B-3, C-1, D-4
(c) A-3, B-2, C-4, D-1
(d) A-1, B-3, C-2, D-4
Answer: **(a) A-1, B-2, C-3, D-4**
Explanation:

- **Structural**: arises when people lack skills needed in current economy
- **Disguised**: occurs when too many people are employed in a job with zero added output
- **Seasonal**: limited work periods (e.g., agriculture)
- **Frictional**: temporary gap when switching jobs

Question 27. Consider the following statements about Periodic Labour Force Survey:

1. LFPR of rural women is higher than that of urban women.
2. WPR of urban men is higher than urban women.
Which of the above is/are correct?

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: **(c) Both 1 and 2**
Explanation:

LFPR (Labour Force Participation Rate) and WPR (Worker Population Ratio)

- **Rural women** participate more in agriculture, animal husbandry, and MGNREGA—leading to higher **LFPR**.
- **Urban women** often remain out of the labour market due to social norms and care responsibilities.
- **Urban males** dominate salaried and formal jobs, resulting in higher **WPR**.

Question 28. Which of the following are objectives of MGNREGA?

1. Guarantee 100 days of wage employment
2. Provide skilled employment in rural areas
3. Promote livelihood security in rural areas

(a) 1 and 3 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3
Answer: **(a) 1 and 3 only**
Explanation:

- **MGNREGA** is a **rural wage employment** program providing **unskilled work**.
- It does not aim at providing **rural skilled jobs** (Statement 2 is incorrect).
- Its legal guarantee and rural focus aim to enhance livelihood security.

Question 29. Arrange the following economic phases in correct order as per business cycle:

1. Recession

2. Recovery
3. Boom
4. Depression

Code:
(a) 3, 1, 4, 2
(b) 1, 4, 3, 2
(c) 3, 4, 1, 2
(d) 4, 2, 3, 1
Answer: **(a) 3, 1, 4, 2**
Explanation:

- **Boom**: High growth, inflation
- **Recession**: GDP falls for 2 quarters
- **Depression**: Deep and prolonged negative growth
- **Recovery**: Gradual improvement

Question 30. Which of the following sectors has the **lowest employment elasticity** in India?
(a) Agriculture
(b) Manufacturing
(c) Construction
(d) Services
Answer: **(d) Services**
Explanation:
While **services** contribute over 50% to India's GDP, their **employment elasticity is low** due to high capital investment and skill requirement. Agriculture and construction are more labour-absorbing.

Question 31. What is the meaning of "casualisation of workforce" in the Indian labour market?
(a) Increase in salaried permanent jobs
(b) Decrease in part-time work
(c) Shift from self/employment to irregular wage work
(d) Increased automation in the workplace
Answer: **(c) Shift from self/employment to irregular wage work**
Explanation:

- Casualisation refers to the **growing trend of people moving away from regular/salaried or self-employment to informal, irregular wage-based jobs** (e.g., daily wage labourers).
- This trend **increases economic vulnerability**, as these jobs offer no job security or social protection.

Question 32. Why is formalisation of employment important for economic development?
(a) It increases tax evasion
(b) It lowers wages and reduces labour rights
(c) It enhances worker productivity and security
(d) It promotes casualisation of labour
Answer: **(c) It enhances worker productivity and security**
Explanation:

- **Formal employment** brings **job security, PF, insurance, training**, and better work conditions.
- It results in higher **productivity**, **increased consumer spending**, and **better tax compliance**.
- Options (a), (b), and (d) are incorrect as formalisation reduces informality, improves rights and boosts productivity.

Question 33. Which of the following statements is/are true about Pradhan Mantri Shram Yogi Maan-Dhan Yojana (PM-SYM)?

1. It is a voluntary pension scheme for unorganised workers.
2. It provides ₹3,000 monthly pension after 60 years of age.

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: **(c) Both 1 and 2**
Explanation:

- **PM-SYM** is a **Central Sector Scheme** launched in 2019 for workers earning below ₹15,000/month.
- After contributing with government matching, the worker gets a **guaranteed pension of ₹3,000** after the age of 60.

Question 34. Who was the first to provide a scientific estimate of India's National Income?
(a) P.C. Mahalanobis
(b) Dadabhai Naoroji
(c) V.K.R.V. Rao
(d) D.R. Gadgil
Answer: **(c) V.K.R.V. Rao**
Explanation:
Prof. V.K.R.V. Rao provided the first **scientific**

estimate of national income for India in **1931–32**. Dadabhai Naoroji provided a **rough estimate** in 1867–68 based on his "Drain of Wealth" theory.

The **first national income estimate** for India was done by **Dadabhai Naoroji** for the year 1867-68.

Question 35. National Income is equal to:
(a) GDP at Market Price
(b) NNP at Factor Cost
(c) NDP at Constant Price
(d) GNP at Current Price
Answer: **(b) NNP at Factor Cost**
Explanation:
National Income = **Net National Product at Factor Cost (NNPFC)**
It includes all **factor incomes** earned by normal residents of a country both within and outside the country.

Question 36. Consider the following statements:

1. GNP includes the income of nationals earned from abroad.
2. GDP includes only the income generated within the domestic territory.

Which of the above is/are correct?
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: **(c) Both 1 and 2**
Explanation:

- **GNP** = GDP + **Net Factor Income from Abroad (NFIA)**
- **GDP** includes domestic production, **irrespective of nationality**.

Question 37. Which organization currently publishes India's National Income data?
(a) CSO
(b) Planning Commission
(c) NSO under MoSPI
(d) Labour Bureau
Answer: **(c) NSO under MoSPI**
Explanation:
The **National Statistical Office (NSO)**, under the **Ministry of Statistics and Programme Implementation (MoSPI)**, compiles and releases India's **National Accounts Statistics**, including GDP and National Income.

Question 38. Which of the following are included in National Income?

1. Wages and Salaries
2. Rent and Interest
3. Lottery Winnings

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3
Answer: **(a) 1 and 2 only**
Explanation:

- **Factor incomes** like **wages, rent, interest, and profits** are included.
- **Lottery winnings** are **windfall gains** and **not factor income**, so they are excluded from National Income.

Question 39. Which of the following correctly define GDP Deflator?

1. Measures inflation across all sectors of the economy
2. Calculated as (Nominal GDP ÷ Real GDP) × 100
3. Based on fixed basket of goods

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3
Answer: **(a) 1 and 2 only**
Explanation:

- **GDP Deflator** = (Nominal GDP ÷ Real GDP) × 100
- It measures **economy-wide inflation**, unlike CPI or WPI, and is **not based on a fixed basket**.

Question 40. Match the components of income with their corresponding factor of production:
A. Wages – 1. Labour
B. Rent – 2. Land
C. Interest – 3. Capital
D. Profit – 4. Entrepreneur
Code:
(a) A-1, B-2, C-3, D-4
(b) A-2, B-1, C-3, D-4
(c) A-1, B-3, C-2, D-4
(d) A-3, B-2, C-1, D-4
Answer: **(a) A-1, B-2, C-3, D-4**

Explanation:
This matches the **four factor incomes** to the respective **factors of production**.

Question 41. Assertion (A): India's GNP is lower than its GDP.
Reason (R): Net Factor Income from Abroad (NFIA) is negative for India.
Code:
(a) Both A and R are true, and R is the correct explanation
(b) Both A and R are true, but R is not the correct explanation
(c) A is true, R is false
(d) A is false, R is true
Answer: **(a) Both A and R are true, and R is the correct explanation**
Explanation:

- GNP=GDP+NFIA
- India sends more income abroad (MNC profits, remittances) than it receives.
- Hence, **NFIA is negative**, making **GNP < GDP**.

