UNIT–I: MONEY, DEMAND FOR MONEY & MONEY SUPPLY

A. Money: Meaning, Definition and Functions

Q.1. Which of the following best defines money?

A. Anything that has utility

B. Anything that is generally accepted as a means of payment ✅

C. Anything that has a high price

D. Anything produced by firms

Correct Option: B. Anything that is generally accepted as a means of payment

Q.2. Which of the following is the most important characteristic of money?

A. General acceptability ✅

B. Scarcity only

C. High production cost

D. Limited usefulness

Correct Option: A. General acceptability

Q.3. The primary function of money is:

A. Store of wealth

B. Medium of exchange ✅

C. Standard of deferred payment

D. Transfer of wealth

Correct Option: B. Medium of exchange

Q.4. Money eliminates the problem of:

A. Inflation

B. Double coincidence of wants ✅

C. Unemployment

D. Economic growth

Correct Option: B. Double coincidence of wants

Q.5. Money serves as a unit of account because it:

A. Measures the value of goods and services ✅

B. Increases production

C. Reduces population

D. Controls imports

Correct Option: A. Measures the value of goods and services

Q.6. Which function of money facilitates the measurement of economic values?

A. Medium of exchange

B. Unit of account ✅

C. Store of value

D. Standard of deferred payment

Correct Option: B. Unit of account

Q.7. Money as a store of value means that money:

A. Can be used to preserve purchasing power over time ✅

B. Can only be used for current consumption

C. Has no value in the future

D. Cannot be saved

Correct Option: A. Can be used to preserve purchasing power over time

Q.8. Money functions as a standard of deferred payment when it:

A. Facilitates future payments and debt settlements ✅

B. Measures population

C. Determines production

D. Controls supply

Correct Option: A. Facilitates future payments and debt settlements

Q.9. Which of the following is a primary function of money?

A. Medium of exchange ✅

B. Standard of deferred payment

C. Store of value

D. Transfer of purchasing power

Correct Option: A. Medium of exchange

Q.10. Which of the following is a secondary function of money?

A. Medium of exchange

B. Unit of account

C. Store of value ✅

D. Measure of value

Correct Option: C. Store of value

Q.11. Money facilitates specialization and division of labour because it acts as:

A. Medium of exchange ✅

B. Store of value

C. Standard of deferred payment

D. Capital

Correct Option: A. Medium of exchange

Q.12. Which of the following is NOT a function of money?

A. Medium of exchange

B. Unit of account

C. Store of value

D. Elimination of scarcity ✅

Correct Option: D. Elimination of scarcity

B. Concept of Money and Near Money

Q.13. Near money refers to assets that:

A. Are completely illiquid

B. Can easily be converted into money ✅

C. Cannot be sold

D. Have no financial value

Correct Option: B. Can easily be converted into money

Q.14. Which of the following is generally considered near money?

A. Currency notes

B. Time deposits ✅

C. Land

D. Machinery

Correct Option: B. Time deposits

Q.15. Which of the following is NOT generally considered near money?

A. Treasury Bills

B. Time deposits

C. Shares ✅

D. Certain savings instruments

Correct Option: C. Shares

Q.16. Near money is characterized mainly by:

A. High liquidity compared with other assets ✅

B. Complete absence of value

C. Permanent illiquidity

D. Physical usefulness

Correct Option: A. High liquidity compared with other assets

Q.17. Treasury Bills are generally classified as:

A. Near-money assets ✅

B. Consumer goods

C. Capital goods

D. Real assets

Correct Option: A. Near-money assets

Q.18. Time deposits differ from demand deposits because they:

A. Can always be withdrawn without conditions

B. Generally have a fixed maturity period ✅

C. Are not financial assets

D. Cannot earn interest

Correct Option: B. Generally have a fixed maturity period

Q.19. Demand deposits are highly liquid because they:

A. Can generally be withdrawn on demand ✅

B. Have no monetary value

C. Cannot be transferred

D. Have a fixed maturity

Correct Option: A. Can generally be withdrawn on demand

Q.20. Near money is important because it:

A. Can be converted into money relatively easily ✅

B. Cannot be exchanged

C. Has no economic value

D. Is always physical currency

Correct Option: A. Can be converted into money relatively easily

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C. Demand for Money

Q.21. Demand for money means:

A. Desire to hold money balances ✅

B. Desire to produce goods

C. Demand for shares only

D. Demand for foreign currency only

Correct Option: A. Desire to hold money balances

Q.22. Which economist developed the classical quantity theory of money?

A. Keynes

B. Irving Fisher ✅

C. Adam Smith

D. Alfred Marshall

Correct Option: B. Irving Fisher

Q.23. According to the classical approach, money is mainly demanded for:

A. Transactions ✅

B. Speculation

C. Luxury consumption

D. Investment on

Correct Option: A. Transactions

Q.24. According to Keynes, the motives for holding money are:

A. Transaction, precautionary and speculative ✅

B. Consumption, production and investment

C. Saving, production and exports

D. Taxation, investment and imports

Correct Option: A. Transaction, precautionary and speculative

Q.25. Which of the following is a digital payment method?

A. UPI

B. Debit card

C. Internet banking

D. All of the above ✅

Q.26. The precautionary motive for holding money arises because of:

A. Uncertainty about future payments and receipts ✅

B. Guaranteed income

C. Fixed prices

D. Perfect certainty

Correct Option: A. Uncertainty about future payments and receipts

Q.27. The speculative demand for money is mainly related to:

A. Interest rate expectations ✅

B. Population growth

C. Agricultural production

D. Government expenditure only

Correct Option: A. Interest rate expectations

Q.28. IMF stands for:

A. International Monetary Fund ✅

B. International Money Federation

C. Indian Monetary Fund

D. International Market Finance

Correct Option: A. International Monetary Fund

Q.29. When the rate of interest rises, speculative demand for money generally:

A. Rises

B. Falls ✅

C. Remains unchanged

D. Becomes infinite

Correct Option: B. Falls

Q.30. When the rate of interest falls, speculative demand for money generally:

A. Increases ✅

B. Decreases

C. Becomes zero

D. Remains fixed

Correct Option: A. Increases

Q.31. The World Bank mainly focuses on:

A. Development and poverty reduction ✅

B. Stock trading

C. Retail banking

D. Currency printing

Correct Option: A. Development and poverty reduction

Q.32. The transaction demand for money is mainly influenced by:

A. Income level ✅

B. Weather only

C. Population density only

D. Stock prices only

Correct Option: A. Income level

Q.33. An increase in income generally causes transaction demand for money to:

A. Increase ✅

B. Decrease

C. Become zero

D. Remain unchanged

Correct Option: A. Increase

Q.34. Which of the following affects the demand for money?