Question 42. Arrange the following in the order of their introduction in India:

1. Estimate by Dadabhai Naoroji
2. Estimate by V.K.R.V. Rao
3. Use of GDP at Market Prices
4. Formation of National Income Committee

Code:
(a) 1, 2, 3, 4
(b) 1, 2, 4, 3
(c) 1, 3, 2, 4
(d) 3, 1, 2, 4
Answer: **(b) 1, 2, 4, 3**
Explanation:

- 1867–68: Dadabhai Naoroji
- 1931–32: V.K.R.V. Rao
- 1949: National Income Committee (P.C. Mahalanobis)
- 2015: Use of **GDP_{MP}** (after base year change)

Question 43. Consider the following statements regarding GDP base year revision in India:

1. A new GDP base year helps better capture structural changes in the economy.
2. GDP base year revisions affect inflation targeting and fiscal policy estimates.

Which of the above statements is/are correct?
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2

Answer – (c) Both 1 and 2

Explanation –

- **Statement 1 is correct**: Updating the base year allows incorporation of **latest economic developments**, such as changes in sectoral composition, digital economy, and informal sector dynamics.
- **Statement 2 is also correct**: A revised base year affects **deflators**, thereby influencing **real GDP estimates**, which in turn impact **fiscal deficit ratios**, **debt-to-GDP ratios**, and even **inflation targeting frameworks** under monetary policy.
- Hence, **both statements are correct** and highlight the **economic and policy implications** of base year revision.

Question 44. What is the proposed new base year for GDP calculation in India, as per MoSPI's recent revision plans?
(a) 2020–21
(b) 2021–22
(c) 2022–23
(d) 2017–18

Answer – **(c) 2022–23**

Explanation –

- India's national income accounting is undergoing a revision to shift the **GDP base year from 2011–12 to 2022–23**, due to disruptions in 2020–21 and 2021–22 caused by the COVID-19 pandemic.
- The base year revision ensures economic indicators reflect the **current structure of the economy**, including new sectors like digital services, fintech, and gig economy.
- This revised base year will be used for GDP, CPI, IIP, and other macroeconomic indicators after validation of all relevant data sources.

Question 45. Consider the following statements:

1. Market Price includes Net Indirect Tax (NIT)
2. Factor Cost includes only factor incomes Which of the above statements is/are correct?

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: **(c) Both 1 and 2**
Explanation:

- **Market Price = Factor Cost + NIT (Indirect Tax – Subsidies)**
- **Factor Cost** includes **rent, wages, interest, and profit** only (i.e., factor payments).

Question 46. Which of the following items are included in GDP calculation?

1. Services of paid domestic workers
2. Transfer payments like pensions
3. Estimated rent of self-occupied houses

(a) 1 and 3 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) 1, 2 and 3
Answer: **(a) 1 and 3 only**
Explanation:

- **Transfer payments (e.g., pensions, gifts)** are **not included** as there's no production.
- Paid services and imputed rent (for self-occupied homes) **are included**.

Question 47. Which of the following are components of Personal Income (PI)?

1. National Income
2. Transfer Payments
3. Corporate Retained Earnings

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3
Answer: **(a) 1 and 2 only**
Explanation:

- PI = NI + **Transfer Payments** – **Corporate Retained Earnings, Corporate Taxes**
- Hence, **retained earnings are deducted**, not included.

Question 48. Consider the following statements:

1. GDP includes intermediate goods.
2. GDP excludes services like imputed rent. Which of the above is/are correct?

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: **(d) Neither 1 nor 2**
Explanation:

- **Intermediate goods** are **excluded** to avoid double counting.
- **Imputed rent of self-occupied houses** is included in GDP as a part of value-added services.

Question 49. Which of the following are deducted while calculating Disposable Personal Income (DPI)?

1. Personal taxes
2. Subsidies
3. Corporate profits not distributed

(a) 1 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3
Answer: **(b) 1 and 3 only**
Explanation:

- **DPI = Personal Income – Personal Taxes**
- **Personal Income** is derived from NI by **adding transfer payments** and **subtracting undistributed profits & corporate taxes**.
- **Subsidies** are not deducted; they are part of NIT adjustment.

Question 50. Which of the following statements are true about the **base year** used in National Income accounting?

1. It should be a year of economic stability
2. It affects inflation-adjusted estimates
3. It changes every 10 years
   (a) 1 and 2 only
   (b) 2 and 3 only
   (c) 1 and 3 only
   (d) 1, 2 and 3

Answer: **(a) 1 and 2 only**
Explanation:

- **Base year** must be a **normal year** (free from volatility) for comparability.
- It helps in calculating **real GDP** by using **constant prices**.
- It is not changed every 10 years; **India last changed it in 2015 to 2011–12**.

Question 51. What is the main difference between Economic Growth and Economic Development?
(a) Growth is qualitative, Development is quantitative
(b) Growth focuses on welfare, Development on output
(c) Growth is quantitative, Development is qualitative
(d) Both are synonymous
Answer: **(c) Growth is quantitative, Development is qualitative**
Explanation:

- **Economic Growth** is measured by **real GDP or per capita income** (quantity), while **Economic Development** includes **improvements in health, education, welfare, and equality** (quality).

Question 52. Consider the following statements:

1. Capital formation is a key determinant of economic growth.
2. Incremental Capital Output Ratio (ICOR) measures capital productivity.
   Which of the above is/are correct?

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: **(c) Both 1 and 2**
Explanation:

- **Capital formation** creates productive capacity.
- **ICOR = Investment ÷ Increase in GDP**. Lower ICOR means higher productivity of investment.

Question 53. Which of the following are included in the Sustainable Development Goals (SDGs)?

1. Climate Action
2. Gender Equality
3. Decent Work and Economic Growth

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3
Answer: **(d) 1, 2 and 3**
Explanation:

- **Goal 13**: Climate Action
- **Goal 5**: Gender Equality
- **Goal 8**: Decent Work and Economic Growth

Question 54. Which of the following are dimensions of Human Development Index (HDI)?

1. Health
2. Knowledge
3. Gender equality
4. Standard of living

(a) 1, 2 and 3 only
(b) 1, 2 and 4 only
(c) 2, 3 and 4 only
(d) All 1, 2, 3 and 4
Answer: **(b) 1, 2 and 4 only**
Explanation:

- **Gender equality** is part of **Gender Inequality Index (GII)**, not HDI.
- HDI includes:
  - Health (Life expectancy)
  - Knowledge (Schooling)
  - Standard of Living (GNI per capita)

Question 55. Match the development indices with the publishing agency:
A. HDI – 1. UNDP
B. GHI – 2. Concern Worldwide & Welthungerhilfe
C. SDG Index – 3. SDSN
D. Global Gender Gap Report – 4. WEF
Code:
(a) A-1, B-2, C-3, D-4
(b) A-3, B-1, C-4, D-2
(c) A-2, B-3, C-4, D-1
(d) A-4, B-2, C-1, D-3
Answer: **(a) A-1, B-2, C-3, D-4**
Explanation:
A. Human Development Index (HDI) – Published

by the **United Nations Development Programme (UNDP)**.

B. Global Hunger Index (GHI) – Jointly published by **Concern Worldwide** and **Welthungerhilfe**, both NGOs.

C. Sustainable Development Goals (SDG) Index – Published by the **Sustainable Development Solutions Network (SDSN)** and **Bertelsmann Stiftung**.