A. Income

B. Interest rate

C. Price level

D. All of the above ✅

Correct Option: D. All of the above

Q.35. Digital currency refers to:

A. Currency existing in digital/electronic form ✅

B. Only physical coins

C. Paper currency only

D. Barter goods

Correct Option: A. Currency existing in digital/electronic form

According to the Keynesian approach, demand for money depends significantly on:

A. Income and interest rate ✅

B. Rainfall only

C. Population only

D. Exports only

Correct Option: A. Income and interest rate

Q.36. The classical economists generally assumed that velocity of circulation of money is:

A. Relatively stable ✅

B. Always zero

C. Always increasing

D. Completely unpredictable

Correct Option: A. Relatively stable

D. Factors Affecting Demand for Money

Q.37. An increase in income generally:

A. Increases demand for money ✅

B. Decreases demand for money

C. Has no effect

D. Eliminates liquidity preference

Correct Option: A. Increases demand for money

Q.38. An increase in the price level generally causes the demand for money to:

A. Increase ✅

B. Decrease

C. Become zero

D. Remain fixed

Correct Option: A. Increase

Q.39. A higher interest rate generally reduces:

A. Transaction demand

B. Speculative demand for money ✅

C. Total production

D. Currency supply

Correct Option: B. Speculative demand for money

Q.40. Uncertainty in economic conditions tends to increase:

A. Precautionary demand for money ✅

B. Supply of goods

C. Investment automatically

D. Exports

Correct Option: A. Precautionary demand for money

Q.41. Expectations about future interest rates affect mainly:

A. Speculative demand for money ✅

B. Transaction demand only

C. Population

D. Government revenue

Correct Option: A. Speculative demand for money

E. Money Supply

Q.42. Money supply refers to:

A. Total stock of money available in an economy at a point of time ✅

B. Total production

C. Total government expenditure

D. Total exports

Correct Option: A. Total stock of money available in an economy at a point of time

Q.43. Which institution has the primary responsibility for regulating money supply in India?

A. RBI ✅

B. SEBI

C. NABARD

D. Ministry of Commerce

Correct Option: A. RBI

Q.44. Currency held by the public is a component of:

A. Money supply ✅

B. National income only

C. Capital market only

D. Foreign exchange reserves only

Correct Option: A. Money supply

Q.45. Demand deposits with commercial banks are included in:

A. Money supply measures ✅

B. Physical capital

C. National wealth only

D. Government expenditure

Correct Option: A. Money supply measures

Q.46. Which of the following is a component of money supply?

A. Currency with the public

B. Demand deposits

C. Certain other deposits depending on the monetary aggregate

D. All of the above ✅

Correct Option: D. All of the above

Q.47. Money supply can be influenced by:

A. Central bank policies

B. Commercial bank credit creation

C. Currency held by the public

D. All of the above ✅

Correct Option: D. All of the above

Q.48. Commercial banks create money mainly through:

A. Credit creation ✅

B. Printing currency notes

C. Collecting taxes

D. Producing commodities

Correct Option: A. Credit creation

Q.49. The central bank controls money supply mainly through:

A. Monetary policy ✅

B. Fiscal policy only

C. Trade policy only

D. Industrial policy only

Correct Option: A. Monetary policy

Q.50. An increase in bank lending generally tends to:

A. Increase money supply ✅

B. Reduce money supply

C. Eliminate money

D. Have no effect

Correct Option: A. Increase money supply

Q.51. An increase in reserve requirements generally tends to:

A. Reduce banks' credit-creation capacity ✅

B. Increase credit creation

C. Eliminate interest rates

D. Increase currency printing automatically

Correct Option: A. Reduce banks' credit-creation capacity

F. Quantity Theory of Money – Cash Transaction Approach

Q.52. The cash transaction approach to the quantity theory of money is associated with:

A. Irving Fisher ✅

B. Keynes

C. Friedman

D. Marshall only

Correct Option: A. Irving Fisher

Q.53. Fisher's equation of exchange is:

A. MV = PT ✅

B. M = PT/V

C. P = MT/V

D. V = MP/T

Correct Option: A. MV = PT

Q.54. In Fisher's equation, M represents:

A. Money supply ✅

B. Price level

C. Total transactions

D. Velocity

Correct Option: A. Money supply

Q.55. In MV = PT, V represents:

A. Velocity of circulation of money ✅

B. Value of output

C. Volume of money

D. Variable cost

Correct Option: A. Velocity of circulation of money

Q.56. In Fisher's equation, P represents:

A. Price level ✅

B. Population

C. Profit

D. Production cost

Correct Option: A. Price level

Q.57. In Fisher's equation, T represents:

A. Total transactions ✅

B. Total taxes

C. Total trade deficit

D. Total time

Correct Option: A. Total transactions

Q.58. According to the quantity theory, other things remaining constant, an increase in money supply leads to:

A. Increase in price level ✅

B. Fall in price level

C. No change in prices

D. Elimination of inflation

Correct Option: A. Increase in price level

G. Cash Balance Approach

Q.59. The cash balance approach is associated mainly with:

A. Cambridge economists ✅

B. Classical economists only

C. Friedman only

D. Keynes only

Correct Option: A. Cambridge economists

Q.60. The Cambridge approach emphasizes the demand for money as:

A. Cash balances held by people ✅

B. Only currency issued by government

C. Government expenditure

D. Foreign exchange reserves

Correct Option: A. Cash balances held by people

Q.61. According to the Cambridge approach, demand for money is related to:

A. Income and the desire to hold cash balances ✅

B. Only exports

C. Only imports

D. Only interest rates

Correct Option: A. Income and the desire to hold cash balances

Q.62. The Cambridge cash balance equation is commonly expressed as:

A. M = kPY ✅

B. MV = PT

C. Y = C + I

D. S = I

Correct Option: A. M = kPY

Q.63. In M = kPY, k represents:

A. Proportion of income people wish to hold as cash balances ✅

B. Capital stock

C. Interest rate

D. Cost of production

Correct Option: A. Proportion of income people wish to hold as cash balances

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H. Keynesian Reformulation

Q.64. Keynes's theory of demand for money is based on:

A. Liquidity preference ✅

B. Quantity of labour

C. Production function

D. Balance of trade

Correct Option: A. Liquidity preference

**Q.65. Keynes identified how many major motives for holding money?

A. Two

B. Three ✅

C. Four

D. Five

Correct Option: B. Three

Q.66. Which of the following is NOT a Keynesian motive for holding money?