D. Global Gender Gap Report – Released annually by the **World Economic Forum (WEF)**.

Question 56. Which of the following is considered the most comprehensive measure of **Inclusive Growth**?
(a) GDP Growth Rate
(b) Per Capita Income
(c) Inclusive Development Index (IDI)
(d) Gini Coefficient
Answer: **(c) Inclusive Development Index (IDI)**
Explanation:

- **IDI**, developed by the **World Economic Forum**, includes **growth, inclusion, and inter-generational equity**—a more holistic measure than GDP alone.

Question 57. Which of the following are included in the Global Hunger Index (GHI)?

1. Child stunting
2. Child wasting
3. Maternal mortality

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3
Answer: **(a) 1 and 2 only**
Explanation:

- GHI includes **undernourishment**, **child stunting**, **child wasting**, and **under-5 mortality**.
- **Maternal mortality** is included in **Gender Inequality Index (GII)**.

Question 58. Arrange the following Indian states in **descending order** based on their performance in the **SDG India Index 2023–24**:

1. Tamil Nadu
2. Himachal Pradesh
3. Kerala
4. Bihar

Code:
(a) 3, 1, 2, 4
(b) 1, 2, 3, 4
(c) 3, 2, 1, 4
(d) 2, 1, 3, 4

Answer – **(a) 3, 1, 2, 4**

Explanation:

- The **SDG India Index 2023–24**, released by **NITI Aayog**, on June 28, 2024, ranks states based on their progress across 17 Sustainable Development Goals (SDGs).
- As per the latest index:
  - **Kerala** retains the top spot with the highest composite score, due to strong performance in **health, education, gender equality, and clean energy**.
  - **Tamil Nadu** ranks next, with consistent scores in **economic growth, industry, and climate action**.
  - **Himachal Pradesh** closely follows, particularly strong in **poverty alleviation, clean water, and sanitation**.
  - **Bihar** continues to be ranked among the **bottom-performing states**, especially in **poverty, education, and gender metrics**.

Question 59. Why is Inclusive Growth considered more sustainable than Economic Growth alone?
(a) It leads to faster GDP growth
(b) It reduces economic inequality and social unrest
(c) It avoids use of natural resources
(d) It ignores per capita income
Answer: **(b) It reduces economic inequality and social unrest**
Explanation:
Inclusive growth ensures **broad-based participation** and **equitable distribution**, helping to prevent **social tension** and support **sustained development**.

Question 60. As per the **First Advance Estimates (FAE) 2024–25** released by NSO, what is the estimated **Per Capita Income at current prices** in

India?
(a) ₹1,97,000
(b) ₹2,08,000
(c) ₹2,15,000
(d) ₹2,05,000

Answer – (c) ₹2,15,461

Explanation –

- The **First Advance Estimates (FAE) 2024–25** released by the **National Statistical Office (NSO)** project India's **Per Capita Net National Income (at current prices)** at **₹2,15,461**.
- This reflects a rise from **₹1,96,983** in 2023–24, showing continued economic recovery and growth.
- The **per capita income** is a useful indicator of average living standards.

Question 61. Which of the following is true about the Global Gender Gap Report 2025?
(a) Published by UNDP
(b) Measures gender gap in health, education, economy, politics
(c) India ranked among top 20 countries
(d) Only considers labour market participation

Answer - (b)

Explanation –

- The **Global Gender Gap Report 2025** is published annually by the **World Economic Forum (WEF)**, **not by UNDP**.
- It **measures gender-based gaps** across **four key dimensions**:
- **Health and Survival**
- **Educational Attainment**
- **Economic Participation and Opportunity**
- **Political Empowerment**
- In the **Global Gender Gap Report 2025**, published by the **World Economic Forum** in June 2025, **India ranked 131st out of 148 countries**, marking a drop from its previous position.
- The drop was by **three places** from **129th in 2024** to **131st in 2025**.

Question 62. Consider the following statements regarding Corporate Social Responsibility (CSR) under the Companies Act, 2013:

1. CSR policy is applicable only to listed companies in India.
2. Unspent CSR funds related to ongoing projects must be transferred to a special CSR account within 6 months of the financial year-end.
3. Companies failing to comply with CSR requirements may face monetary penalties under the law.

Which of the above statements is/are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

Answer – (b) 2 and 3 only

Explanation –

- **Statement 1 is incorrect**: CSR provisions apply to **both listed and unlisted companies** that meet the prescribed financial criteria under Section 135 (net worth, turnover, or profit threshold). Hence, it is **not limited to listed companies**.
- **Statement 2 is correct**: As per the Companies (CSR Policy) Amendment Rules, 2021, unspent CSR funds related to **ongoing projects** must be transferred to a special **'Unspent CSR Account'** within **6 months** from the end of the financial year.
- **Statement 3 is correct**: The amended rules also introduced **penalties** for non-compliance. Companies and officers in default may face **monetary penalties** for failure to transfer or spend CSR funds.

Question 63. Which of the following programs is aimed at improving regional inclusivity in India?
(a) PM-KUSUM
(b) Aspirational Districts Program
(c) PMAY-Gramin
(d) MGNREGA

Answer: **(b) Aspirational Districts Program**
Explanation:

- Launched in **2018**, this program focuses on **112 backward districts**, aiming to improve socio-economic indicators through **convergent governance**.

Question 64. Which of the following are features of **Sustainable Development**?

1. Inter-generational equity
2. Intra-generational equity
3. Environmental degradation for economic growth

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3
Answer: **(a) 1 and 2 only**
Explanation:

- **Sustainable Development** balances current needs with those of **future generations** (inter-generational equity) and ensures fairness across current populations (intra-generational equity).
- Environmental degradation is **not a feature**, rather a challenge.

Question 65. Which of the following is NOT a feature of a good taxation system according to Adam Smith?
(a) Canon of Equity
(b) Canon of Certainty
(c) Canon of Productivity
(d) Canon of Convenience
Answer: (c) Canon of Productivity
Explanation:
Adam Smith proposed four canons of taxation – Equity, Certainty, Convenience, and Economy. "Productivity" is not among them. These principles ensure a tax system is fair, predictable, easy to pay, and inexpensive to administer.

Question 66. Which of the following taxes is considered 'progressive' in nature?
(a) Goods and Services Tax (GST)
(b) Personal Income Tax (PIT)
(c) Customs Duty
(d) Excise Duty
Answer: (b) Personal Income Tax (PIT)
Explanation:
A progressive tax increases with income. PIT in India is progressive, with higher slabs for higher income groups. Indirect taxes like GST, excise, and customs are generally proportional or regressive.

Question 67. Which of the following best defines 'Tax Buoyancy'?
(a) Responsiveness of tax revenue to changes in tax rates
(b) Increase in tax compliance over time
(c) Automatic increase in tax revenue due to GDP growth
(d) Total increase in tax collection after reforms
Answer: (c) Automatic increase in tax revenue due to GDP growth
Explanation:
Tax buoyancy measures how efficiently tax revenue increases in proportion to GDP growth, even without changing tax rates. It reflects the strength of the tax system in leveraging economic growth.

Question 68. Consider the following statements:

1. Direct taxes are usually progressive.
2. Indirect taxes are always progressive.
   Which of the above is/are correct?

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: (a) Only 1
Explanation:
Direct taxes like PIT are progressive. Indirect taxes (GST, VAT, etc.) are generally regressive because everyone pays the same rate, irrespective of income, which burdens the poor more.

Question 69. Which of the following best describes 'Tax Avoidance'?
(a) Legal way of reducing tax by misusing loopholes
(b) Illegal concealment of income to evade tax
(c) Refusing to pay tax voluntarily
(d) A form of tax rebate offered by the government
Answer: (a) Legal way of reducing tax by misusing loopholes
Explanation:
Tax avoidance involves using legal provisions in unintended ways to reduce tax liability. It is legal but unethical. Tax evasion, on the other hand, is illegal and punishable.

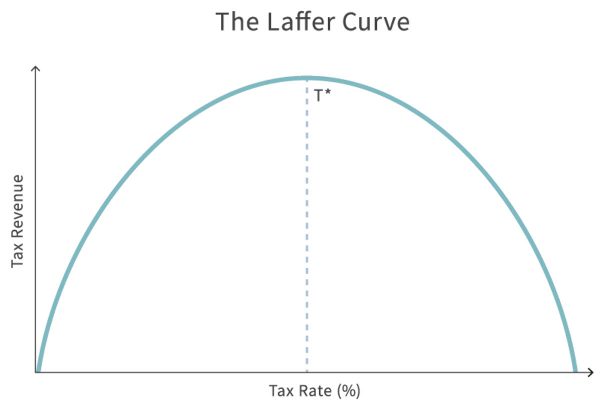
Question 70. Consider the following statements:

1. TDS is deducted from salary or interest before payment to the individual.

2. TCS is collected by the seller from the buyer at the time of sale of certain goods.
Which of the above statements is/are correct?

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: (c) Both 1 and 2
Explanation:
TDS (Tax Deducted at Source) is deducted before income reaches the individual. TCS (Tax Collected at Source) is collected by sellers from buyers during sale of specific items like liquor, tendu leaves, etc.

Question 71. In the context of taxation, the term 'Laffer Curve' is used to represent:
(a) Relationship between tax rate and tax revenue
(b) Relationship between GDP and tax buoyancy
(c) Relationship between inflation and tax compliance
(d) Relationship between fiscal deficit and GDP
Answer: (a) Relationship between tax rate and tax revenue
Explanation:
The Laffer Curve shows that beyond a certain tax rate, increasing tax rates reduce tax revenue due to reduced incentives to work or invest, leading to evasion or avoidance.



Question 72. Which of the following pairs is correctly matched?
Tax Type – Classification
(a) GST – Direct Tax
(b) Corporate Tax – Indirect Tax
(c) Excise Duty – Indirect Tax
(d) Income Tax – Indirect Tax
Answer: (c) Excise Duty – Indirect Tax
Explanation:
Excise duty is levied on the manufacture of goods and is an indirect tax. GST is also an indirect tax. Corporate tax and income tax are direct taxes.

Question 73. Which one of the following best defines 'Tax Expenditure'?
(a) Excess tax collection by government
(b) Revenue lost due to exemptions and deductions
(c) Tax paid by exporters
(d) Tax rebates given to only salaried individuals
Answer: (b) Revenue lost due to exemptions and deductions
Explanation:
Tax Expenditure refers to the revenue forgone by the government due to tax exemptions, deductions, and concessions provided to certain sectors or individuals.

Question 74. Which one of the following statements is true about the GST Council in India?
(a) Its decisions require 100% consensus
(b) It is chaired by the Prime Minister
(c) It decides GST rates and policies
(d) It includes only state representatives
Answer: (c) It decides GST rates and policies
Explanation:
The GST Council, chaired by the Union Finance Minister, includes representatives of the Centre and States. It decides tax rates, exemptions, and compliance procedures under GST.

Question 75. Consider the following statements:

1. Direct taxes are easier to evade than indirect taxes.
2. Indirect taxes increase the cost of goods and services.
Which of the statements given above is/are correct?

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: (c) Both 1 and 2
Explanation:
Direct taxes such as income tax can be evaded through concealment. Indirect taxes like GST are built into product prices and collected at point of sale, making evasion harder. However, they raise the price of goods and services.

Question 76. Which of the following is NOT an objective of imposing surcharge and cess in the Indian taxation system?
(a) Making the tax system more progressive
(b) Earmarking funds for specific purposes
(c) Sharing revenue with States
(d) Temporarily raising additional resources
Answer: (c) Sharing revenue with States
Explanation:
Surcharge and cess are imposed by the Centre. Their revenue is not part of the divisible pool and thus not shared with the States. While surcharges make the system progressive, cesses are meant for specific purposes.

Question 77. Which committee recommended the introduction of Goods and Services Tax (GST) in India?
(a) Kelkar Committee
(b) L.K. Jha Committee
(c) Vijay Kelkar Task Force on FRBM
(d) Raja Chelliah Committee
Answer: (c) Vijay Kelkar Task Force on FRBM
Explanation:
The 2003 Vijay Kelkar Task Force on the Fiscal Responsibility and Budget Management Act (FRBM) recommended implementing a national Goods and Services Tax (GST) to simplify and unify the indirect tax system.

Question 78. Which of the following best describes the term 'Tax Incidence'?
(a) The person who is legally bound to pay the tax
(b) The tax revenue collected by the government
(c) The burden of the tax actually borne by someone
(d) The point of collection of tax
Answer: (c) The burden of the tax actually borne by someone
Explanation:
Tax incidence refers to the final burden of the tax — who ultimately pays it. For example, in indirect taxes, although the seller collects the tax, the consumer bears the burden.

Question 79. Which of the following statements best defines 'Pigouvian Tax'?
(a) Tax imposed to curb pollution or negative externalities
(b) Tax imposed to promote exports
(c) Tax imposed on inter-state trade
(d) Tax collected by local bodies
Answer: (a) Tax imposed to curb pollution or negative externalities
Explanation:
Pigouvian tax is imposed on goods or activities that generate negative externalities like pollution. It aims to correct market failure by incorporating social costs into prices (e.g., carbon tax).

Question 80. 'Angel Tax' is imposed on:
(a) Venture capital firms
(b) Unaccounted property holders
(c) Start-ups receiving investments above fair value
(d) Corporates with foreign directors
Answer: (c) Start-ups receiving investments above fair value
Explanation:
Angel Tax is levied on start-ups when they receive equity funding from resident investors at a **price higher than fair market value** under **Section 56(2)(viib)** of the Income Tax Act.

Question 81. Who is responsible for the preparation of the Union Budget in India?
(a) Prime Minister's Office
(b) NITI Aayog
(c) Department of Economic Affairs
(d) Planning Commission

Answer: (c) Department of Economic Affairs
Explanation: The Budget Division under the Department of Economic Affairs (DEA), Ministry of Finance, is the nodal agency for preparing the Union Budget.

Question 82. Which article of the Indian Constitution deals with the presentation of the Union Budget?
(a) Article 266
(b) Article 110
(c) Article 112
(d) Article 280

Answer: (c) Article 112
Explanation: Article 112 mandates the President to cause the Annual Financial Statement to be laid before Parliament.

Question 83. Assertion (A): Fiscal deficit is greater than budget deficit.
Reason (R): Fiscal deficit includes market borrowings while budget deficit includes only RBI borrowings.
Code:

(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation
(c) A is true, R is false
(d) A is false, R is true

Answer: (a) Both A and R are true, and R is the correct explanation of A
Explanation: Budget Deficit is an older concept, now discontinued, while Fiscal Deficit includes borrowings from all sources including RBI and market.

Question 84. Consider the following statements:

1. Revenue deficit indicates dissaving by the government.
2. Monetised deficit is fully prohibited under FRBM.
3. Primary deficit equals fiscal deficit minus revenue deficit.

Which are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1 and 2 only

Answer: (a) 1 and 2 only
Explanation: Primary deficit = Fiscal deficit - Interest payments (not Revenue Deficit); Monetised deficit is prohibited under FRBM.