A. Transaction motive

B. Precautionary motive

C. Speculative motive

D. Production motive ✅

Correct Option: D. Production motive

Q.67. Keynes's speculative demand for money is influenced mainly by:

A. Interest rate ✅

B. Population

C. Weather

D. Imports

Correct Option: A. Interest rate

Q.68. Keynes's liquidity preference theory emphasizes the relationship between money demand and:

A. Income and interest rate ✅

B. Population and exports

C. Imports and taxes

D. Labour and capital only

Correct Option: A. Income and interest rate

I. Milton Friedman's Approach

Q.69. Milton Friedman is associated with:

A. Modern quantity theory of money ✅

B. Classical theory of rent

C. Keynesian multiplier

D. Theory of comparative advantage

Correct Option: A. Modern quantity theory of money

Q.70. Friedman treated the demand for money as:

A. A demand for an asset ✅

B. Only a transaction requirement

C. A demand for labour

D. A demand for commodities

Correct Option: A. A demand for an asset

Q.71. Friedman's approach emphasizes the role of money as:

A. One form of wealth/assets held by individuals ✅

B. Only a medium of exchange

C. Only government debt

D. Only foreign currency

Correct Option: A. One form of wealth/assets held by individuals

Q.72. Friedman's quantity theory is considered a:

A. Modern reformulation of the quantity theory of money ✅

B. Theory of international trade

C. Theory of unemployment

D. Theory of public finance

Correct Option: A. Modern reformulation of the quantity theory of money

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UNIT–II: INFLATION

A. Meaning, Definition and Features

Q.73. Inflation refers to:

A. A sustained rise in the general price level ✅

B. A fall in employment only

C. A fall in money supply

D. A rise in production only

Correct Option: A. A sustained rise in the general price level

Q.74. During inflation, the purchasing power of money generally:

A. Increases

B. Decreases ✅

C. Remains permanently constant

D. Becomes infinite

Correct Option: B. Decreases

Q.75. Inflation is generally measured by changes in:

A. Price indices ✅

B. Population

C. Employment only

D. Exports only

Correct Option: A. Price indices

Q.76. A continuous increase in the general price level is called:

A. Inflation ✅

B. Deflation

C. Disinflation

D. Depression

Correct Option: A. Inflation

Q.77. Inflation affects the value of money by:

A. Reducing its purchasing power ✅

B. Increasing its purchasing power

C. Making it unlimited

D. Making prices fall

Correct Option: A. Reducing its purchasing power

Q.78. Which of the following is a feature of inflation?

A. General rise in prices

B. Decline in purchasing power of money

C. Persistence over time

D. All of the above ✅

Correct Option: D. All of the above

B. Causes of Inflation

Q.79. Demand-pull inflation occurs when:

A. Aggregate demand exceeds aggregate supply ✅

B. Supply exceeds demand

C. Production costs fall

D. Money supply becomes zero

Correct Option: A. Aggregate demand exceeds aggregate supply

Q.80. Cost-push inflation is mainly caused by:

A. Rising costs of production ✅

B. Falling wages

C. Falling input prices

D. Excess supply

Correct Option: A. Rising costs of production

Q.81. An excessive increase in money supply may lead to:

A. Inflationary pressure ✅

B. Deflation only

C. Unemployment only

D. Lower demand automatically

Correct Option: A. Inflationary pressure

Q.82. An increase in government expenditure without a corresponding increase in output may cause:

A. Demand-pull inflation ✅

B. Deflation

C. Depression

D. Stagflation necessarily

Correct Option: A. Demand-pull inflation

Q.83. Rising wages can contribute to:

A. Cost-push inflation ✅

B. Deflation

C. Lower production costs

D. Lower prices automatically

Correct Option: A. Cost-push inflation

Q.84. An increase in the price of crude oil can cause:

A. Cost-push inflation ✅

B. Demand-pull inflation only

C. Deflation

D. Zero inflation

Correct Option: A. Cost-push inflation

C. Measurement of Inflation – WPI and CPI

Q.85. WPI stands for:

A. Wholesale Price Index ✅

B. World Price Index

C. Weighted Production Index

D. Wholesale Production Indicator

Correct Option: A. Wholesale Price Index

Q.86. CPI stands for:

A. Consumer Price Index ✅

B. Capital Price Index

C. Consumer Production Indicator

D. Common Price Index

Correct Option: A. Consumer Price Index

Q.87. CPI primarily measures changes in prices faced by:

A. Consumers ✅

B. Exporters only

C. Producers only

D. Banks only

Correct Option: A. Consumers

Q.88. WPI primarily measures changes in:

A. Wholesale prices ✅

B. Retail wages

C. Consumer income

D. Interest rates

Correct Option: A. Wholesale prices

**Q.89. Which index is more directly related to the cost of living of consumers?

A. CPI ✅

B. WPI

C. Stock index

D. Industrial production index

Correct Option: A. CPI

Q.90. A price index is used to measure:

A. Changes in the general price level ✅

B. Population growth

C. Employment only

D. Foreign exchange reserves

Correct Option: A. Changes in the general price level

D. Types of Inflation

Q.91. Demand-pull inflation is caused by:

A. Excess aggregate demand ✅

B. Excess aggregate supply

C. Falling wages

D. Falling money supply

Correct Option: A. Excess aggregate demand

Q.92. Cost-push inflation is caused by:

A. Rising production costs ✅

B. Excess demand only

C. Falling input prices

D. Increased productivity only

Correct Option: A. Rising production costs

**Q.93. Which of the following can cause demand-pull inflation?

A. Increase in consumer demand

B. Increase in government expenditure

C. Increase in money supply

D. All of the above ✅

Correct Option: D. All of the above

**Q.94. Which of the following can cause cost-push inflation?

A. Increase in wages

B. Increase in raw material prices

C. Increase in energy costs

D. All of the above ✅

Correct Option: D. All of the above

E. Stagflation

Q.95. Stagflation refers to a combination of:

A. Inflation and unemployment/stagnation ✅

B. Deflation and growth

C. High growth and low inflation

D. Falling prices and full employment

Correct Option: A. Inflation and unemployment/stagnation

Q.96. During stagflation, the economy may experience:

A. Rising prices and weak economic activity ✅

B. Falling prices and high growth

C. High growth and zero unemployment

D. Falling prices and rising output

Correct Option: A. Rising prices and weak economic activity

Q.97. A major feature of stagflation is:

A. Simultaneous inflation and unemployment ✅

B. Only inflation

C. Only unemployment

D. Only economic growth

Correct Option: A. Simultaneous inflation and unemployment

Q.98. Stagflation creates a policy problem because controlling inflation may:

A. Further weaken output and employment ✅

B. Always increase employment

C. Always reduce unemployment

D. Eliminate all economic problems

Correct Option: A. Further weaken output and employment

F. Inflationary Gap

Q.99. Inflationary gap refers to:

A. Excess of aggregate demand over the level required for full employment output ✅

B. Shortage of labour

C. Excess supply of goods

D. Budget deficit only

Correct Option: A. Excess of aggregate demand over the level required for full employment output

Q.100. Inflationary gap tends to create:

A. Inflationary pressure ✅

B. Deflationary pressure

C. Unemployment only

D. Lower prices

Correct Option: A. Inflationary pressure

Q.101. Inflationary gap occurs when aggregate demand is:

A. Greater than aggregate supply at full employment level ✅

B. Lower than output

C. Zero

D. Equal to zero

Correct Option: A. Greater than aggregate supply at full employment level

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G. Effects of Inflation

Q.102. Inflation generally affects fixed-income groups by:

A. Reducing their real purchasing power ✅

B. Increasing their real income automatically

C. Eliminating taxes

D. Increasing their savings automatically

Correct Option: A. Reducing their real purchasing power

Q.103. Inflation generally benefits debtors because:

A. The real value of their fixed debt may decline ✅

B. Their debt becomes larger in real terms

C. Interest rates become zero

D. Their income becomes zero

Correct Option: A. The real value of their fixed debt may decline

Q.104. Inflation may adversely affect creditors because:

A. They receive money with lower purchasing power ✅

B. Their real returns always increase

C. Their loans disappear

D. Their income becomes unlimited

Correct Option: A. They receive money with lower purchasing power

Q.105. Inflation can discourage savings when:

A. Real returns on savings become low or negative ✅

B. Prices fall continuously

C. Purchasing power increases

D. Interest rates are always higher than inflation

Correct Option: A. Real returns on savings become low or negative

Q.106. Inflation may create uncertainty regarding:

A. Future prices and returns ✅

B. Only population

C. Only weather

D. Only geography

Correct Option: A. Future prices and returns

Q.107. Unexpected inflation can cause:

A. Redistribution of income and wealth ✅

B. Elimination of inequality

C. Guaranteed real income

D. Zero uncertainty

Correct Option: A. Redistribution of income and wealth

H. Anti-Inflationary Measures

Q.108. Monetary measures to control inflation are mainly undertaken by:

A. Central bank ✅

B. Households

C. Private firms

D. Foreign governments

Correct Option: A. Central bank

Q.109. To control inflation, the central bank may adopt:

A. Contractionary monetary policy ✅

B. Expansionary monetary policy

C. Unlimited credit expansion

D. Lower reserve requirements only

Correct Option: A. Contractionary monetary policy

Q.110. An increase in the policy interest rate may help control inflation by:

A. Reducing borrowing and spending ✅

B. Increasing excessive demand

C. Increasing money creation automatically

D. Eliminating savings

Correct Option: A. Reducing borrowing and spending

Q.111. Fiscal policy can control inflation by:

A. Reducing excessive government expenditure ✅

B. Increasing unnecessary expenditure

C. Increasing aggregate demand without limit

D. Reducing taxation in every situation

Correct Option: A. Reducing excessive government expenditure

Q.112. Increasing taxation can help control demand-pull inflation by:

A. Reducing disposable income and aggregate demand ✅

B. Increasing aggregate demand

C. Increasing money supply

D. Increasing consumption automatically

Correct Option: A. Reducing disposable income and aggregate demand

Q.113. Increasing production can help control inflation by:

A. Increasing supply of goods and services ✅

B. Reducing supply

C. Increasing scarcity

D. Increasing unemployment necessarily

Correct Option: A. Increasing supply of goods and services

I. Indexation Policy

Q.114. Indexation means adjusting payments according to:

A. Changes in a price index ✅

B. Population only

C. Exchange rate only

D. Production only

Correct Option: A. Changes in a price index

Q.115. Indexation is mainly used to protect:

A. Real purchasing power against inflation ✅

B. Nominal prices only

C. Production capacity only

D. Foreign reserves

Correct Option: A. Real purchasing power against inflation

Q.116. Wages linked to the cost of living are an example of:

A. Indexation ✅

B. Deflation

C. Devaluation

D. Liberalization

Correct Option: A. Indexation

J. Natural Rate of Unemployment and Phillips Curve

Q.117. Natural rate of unemployment refers to unemployment that exists even when the economy is:

A. In normal equilibrium/full employment in the long-run sense ✅

B. In deep depression

C. Experiencing zero prices

D. Experiencing hyperinflation

Correct Option: A. In normal equilibrium/full employment in the long-run sense

Q.118. The Phillips curve originally showed a relationship between:

A. Inflation and unemployment ✅

B. Income and consumption

C. Saving and investment

D. Exports and imports

Correct Option: A. Inflation and unemployment

Q.119. The short-run Phillips curve generally suggests:

A. An inverse relationship between inflation and unemployment ✅

B. A positive relationship between inflation and unemployment

C. No relationship

D. A relationship between exports and inflation only

Correct Option: A. An inverse relationship between inflation and unemployment

Q.120. According to the long-run Phillips curve, there is:

A. No permanent trade-off between inflation and unemployment ✅

B. A permanent inverse trade-off

C. Zero unemployment always

D. Zero inflation always

Correct Option: A. No permanent trade-off between inflation and unemployment

Q.121. The long-run Phillips curve is generally represented as:

A. Vertical ✅

B. Horizontal

C. Downward sloping

D. Upward sloping

Correct Option: A. Vertical

Q.122. The natural rate of unemployment is associated with:

A. Long-run Phillips curve analysis ✅

B. Balance of payments only

C. Money market only

D. International trade only

Correct Option: A. Long-run Phillips curve analysis

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K. Deflation

Q.123. Deflation refers to:

A. Sustained fall in the general price level ✅

B. Sustained rise in prices

C. Rise in money supply

D. Rise in aggregate demand

Correct Option: A. Sustained fall in the general price level

Q.124. During deflation, the purchasing power of money generally:

A. Increases ✅

B. Decreases

C. Becomes zero

D. Remains unchanged

Correct Option: A. Increases

Q.125. A major cause of deflation can be:

A. Decline in aggregate demand ✅

B. Excessive aggregate demand

C. Excessive money creation

D. Rising government expenditure

Correct Option: A. Decline in aggregate demand

Q.126. Deflation may lead to:

A. Falling production and employment ✅

B. Guaranteed economic growth

C. Rising prices

D. Unlimited investment

Correct Option: A. Falling production and employment

UNIT–III: BANKING & INTERNATIONAL FINANCIAL INSTITUTIONS

A. Central Bank

Q.127. A central bank is the:

A. Apex monetary institution of a country ✅

B. Largest private bank

C. Commercial bank

D. Cooperative society

Correct Option: A. Apex monetary institution of a country

Q.128. The central bank of India is:

A. State Bank of India

B. Reserve Bank of India ✅

C. Bank of Baroda

D. Punjab National Bank

Correct Option: B. Reserve Bank of India

Q.129. RBI stands for:

A. Reserve Bank of India ✅

B. Rural Bank of India

C. Regional Bank of India

D. Revenue Bank of India

Correct Option: A. Reserve Bank of India

Q.130. The central bank has the responsibility of:

A. Monetary management ✅

B. Producing consumer goods

C. Running retail shops

D. Manufacturing machinery

Correct Option: A. Monetary management

Q.131. The central bank acts as banker to:

A. Government ✅

B. Only households

C. Only foreign firms

D. Only retailers

Correct Option: A. Government

Q.132. The central bank acts as banker to banks because it:

A. Provides banking facilities and support to commercial banks ✅

B. Sells consumer goods

C. Produces agricultural goods

D. Operates supermarkets

Correct Option: A. Provides banking facilities and support to commercial banks

Q.133. The central bank is known as the lender of last resort because it:

A. Provides emergency liquidity to banks when necessary ✅

B. Provides consumer loans to everyone

C. Gives free loans permanently

D. Controls all private businesses

Correct Option: A. Provides emergency liquidity to banks when necessary

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B. Functions of Central Bank

Q.134. Which of the following is a function of a central bank?

A. Issue of currency

B. Banker to government

C. Credit control

D. All of the above ✅

Correct Option: D. All of the above

Q.135. The central bank controls credit mainly to:

A. Maintain monetary and financial stability ✅

B. Increase unemployment

C. Eliminate banking

D. Reduce production permanently

Correct Option: A. Maintain monetary and financial stability

Q.136. The central bank manages:

A. Foreign exchange reserves and monetary conditions ✅

B. Only household savings

C. Only retail trade

D. Only agricultural land

Correct Option: A. Foreign exchange reserves and monetary conditions

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C. Tools of Credit Control

**Q.137. Which of the following is a quantitative credit-control tool?

A. Bank rate/policy rate

B. Reserve requirements

C. Open market operations

D. All of the above ✅

Correct Option: D. All of the above

Q.138. Open market operations involve:

A. Purchase and sale of government securities by the central bank ✅

B. Sale of consumer goods

C. Sale of foreign goods by firms

D. Government taxation

Correct Option: A. Purchase and sale of government securities by the central bank

Q.139. When the central bank sells government securities, it generally:

A. Absorbs liquidity from the banking system ✅

B. Increases liquidity

C. Increases money supply automatically

D. Reduces interest rates automatically

Correct Option: A. Absorbs liquidity from the banking system

Q.140. When the central bank purchases government securities, it generally:

A. Injects liquidity into the banking system ✅

B. Absorbs liquidity

C. Reduces money supply

D. Stops credit creation

Correct Option: A. Injects liquidity into the banking system

Q.141. An increase in the reserve requirement generally:

A. Reduces banks' lending capacity ✅

B. Increases lending capacity

C. Has no effect

D. Eliminates bank deposits

Correct Option: A. Reduces banks' lending capacity

Q.142. A reduction in reserve requirements generally tends to:

A. Increase credit creation capacity ✅

B. Reduce credit creation

C. Eliminate money supply

D. Stop banking

Correct Option: A. Increase credit creation capacity

Q.143. Bank rate/policy rate is used by the central bank to influence:

A. Cost and availability of credit ✅

B. Population growth

C. Agricultural land

D. International tourism only

Correct Option: A. Cost and availability of credit

D. Banking and Digitalization

Q.144. Banking digitalization means:

A. Use of digital technologies to provide banking services ✅

B. Closure of all banks

C. Use of only cash

D. Elimination of banking services

Correct Option: A. Use of digital technologies to provide banking services

Q.145. **The transaction motive for holding money is related to:**

A. Day-to-day transactions ✅

B. Future uncertainty only

C. Speculation in securities only

D. International trade only

Correct Option: A. Day-to-day transactions

Correct Option: D. All of the above

Q.146. UPI stands for:

A. Unified Payments Interface ✅

B. Universal Payment Institution

C. United Payment India

D. Unified Public Investment

Correct Option: A. Unified Payments Interface

Q.147. Digital payments reduce dependence on:

A. Physical cash ✅

B. Digital technology

C. Banking services

D. Financial institutions

Correct Option: A. Physical cash

**Q.148. Which of the following is an advantage of digital payments?

A. Convenience

B. Speed

C. Better transaction records

D. All of the above ✅

Correct Option: D. All of the above

Q.149. Digital payments can promote:

A. Financial inclusion ✅

B. Financial exclusion only

C. Cash dependency

D. Informal transactions only

Correct Option: A. Financial inclusion

Q.150. A major disadvantage of digital payments is:

A. Cybersecurity risk ✅

B. Convenience

C. Faster transactions

D. Better record keeping

Correct Option: A. Cybersecurity risk

Q.151. Digital payments require adequate:

A. Digital infrastructure and literacy ✅

B. Dependence only on cash

C. Physical banking only

D. No technology

Correct Option: A. Digital infrastructure and literacy

Q.152. Internet banking allows customers to:

A. Access banking services electronically ✅

B. Manufacture currency

C. Issue government bonds

D. Control the central bank

Correct Option: A. Access banking services electronically

E. Digital Currency

Q.153.