Question 85. Consider the following statements about DBT (Direct Benefit Transfer):

1. It reduces leakages in subsidy distribution.
2. It enhances beneficiary convenience.
3. It increases the government's administrative cost.

Which of the above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2, and 3

Answer: (a) 1 and 2 only
Explanation: DBT reduces administrative costs through digital infrastructure like JAM (Jan Dhan-Aadhaar-Mobile) and curbs leakages.

Question 86. Which of the following pairs are correctly matched?

1. Article 112 – Annual Financial Statement
2. Article 114 – Appropriation Bill
3. Article 267 – Public Account
4. Article 280 – GST Council

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

Answer: (a) 1, 2 and 3 only
Explanation: Article 280 deals with Finance Commission, not GST Council (which is under Article 279A).

Question 87. What is the largest component of non-tax revenue for the Government of India as per Union Budget 2025–26?
(a) Dividend from PSUs
(b) Interest Receipts
(c) Profit from RBI
(d) Spectrum Fees

Answer: (c) Profit from RBI

Explanation:
According to the Union Budget 2025–26, the **largest component of non-tax revenue** for the Government of India is the **surplus transfer/profit from the Reserve Bank of India (RBI)**.

For 2025–26, the **RBI's dividend/surplus transfer to the government is projected at ₹1.65 lakh crore**, which constitutes the biggest chunk of the total non-tax revenue.

Question 88. Which deficit is considered the most inflationary?
(a) Fiscal Deficit
(b) Revenue Deficit
(c) Monetised Deficit
(d) Primary Deficit

Answer: (c) Monetised Deficit
Explanation: Monetised deficit involves printing of money by RBI, directly increasing money supply and hence inflation.

Question 89. Which committee recommended abolishing the distinction between Plan and Non-Plan Expenditure?
(a) Raghuram Rajan Committee
(b) Vimal Jalan Committee
(c) N.K. Singh Committee
(d) Y.V. Reddy Committee

Answer: (b) Vimal Jalan Committee
Explanation: Vimal Jalan-led Expenditure Management Commission recommended ending the arbitrary Plan/Non-Plan distinction.

Question 90. Consider the following statements:

1. Interest payments are part of capital expenditure.
2. Disinvestment proceeds are capital receipts.

Choose the correct answer:
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2

Answer: (b) Only 2
Explanation: Interest payments are part of revenue expenditure, while disinvestment (sale of shares) is capital receipt.

Question 91. Which of the following is NOT part of the Consolidated Fund of India?
(a) Income Tax
(b) Borrowings from RBI
(c) Grants-in-aid
(d) Provident Fund

Answer: (d) Provident Fund
Explanation: Provident Fund deposits are part of the Public Account, not the Consolidated Fund.

Question 92. Consider the following about Vote on Account:

1. It deals only with expenditure part.
2. It is passed without discussion.
3. It is used when budget cannot be passed in time.

Which are true?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

Answer: (d) 1, 2 and 3
Explanation: Vote on Account allows temporary expenditure authority when full budget is pending.

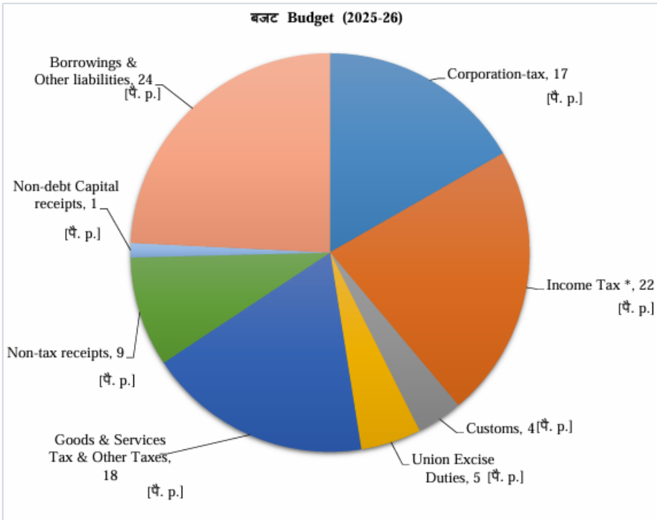
Question 93. Why is revenue deficit considered more harmful than fiscal deficit?
(a) It is larger in magnitude
(b) It reflects borrowing for consumption
(c) It affects credit rating
(d) It leads to surplus inflation

Answer: (b) It reflects borrowing for consumption
Explanation: RD shows the government is using borrowed funds for current (non-asset creating) expenses.

Question 94. Which of the following will help reduce revenue deficit?
(a) Reducing capital expenditure
(b) Increasing non-tax revenue
(c) Borrowing from RBI
(d) Reducing GDP

Answer: (b) Increasing non-tax revenue
Explanation: Increasing receipts, especially without increasing liabilities, improves RD.

Question 95. In Budget 2025-26, which of the following taxes contributes the largest share to the Gross Tax Revenue?
(a) GST
(b) Income Tax
(c) Corporation Tax
(d) Union Excise Duty
Answer: (b) Income Tax
Explanation:



Question 96. Match the following Components with Their Budget 2025-26 Figures (BE):
A. Revenue Receipts – 1. ₹5.2 lakh crore
B. Fiscal Deficit – 2. ₹15.68 lakh crore
C. Primary Deficit – 3. ₹2.9 lakh crore
D. Effective Revenue Deficit – 4. ₹0.97 lakh crore
Code:
A B C D
(a) 1 2 3 4
(b) 2 3 1 4
(c) 4 1 3 2

(d) 1 3 2 4
Answer: (a) 1 2 3 4
Explanation:

घाटे का सार Deficit Statistics

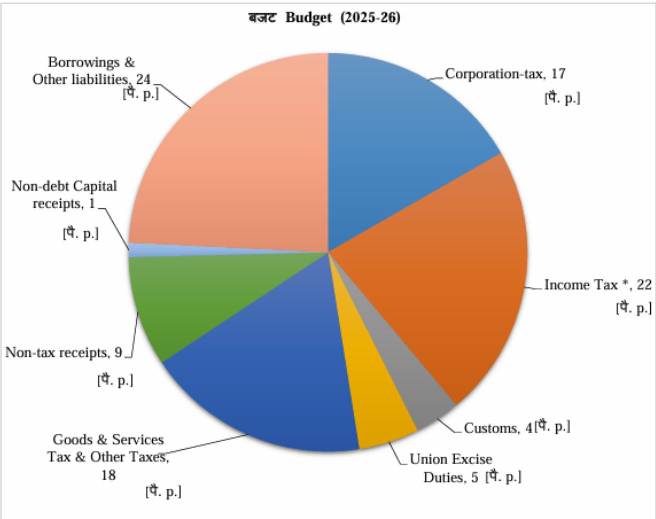
(₹ करोड़) (In ₹ crore)

		2023-2024 वास्तविक Actuals	2024-2025 बजट अनुमान Budget Estimates	2024-2025 संशोधित अनुमान Revised Estimates	2025-2026 बजट अनुमान Budget Estimates
1. राजकोषीय घाटा	1. Fiscal Deficit	1654643	1613312	1569527	1568936
		(5.6)	(4.9)	(4.8)	(4.4)
2. राजस्व घाटा	2. Revenue Deficit	765216	580201	610098	523846
		(2.6)	(1.8)	(1.9)	(1.5)
3. प्रभावी राजस्व घाटा	3. Effective Revenue Deficit	461300	189423	310207	96654
		(1.6)	(0.6)	(1.0)	(0.3)
4. प्राथमिक घाटा	4. Primary Deficit	590771	450372	431587	292598
		(2.0)	(1.4)	(1.3)	(0.8)

Question 97. Consider the following sources of revenue for the Union Budget 2025-26:

1. Borrowings and liabilities – 24%
2. Income Tax – 22%
3. GST and Other Taxes – 18%
4. Customs – 8%

How many of the above are correct as per Budget 2025–26?
(a) Only one
(b) Only two
(c) Only three
(d) All four
Answer: (c) Only three
Explanation: *Customs* contributes only 4%, not 8%.



Question 98. What is the current International Poverty Line (Extreme Poverty Line) as defined by the World Bank using 2021 PPPs?
(a) $2.15 per day
(b) $2.70 per day
(c) $3.00 per day
(d) $1.90 per day

Answer: (c) $3.00 per day
Explanation:

- As per the **latest update by the World Bank**, the **International Poverty Line** has been **revised to $3.00 per person per day** using **2021 Purchasing Power Parity (PPP)** values.
- This new threshold replaces the earlier **$2.15 per day (2017 PPP)** line, which in turn had replaced the older **$1.90 (2011 PPP)** line.
- The revision ensures that the global poverty benchmark reflects updated consumption needs and living costs across countries.
- This **$3.00 line** now serves as the official **extreme poverty line** used for international comparisons and development monitoring from **2025 onwards**.

Question 99. Which of the following indices is used to measure Relative Poverty?
(a) Head Count Ratio
(b) Gini Coefficient
(c) MPI
(d) Poverty Gap Index
Answer: (b) Gini Coefficient
Explanation: Gini Coefficient measures income inequality and is a widely used tool to assess relative poverty within societies.

Question 100. What is the poverty line estimate for urban India as per the Tendulkar Committee (2011–12 prices)?
(a) ₹32.40 per day
(b) ₹47 per day
(c) ₹27 per day
(d) ₹25 per day
Answer: (a) ₹32.40 per day
Explanation: Tendulkar Committee's methodology estimated ₹32.40/day for urban and ₹27/day for rural areas in 2011–12 prices.

Question 101. Assertion (A): Rangarajan Committee proposed calorie norms and fat/protein intake as part of poverty estimation.
Reason (R): It reverted to a nutrition-based poverty line and used Modified Mixed Reference Period.

Code:
(a) Both A and R are true, and R is the correct explanation
(b) Both A and R are true, but R is not the correct explanation
(c) A is true, R is false
(d) A is false, R is true
Answer: (a)
Explanation: Rangarajan Committee used nutrition-based parameters like calorie, protein, and fat norms, and adopted MMRP for expenditure surveys.

Question 102. Match the committees with their poverty estimation features:
A. Alagh Committee – 1. Calorie norm based, first official PL
B. Lakdawala Committee – 2. URP method, state-level baskets
C. Tendulkar Committee – 3. MMRP, nutrition + non-food
D. Rangarajan Committee – 4. MRP, uniform basket, CPI
Code:
(a) A-1, B-2, C-3, D-4
(b) A-3, B-4, C-1, D-2
(c) A-2, B-3, C-1, D-4
(d) A-1, B-2, C-4, D-3
Answer: (a)
Explanation: Alagh (1979) introduced calorie norms, Lakdawala (1993) used URP, Tendulkar (2009) used MRP & CPI, Rangarajan (2012) used MMRP.

Question 103. Which of the following are causes of Feminization of Poverty in India?

1. Unequal property rights
2. Gender-based violence
3. Labour market discrimination
4. Caste-based reservation

Code:
(a) 1, 2, 3 only
(b) 1 and 4 only
(c) 2 and 3 only
(d) All of the above
Answer: (a)
Explanation: Feminization of poverty is due to structural gender inequalities including inheritance laws, violence, and wage gaps—not caste-based reservation.

Question 104. What is the most fundamental function of money?
(a) Store of value
(b) Medium of exchange
(c) Standard of deferred payments
(d) Transfer of value
Answer: (b) Medium of exchange
Explanation: The most essential function of money is its use as a medium of exchange, which facilitates trade and eliminates the need for barter.

Question 105. Which among the following is the most liquid form of money?
(a) M4
(b) M3
(c) M1
(d) M0
Answer: (d) M0
Explanation: M0 (Reserve Money) is the most liquid form of money as it includes currency in circulation and deposits held by banks with RBI.

Question 106. Gresham's Law is related to:
(a) Inflation targeting
(b) Good money driving out bad
(c) Bad money driving out good
(d) Relationship between tax and money
Answer: (c) Bad money driving out good
Explanation: Gresham's Law states that when two forms of commodity money are in circulation, the undervalued one (good money) tends to be hoarded and disappears from circulation.

Question 107. Which Indian institution is the sole authority for issuing banknotes (except ₹1 note)?
(a) Ministry of Finance
(b) RBI
(c) SEBI
(d) SBI
Answer: (b) RBI
Explanation: Under Section 22 of the RBI Act, RBI is the sole authority for issuing currency notes except ₹1, which is issued by the Government of India.

Question 108. Assertion (A): e-RUPI is a purpose-specific digital voucher.
Reason (R): It can be used as a legal tender like cash or coins.
Code:
(a) Both A and R are true, and R is the correct

explanation
(b) Both A and R are true, but R is not the correct explanation
(c) A is true, R is false
(d) A is false, R is true
Answer: (c)
Explanation: e-RUPI is a digital prepaid voucher for specific use but **not** a legal tender like cash.

Question 109. Which of the following explains Managed Paper Currency Standard in India?
(a) Currency backed 100% by gold
(b) Currency printed without any limit
(c) Currency printed against minimum reserves
(d) Free-floating digital currency
Answer: (c)
Explanation: Under the Minimum Reserve System, currency is printed against a minimum reserve of ₹200 crore (₹115 crore in gold).

Question 110. Which of the following are features of CBDC (Central Bank Digital Currency)?

1. Legal tender
2. Backed by blockchain
3. Issued by commercial banks
4. Fully decentralized

Code:
(a) 1 and 2 only
(b) 1, 2, and 3 only
(c) 1 and 4 only
(d) All of the above
Answer: (a)
Explanation: CBDC is legal tender and uses blockchain, but it is issued by central banks and is not decentralized.

Question 111. What is the meaning of "Money Multiplier"?
(a) Ratio of CRR to M0
(b) Ratio of M3 to M0
(c) Ratio of demand to supply
(d) M0 × GDP
Answer: (b)
Explanation: Money Multiplier = M3 / M0. It reflects the banking system's ability to create money.

Question 112. Which of the following are characteristics of good money?

1. Durability
2. Divisibility
3. Fungibility
4. Volatility

(a) 1, 2, and 3 only
(b) 1, 2, 3, and 4
(c) 1 and 4 only
(d) 2 and 3 only
Answer: (a)
Explanation: Good money should be durable, divisible, fungible—but **not volatile**.

Question 113. Which of the following are related to the Payment System in India?

1. NEFT
2. RTGS
3. IMPS
4. SWIFT

(a) 1, 2 and 3 only
(b) 1 and 3 only
(c) 2, 3 and 4 only
(d) All of the above
Answer: (a)
Explanation: SWIFT is for international transactions, while NEFT, RTGS, IMPS are domestic systems regulated by RBI.

Question 114. What type of monetary policy is adopted during inflation?
(a) Expansionary
(b) Contractionary
(c) Fiscal push
(d) Quantitative easing
Answer: (b)
Explanation: To reduce inflation, RBI adopts contractionary monetary policy by increasing interest rates and reducing liquidity.

Question 115. What is the major limitation of monetary policy in India?
(a) It affects agriculture directly
(b) It's highly effective in rural informal markets
(c) It can't control supply-side inflation
(d) It reduces foreign remittance
Answer: (c)
Explanation: Monetary policy is ineffective in tackling cost-push inflation caused by poor monsoon, supply shocks etc.

Question 116. Which of the following inflation types is considered more harmful to national income?
(a) Demand-pull inflation

(b) Creeping inflation
(c) Cost-push inflation
(d) Disinflation
Answer: (c)
Explanation: Cost-push inflation reduces supply and increases prices simultaneously, thereby lowering national income and causing stagflation.

Question 117. Which agency publishes the Wholesale Price Index (WPI) in India?
(a) NSO
(b) RBI
(c) Labour Bureau
(d) Office of Economic Adviser, DPIIT
Answer: (d)
Explanation: The WPI is compiled by the Office of Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry.

Question 118. Assertion (A): CPI includes both goods and services.
Reason (R): CPI tracks price changes at the producer level.
Code:
(a) Both A and R are true and R is the correct explanation
(b) Both A and R are true but R is not the correct explanation
(c) A is true, R is false
(d) A is false, R is true
Answer: (c)
Explanation: CPI includes goods and services but measures price change at the consumer level, not producer level.

Question 119. What is the impact of inflation on creditors?
(a) Gain
(b) Neutral
(c) Loss
(d) No impact
Answer: (c)
Explanation: Inflation erodes the purchasing power of repayments made by borrowers, hence creditors lose in real terms.

Question 120. Which of the following inflation conditions describes reflation?
(a) Price fall after recession
(b) General decrease in price levels
(c) Price rise as economy recovers from deflation
(d) A drop in unemployment with zero inflation
Answer: (c)
Explanation: Reflation refers to policy-driven rise in prices as the economy recovers from recession or deflation.

Question 121. Choose the incorrect statement:
(a) Inflation reduces purchasing power
(b) Deflation increases production
(c) Inflation benefits debtors
(d) Built-in inflation is linked to wage hikes
Answer: (b)
Explanation: Deflation discourages investment and production; hence statement (b) is incorrect.

Question 122. Which committee recommended the establishment of Small Finance Banks and Payment Banks?
(a) Deepak Mohanty Committee
(b) Nachiket Mor Committee
(c) Urjit Patel Committee
(d) Raghuram Rajan Committee
Answer: (b)
Explanation: The Nachiket Mor Committee (2013) recommended differentiated banking structure including Small Finance Banks and Payments Banks to enhance financial inclusion.

Question 123. Consider the following statements:

1. MUDRA Bank refinances loans given by bank and MFIs.
2. MUDRA is a subsidiary of SIDBI.

Which of the statements is/are correct?
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: (c) Both 1 and 2
Explanation: MUDRA Bank refinances MFIs and banks. It is a subsidiary of SIDBI.

Question 124. Which of the following are functions of the Financial Services Institutions Bureau (FSIB)?

1. Appointment of directors in PSBs
2. Strategy formulation for public banks
3. Monitoring performance of financial institutions
4. Issuing banking licenses

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

(d) 1 and 4 only
Answer: (a)
Explanation: FSIB functions include top-level appointments, strategy advice, and performance monitoring but not issuing bank licenses (done by RBI).

Question 125. What is the purpose of CRR (Cash Reserve Ratio)?
(a) Fund lending to rural banks
(b) Provide liquidity to NBFCs
(c) Control money supply in the economy
(d) Reduce fiscal deficit
Answer: (c)
Explanation: CRR is used by RBI to control money supply by mandating banks to keep a fixed percentage of deposits in cash with RBI.

Question 126. Which of the following statements about Bad Banks is true?
(a) They provide retail loans to customers
(b) They handle profit-oriented banking
(c) They absorb NPAs from commercial banks
(d) They are regulated by SEBI
Answer: (c)
Explanation: Bad Banks buy NPAs at a discounted rate from commercial banks to help clean balance sheets, especially during crises.

Question 127. Which of the following are roles of DFIs in India?

1. Providing long-term capital to industries
2. Subscription to corporate securities
3. Participating in payment and settlement systems

Select the correct answer:
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3
Answer: (a) 1 and 2 only
Explanation: DFIs provide long-term finance, subscribe to shares/debentures, and provide technical consultancy. They do not participate in the payment and settlement system (unlike banks).

Question 128. Which of the following correctly describes a difference between NBFCs and Banks?
(a) NBFCs can issue demand deposits
(b) Banks cannot accept fixed deposits
(c) NBFCs are part of payment settlement system
(d) NBFCs are not insured under DICGC
Answer: (d)
Explanation: NBFC deposits are not covered under DICGC; they cannot issue cheques and aren't part of the payment system.

Question 129. Which of the following are features introduced under Basel III norms?

1. Leverage Ratio
2. Countercyclical Capital Buffer
3. Liquidity Coverage Ratio

Select the correct answer using the code below:
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

Answer: (d) 1, 2 and 3

Explanation:
Basel III norms introduced several new measures for improving banking sector resilience:

- **Leverage Ratio** to limit excessive leverage.
- **Countercyclical Capital Buffer** to protect banks during periods of excess credit growth.
- **Liquidity Coverage Ratio (LCR)** to ensure that banks maintain high-quality liquid assets to survive acute stress scenarios.

Question 130. Which of the following best describes "Authorised Capital"?
(a) Capital issued to shareholders
(b) Capital actually paid by investors
(c) Maximum capital a company is allowed to raise
(d) Capital subscribed in IPO
Answer: (c)
Explanation: Authorised capital is the maximum amount of share capital that a company is legally allowed to issue as per its registration with the Registrar of Companies under the Companies Act.

Question 131. Consider the following statements:

1. Private Limited Companies can issue shares to the general public.
2. Public Limited Companies are listed on stock exchanges.

Choose the correct answer:
(a) Only 1

(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: (b)
Explanation: Private Limited Companies cannot offer shares to the public. Public Limited Companies can issue IPOs and be listed on stock exchanges.

Question 132. What does "Dematerialisation" in stock trading mean?
(a) Physical transfer of shares
(b) Trading in cash only
(c) Conversion of physical certificates to electronic form
(d) Removal of shares from trading
Answer: (c)
Explanation: Dematerialisation refers to the process of converting physical share certificates into electronic form for ease of trading.

Question 133. Match the following instruments with their features:
A. Treasury Bills – 1. Short-term unsecured corporate bond
B. Commercial Paper – 2. Issued by banks, tradable
C. Certificate of Deposit – 3. Issued by Govt. of India
D. Debentures – 4. Long-term corporate bond

Code:
A B C D
(a) 1 2 3 4
(b) 3 1 2 4
(c) 2 3 4 1
(d) 4 2 3 1
Answer: (b) 3 1 2 4
Explanation: T-Bills – Govt short term; CP – short term corporate; CD – bank-issued short term; Debenture – corporate long term.

Question 134. Match the following market participants with their roles:
A. Bull – 1. Sells shares in bulk
B. Bear – 2. Optimistic buyer
C. Stag – 3. Trades in short term only
D. Lame Duck – 4. Defaulter in trade

Code:
A B C D
(a) 1 2 4 3
(b) 2 1 3 4
(c) 3 1 2 4
(d) 2 3 1 4
Answer: (b)
Explanation: Bulls buy expecting price rise; Bears sell expecting fall; Stag is short-term trader; Lame duck is defaulter.

Question 135. Which stock exchange index is based on top 50 companies in India?
(a) SENSEX
(b) NIFTY
(c) MIBOR
(d) BSE 100
Answer: (b)
Explanation: NIFTY 50 is the flagship index of NSE based on 50 top companies across sectors.

Question 136. Which of the following was the first Industrial Policy Resolution of Independent India?
(a) 1948
(b) 1951
(c) 1956
(d) 1991
Answer: (a)
Explanation: Industrial Policy Resolution of 1948 was the first policy document that set the foundation for a mixed economy model and regulatory framework in post-independence India.

Question 137. Choose the incorrect statement
(a) The 1991 policy reduced public sector reservations.
(b) FDI cap was raised to 51% in 1991.
(c) Foreign Investment Promotion Board (FIPB) was created in 1991.
(d) MRTP Act was tightened in 1991 to curb monopolies.
Answer: (d)
Explanation: The MRTP Act was liberalized in 1991; asset threshold was removed, and focus shifted from size to behavior.

Question 138. Which policy document is associated with Mahalanobis Model?
(a) Industrial Policy 1948
(b) Industrial Policy 1956
(c) Industrial Policy 1980
(d) Industrial Policy 1991
Answer: (b)
Explanation: Mahalanobis Model formed the core of the 1956 industrial policy focusing on capital goods industries.

Question 139. Consider the following statements:

1. FDI in India is regulated by DPIIT under Ministry of Commerce & Industry.
2. FIPB continues to regulate FDI in India.

Choose the correct answer:
(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: (a)
Explanation: FIPB was abolished in 2017. DPIIT currently oversees FDI policy under Ministry of Commerce and Industry.

Question 140. Consider the following statements:

1. Navratna status gives greater autonomy to selected PSUs.
2. REC and PFC are both Maharatna companies.
   Which is/are correct?

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) Neither 1 nor 2
Answer: (c)
Explanation: REC was granted Maharatna status in 2022 and PFC in 2021; Navratna/Maharatna provide operational freedom to high-performing CPSEs.

Question 141.
Consider the following statements:
Assertion (A): India achieved record production in both rice and maize during 2024–25.
Reason (R): This was driven by favorable monsoon and improved soil moisture.
Select the correct code:
(a) Both A and R are true, and R explains A.
(b) Both A and R are true, but R does not explain A.
(c) A is true, R is false.
(d) A is false, R is true.
Answer: (a)
Explanation: The release explicitly states record production for both rice and maize and attributes this to a favourable monsoon and improved soil moisture. Third Advance Estimates of Production of major agricultural crops for 2024-25:
Total Foodgrains– 3539.59 LMT

- **Rice -1490.74 LMT (Record)**
- **Wheat – 1175.07 LMT (Record)**
- **Maize – 422.81 LMT (Record)**
- Shree Anna– 180.15 LMT
- Tur – 35.61 LMT
- Gram – 113.37 LMT

Total Oilseeds– 426.09 LMT

- **Groundnut – 118.96 LMT (Record)**
- **Soybean – 151.80 LMT (Record)**
- Rapeseed & Mustard – 126.06 LMT

Sugarcane – 4501.16 LMT
Cotton – 306.92 Lakh Bales (170 Kgs. each)
Jute – 84.33 Lakh Bales (180 Kgs. each)
Record production of Rice, Wheat, Maize, Groundnut and Soybean

Question 142. Choose the correct statement:
(a) India ranks 1st in organic farmers globally.
(b) India ranks 1st in organic area globally.
(c) India is the largest importer of organic food.
(d) Organic certification is not regulated in India.

Answer: (a) India ranks 1st in organic farmers globally.

Explanation –

- As per the latest data from **FiBL & IFOAM – The World of Organic Agriculture 2024 report**, **India has the largest number of organic farmers in the world** (approx. **4.3 million** farmers as of 2022-23).
- However, **India ranks around 2nd globally in terms of total organic agricultural land area** (with countries like Australia and Argentina leading in area).
- India is a major **exporter** of organic products, especially to the USA and EU. It is **not** the largest importer.
- Organic certification in India **is regulated** through:
  - **National Programme for Organic Production (NPOP)** under APEDA (for exports)
  - **Participatory Guarantee System (PGS-India)** under NCOF for domestic market.

Question 143. Match the following traditional farming terms with regions in India:
A. Jhum – 1. Odisha
B. Podu – 2. Andhra Pradesh

C. Vevar – 3. Chhattisgarh
D. Deepa – 4. Bundelkhand

Code:
A B C D
(a) 1 2 3 4
(b) 2 1 4 3
(c) 3 2 1 4
(d) 1 2 4 3
Answer: (d) 1 2 4 3
Explanation:

These are all forms of **shifting cultivation**, locally known by different names across regions:

- **Jhum** – Practiced in **North-East India** (Assam, Nagaland, Mizoram, etc.), but also **Odisha** in tribal regions → **1**
- **Podu** – Practiced mainly in **Andhra Pradesh** and parts of Odisha → **2**
- **Vevar** – A traditional form of cultivation in **Bundelkhand region** (Uttar Pradesh & Madhya Pradesh) → **4**
- **Deepa** – A shifting cultivation practice in **Chhattisgarh**, especially in forest areas → **3**

Question 144. Which of the following was the model on which India's First Five Year Plan was based?
(a) Mahalanobis Model
(b) Harrod-Domar Model
(c) Solow Growth Model
(d) Leontief Model
Answer: (b)
Explanation: The First Plan (1951–56) was based on the Harrod-Domar model and focused on agriculture and irrigation.

Question 145. Which Five-Year Plan was terminated early and replaced by the Rolling Plan?
(a) Third Plan
(b) Fourth Plan
(c) Fifth Plan
(d) Sixth Plan
Answer: (c)
Explanation: The Fifth Plan (1974–78) was cut short by the Morarji Desai government and replaced with the Rolling Plan (1978–80).

Question 146. Which of the following correctly defines Balance of Payments (BoP)?
(a) Account of the government's fiscal performance
(b) Account of only public sector trade
(c) Account of all economic transactions of a country with the rest of the world
(d) Account showing only export and import of goods
Answer: (c)
Explanation: BoP is a systematic record of all economic transactions — goods, services, transfers, investment, loans, etc. — between a country and the rest of the world over a financial year.

Question 147. Which of the following components is NOT included in the Current Account of BoP?
(a) Export of services
(b) Transfer payments
(c) External Commercial Borrowings
(d) Import of goods
Answer: (c)
Explanation: External Commercial Borrowings (ECBs) fall under the Capital Account. The Current Account includes trade in goods/services and transfer payments.

Question 148. Assertion (A): Depreciation of Rupee promotes exports.
Reason (R): Depreciation makes Indian goods cheaper in foreign currency.
Code:
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation
(c) A is true but R is false
(d) A is false but R is true
Answer: (a)
Explanation: A fall in the rupee's value makes Indian exports cheaper and more competitive in the global market. So both A and R are true, and R explains A.

Question 149. Which revolution is associated with egg and poultry production in India?
(a) Pink Revolution
(b) Silver Revolution
(c) Golden Revolution
(d) White Revolution
Answer: (b)
Explanation: Silver Revolution refers to the rapid

growth of egg and poultry production in India during the 1980s.

Question 150. Which state was the first to implement land reforms in post-independent India?
(a) Punjab
(b) Madras
(c) Kerala
(d) West Bengal
Answer: (b)
Explanation: The **first state to implement land reforms in post-independent India** was **Madras Presidency** (now Tamil Nadu) in **1948**.

The **Madras Estate (Abolition and Conversion into Ryotwari) Act, 1948** marked the beginning of **zamindari abolition** and transition to **Ryotwari system**.

This inspired other states to pass similar legislations for abolition of intermediaries.

Other pioneering states include **Uttar Pradesh (1951)** and **West Bengal (1953)**, but they followed Madras.