Q.154. CBDC stands for:

A. Central Bank Digital Currency ✅

B. Central Banking Deposit Certificate

C. Common Bank Digital Credit

D. Central Budget Digital Currency

Correct Option: A. Central Bank Digital Currency

Q.155. India's central bank digital currency is commonly known as:

A. Digital Rupee/e₹ ✅

B. Digital Dollar

C. E-Yen

D. Crypto Rupee

Correct Option: A. Digital Rupee/e₹

Q.156. A CBDC is issued by:

A. Central bank ✅

B. Private individual

C. Stock exchange

D. Commercial retailer

Correct Option: A. Central bank

**Q.157. Which of the following is a type of CBDC?

A. Retail CBDC

B. Wholesale CBDC

C. Both A and B ✅

D. Neither A nor B

Correct Option: C. Both A and B

Q.158. Retail CBDC is primarily intended for:

A. General public and retail transactions ✅

B. Only central banks

C. Only large financial institutions

D. Only foreign governments

Correct Option: A. General public and retail transactions

Q.159. Wholesale CBDC is primarily intended for:

A. Financial institutions and wholesale transactions ✅

B. School students only

C. Retail consumers only

D. Tourists only

Correct Option: A. Financial institutions and wholesale transactions

Q.160. One advantage of digital currency is:

A. Faster and potentially more efficient payments ✅

B. Increased dependence on physical cash

C. Elimination of all financial risks

D. Guaranteed anonymity in every system

Correct Option: A. Faster and potentially more efficient payments

Q.161. One potential disadvantage of digital currency is:

A. Cybersecurity and privacy concerns ✅

B. Faster settlement

C. Lower transaction costs

D. Digital convenience

Correct Option: A. Cybersecurity and privacy concerns

F. IMF

Q.162. According to Keynes, speculative demand for money is generally:

A. Positively related to interest rate

B. Negatively related to interest rate ✅

C. Independent of interest rate

D. Always zero

Correct Option: B. Negatively related to interest rate

Q.163. The IMF primarily promotes:

A. International monetary cooperation and financial stability ✅

B. Domestic retail trade

C. Agricultural production

D. Industrial ownership

Correct Option: A. International monetary cooperation and financial stability

Q.164. One major objective of the IMF is to promote:

A. International monetary cooperation ✅

B. International political control

C. Domestic taxation

D. Private banking monopolies

Correct Option: A. International monetary cooperation

Q.165. IMF provides financial assistance mainly to countries facing:

A. Balance of payments problems ✅

B. Population growth only

C. Agricultural surplus

D. High domestic savings only

Correct Option: A. Balance of payments problems

Q.166. IMF provides:

A. Policy advice and financial assistance to member countries ✅

B. Consumer loans to individuals

C. Retail banking services

D. Industrial machinery

Correct Option: A. Policy advice and financial assistance to member countries

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G. World Bank

Q.167. According to Keynes, the demand for money is also called:

A. Liquidity preference ✅

B. Capital preference

C. Consumption preference

D. Investment preference

Correct Option: A. Liquidity preference

Q.168. The World Bank provides:

A. Development finance and technical assistance ✅

B. Consumer credit only

C. Currency notes to households

D. Stock-market brokerage

Correct Option: A. Development finance and technical assistance

Q.169. A major objective of the World Bank is:

A. Economic development and poverty reduction ✅

B. Controlling stock exchanges

C. Printing national currency

D. Fixing retail prices

Correct Option: A. Economic development and poverty reduction

Q.170. IMF and World Bank are examples of:

A. International financial institutions ✅

B. Commercial banks

C. Stock exchanges

D. Insurance companies

Correct Option: A. International financial institutions

Q.171. IMF is more closely associated with:

A. Macroeconomic and balance-of-payments stability ✅

B. Retail consumer loans

C. Industrial production directly

D. Agricultural marketing

Correct Option: A. Macroeconomic and balance-of-payments stability

Q.172. The World Bank is more closely associated with:

A. Long-term development and poverty reduction ✅

B. Short-term retail banking

C. Currency printing

D. Stock-market speculation

Correct Option: A. Long-term development and poverty reduction

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UNIT–IV: FINANCIAL MARKETS

A. Financial Market: Meaning and Importance

Q.173. A financial market is a market where:

A. Financial assets are traded ✅

B. Only consumer goods are traded

C. Only agricultural goods are traded

D. Only labour is traded

Correct Option: A. Financial assets are traded

Q.174. Financial markets facilitate the transfer of funds from:

A. Surplus units to deficit units ✅

B. Deficit units to surplus units only

C. Government to households only

D. Producers to consumers only

Correct Option: A. Surplus units to deficit units

**Q.175. Which of the following is a major function of financial markets?

A. Mobilization of savings

B. Allocation of capital

C. Providing liquidity

D. All of the above ✅

Correct Option: D. All of the above

Q.176. Financial markets contribute to economic development by:

A. Mobilizing savings and facilitating investment ✅

B. Reducing investment

C. Preventing capital formation

D. Eliminating financial institutions

Correct Option: A. Mobilizing savings and facilitating investment

Q.177. Financial markets include:

A. Money market and capital market ✅

B. Labour market only

C. Commodity market only

D. Agricultural market only

Correct Option: A. Money market and capital market

B. Money Market

Q.178. Money market deals mainly in:

A. Short-term funds and financial instruments ✅

B. Long-term physical assets

C. Consumer goods

D. Real estate only

Correct Option: A. Short-term funds and financial instruments

Q.179. The maturity period of money-market instruments is generally:

A. Short-term ✅

B. Very long-term

C. Permanent

D. Unlimited

Correct Option: A. Short-term

Q.180. The main objective of the money market is to:

A. Meet short-term financial requirements and maintain liquidity ✅

B. Finance only long-term projects

C. Trade consumer goods

D. Finance only housing

Correct Option: A. Meet short-term financial requirements and maintain liquidity

**Q.181. Which of the following is a money-market instrument?

A. Treasury Bills

B. Commercial Paper

C. Certificate of Deposit

D. All of the above ✅

Correct Option: D. All of the above

Q.182. Treasury Bills are generally:

A. Short-term government securities ✅

B. Long-term corporate shares

C. Equity instruments

D. Consumer loans

Correct Option: A. Short-term government securities

Q.183. Commercial Paper is generally issued by:

A. Companies/corporates meeting the required conditions ✅

B. Households

C. Tourists

D. Consumers only

Correct Option: A. Companies/corporates meeting the required conditions

Q.184. Commercial Paper is generally:

A. A short-term unsecured money-market instrument ✅

B. A long-term equity share

C. A government tax

D. A physical asset

Correct Option: A. A short-term unsecured money-market instrument

Q.185. Certificate of Deposit is a:

A. Negotiable money-market instrument issued by banks/eligible financial institutions ✅

B. Long-term share

C. Government tax receipt

D. Consumer product

Correct Option: A. Negotiable money-market instrument issued by banks/eligible financial institutions

Q.186. Call money refers to:

A. Very short-term funds, typically repayable on demand/very short notice ✅

B. Long-term capital

C. Equity investment

D. Foreign direct investment

Correct Option: A. Very short-term funds, typically repayable on demand/very short notice

Q.187. The money market helps financial institutions to manage:

A. Short-term liquidity ✅

B. Long-term industrial ownership

C. Consumer demand

D. Population growth

Correct Option: A. Short-term liquidity

C. Characteristics of Indian Money Market

Q.188. One important characteristic of the Indian money market is that it includes:

A. Organized and unorganized sectors ✅

B. Only organized institutions

C. Only informal lenders

D. Only foreign banks

Correct Option: A. Organized and unorganized sectors

Q.189. The organized sector of the Indian money market is regulated mainly by:

A. RBI and relevant financial regulators/institutions ✅

B. Households

C. Retailers

D. Agricultural cooperatives only

Correct Option: A. RBI and relevant financial regulators/institutions

Q.190. The unorganized money market includes institutions such as:

A. Indigenous bankers and moneylenders ✅

B. RBI

C. Stock exchanges

D. IMF

Correct Option: A. Indigenous bankers and moneylenders

Q.191. The Indian money market has historically been characterized by:

A. Diversity of institutions and instruments ✅

B. Complete uniformity

C. Absence of financial institutions

D. Only one financial institution

Correct Option: A. Diversity of institutions and instruments

D. Defects of Indian Money Market

Q.192. A traditional defect of the Indian money market has been:

A. Lack of complete integration between organized and unorganized sectors ✅

B. Excessive integration

C. Absence of any institutions

D. Complete uniformity

Correct Option: A. Lack of complete integration between organized and unorganized sectors

**Q.193. Which of the following has historically been considered a defect of the Indian money market?

A. Regional disparities

B. Different interest rates

C. Presence of unorganized sector

D. All of the above ✅

Correct Option: D. All of the above

Q.194. The existence of different interest rates in different segments indicates:

A. Imperfect integration of the money market ✅

B. Perfect integration

C. Complete efficiency

D. Absence of credit

Correct Option: A. Imperfect integration of the money market

Q.195. The unorganized sector can create difficulties in:

A. Effective monetary control ✅

B. Agricultural production

C. Population control

D. Export promotion only

Correct Option: A. Effective monetary control

E. Measures to Improve Indian Money Market

Q.196. Integration of organized and unorganized sectors can help to:

A. Improve the efficiency of the money market ✅

B. Reduce financial development

C. Increase fragmentation

D. Eliminate banking

Correct Option: A. Improve the efficiency of the money market

Q.197. Development of financial infrastructure helps in:

A. Strengthening the money market ✅

B. Reducing liquidity

C. Increasing market fragmentation

D. Eliminating financial institutions

Correct Option: A. Strengthening the money market

Q.198. Greater transparency in money markets helps to:

A. Improve market efficiency ✅

B. Increase uncertainty

C. Reduce information

D. Increase irregular practices

Correct Option: A. Improve market efficiency

F. Capital Market

Q.199. Capital market deals mainly in:

A. Long-term funds ✅

B. Very short-term funds only

C. Consumer goods

D. Agricultural products

Correct Option: A. Long-term funds

Q.200. The capital market facilitates:

A. Long-term investment and capital formation ✅

B. Only daily transactions

C. Only short-term borrowing

D. Only cash transactions

Correct Option: A. Long-term investment and capital formation

**Q.201. Which of the following is an instrument of the capital market?

A. Equity shares

B. Debentures/bonds

C. Long-term securities

D. All of the above ✅

Correct Option: D. All of the above

Q.202. The primary market deals with:

A. New issues of securities ✅

B. Trading of existing securities only

C. Foreign currency only

D. Consumer goods

Correct Option: A. New issues of securities

Q.203. The secondary market deals with:

A. Trading of existing securities ✅

B. New securities only

C. Government taxation

D. Consumer products

Correct Option: A. Trading of existing securities

Q.204. An IPO is associated with:

A. Primary market ✅

B. Secondary market

C. Money market only

D. Foreign exchange market only

Correct Option: A. Primary market

Q.205. Stock exchanges mainly facilitate transactions in:

A. Existing securities ✅

B. Newly manufactured goods

C. Agricultural inputs

D. Consumer services

Correct Option: A. Existing securities

**Q.206. Which of the following is a major function of the capital market?

A. Mobilizing long-term savings

B. Financing investment

C. Facilitating capital formation

D. All of the above ✅

Correct Option: D. All of the above

Q.207. The primary market helps companies to:

A. Raise new capital from investors ✅

B. Trade only old securities

C. Avoid investment

D. Eliminate shareholders

Correct Option: A. Raise new capital from investors

Q.208. The secondary market provides:

A. Liquidity to existing securities ✅

B. Only new capital to companies

C. Government taxation

D. Consumer credit

Correct Option: A. Liquidity to existing securities

G. Features of Capital Market

Q.209. The capital market is primarily concerned with:

A. Long-term finance ✅

B. Overnight funds only

C. Daily consumer transactions

D. Short-term cash only

Correct Option: A. Long-term finance

Q.210. Capital market instruments generally have:

A. Longer maturity periods than money-market instruments ✅

B. No maturity

C. Only one-day maturity

D. Zero value

Correct Option: A. Longer maturity periods than money-market instruments

Q.211. Capital markets contribute to:

A. Capital formation ✅

B. Capital destruction

C. Reduction of savings

D. Reduction of investment

Correct Option: A. Capital formation

Q.212. Capital market provides investors with opportunities to:

A. Invest in long-term financial assets ✅

B. Avoid all financial assets

C. Trade only commodities

D. Eliminate risk completely

Correct Option: A. Invest in long-term financial assets

H. Primary Market and Secondary Market

Q.213. The primary market is also known as the:

A. New issue market ✅

B. Second-hand market

C. Money market

D. Commodity market

Correct Option: A. New issue market

Q.214. The secondary market is also known as the market for:

A. Existing securities ✅

B. New securities only

C. Consumer goods

D. Short-term loans only

Correct Option: A. Existing securities

Q.215. In the primary market, funds raised through new securities generally go to:

A. The issuing company/institution or issuer as applicable ✅

B. Only stock brokers

C. Existing shareholders necessarily

D. Consumers

Correct Option: A. The issuing company/institution or issuer as applicable

Q.216. In the secondary market, transactions generally take place between:

A. Investors/traders in existing securities ✅

B. Government and consumers only

C. Companies and employees only

D. Banks and retailers only

Correct Option: A. Investors/traders in existing securities

I. Instruments of Capital Market

Q.217. Equity shares represent:

A. Ownership interest in a company ✅

B. A short-term bank loan

C. Government tax

D. Money-market deposit

Correct Option: A. Ownership interest in a company

Q.218. Debentures are generally:

A. Debt instruments ✅

B. Equity instruments

C. Currency notes

D. Consumer goods

Correct Option: A. Debt instruments

Q.219. Bonds are generally classified as:

A. Debt securities ✅

B. Equity shares

C. Physical assets

D. Consumer goods

Correct Option: A. Debt securities

Q.220. Equity shareholders generally have:

A. Ownership rights in the company ✅

B. Guaranteed fixed interest

C. No financial claim

D. Only short-term lending rights

Correct Option: A. Ownership rights in the company

Q.221. A debenture holder is generally:

A. A creditor of the company ✅

B. An owner necessarily

C. A government employee

D. A consumer

Correct Option: A. A creditor of the company

J. Money Market vs Capital Market

Q.222. The major difference between money market and capital market is based mainly on:

A. Maturity period of financial instruments ✅

B. Colour of securities

C. Number of banks

D. Physical location only

Correct Option: A. Maturity period of financial instruments

Q.223. Money market deals mainly with:

A. Short-term funds

B. Long-term funds

C. Permanent capital

D. Physical assets

Correct Option: A. Short-term funds

Q.224. Capital market deals mainly with:

A. Long-term funds ✅

B. Overnight funds only

C. Very short-term credit only

D. Cash transactions only

Correct Option: A. Long-term funds

Q.225. Treasury Bills belong primarily to:

A. Money market ✅

B. Capital market

C. Commodity market

D. Labour market

Correct Option: A. Money market

Q.226. Equity shares belong primarily to:

A. Capital market ✅

B. Money market

C. Foreign exchange market only

D. Commodity market

Correct Option: A. Capital market

Q.227. Commercial Paper belongs to:

A. Money market ✅

B. Capital market

C. Labour market

D. Commodity market

Correct Option: A. Money market

Q.228. Debentures are generally associated with:

A. Capital market ✅

B. Money market

C. Labour market

D. Commodity market

Correct Option: A. Capital market

**Q.229. Which market is primarily concerned with liquidity and short-term finance?

A. Money market ✅

B. Capital market

C. Commodity market

D. Labour market

Correct Option: A. Money market

**Q.230. Which market is primarily concerned with capital formation and long-term finance?

A. Capital market ✅

B. Money market

C. Labour market

D. Retail market

Correct Option: A. Capital market

**Q.231. Which of the following is correctly matched?

A. Treasury Bills — Money Market ✅

B. Equity Shares — Money Market

C. Commercial Paper — Capital Market

D. Call Money — Capital Market

Correct Option: A. Treasury Bills — Money Market

**Q.232. Which of the following is correctly matched?

A. Equity Shares — Capital Market ✅

B. Treasury Bills — Capital Market

C. Commercial Paper — Capital Market

D. Call Money — Capital Market

Correct Option: A. Equity Shares — Capital Market

**Q.233. Which of the following belongs to the money market?

A. Certificate of Deposit

B. Commercial Paper

C. Treasury Bill

D. All of the above ✅

Correct Option: D. All of the above

**Q.234. Which of the following belongs to the capital market?

A. Equity shares

B. Debentures

C. Long-term bonds

D. All of the above ✅

Correct Option: D. All of the above

ADDITIONAL MIXED MCQs FOR COMPLETE REVISION

Q.235. Which of the following is NOT a primary function of money?

A. Medium of exchange

B. Measure of value

C. Store of value

D. Elimination of unemployment ✅

Correct Option: D. Elimination of unemployment

**Q.236. Which theory of demand for money is associated with liquidity preference?

A. Keynesian theory ✅

B. Fisher's theory

C. Cambridge theory only

D. Classical theory of rent

Correct Option: A. Keynesian theory

**Q.237. Which approach emphasizes the transactions equation MV = PT?

A. Fisher's cash transaction approach ✅

B. Keynesian approach

C. Friedman approach

D. Phillips approach

Correct Option: A. Fisher's cash transaction approach

**Q.238. Which approach emphasizes the proportion of income held as cash balances?

A. Cambridge approach ✅

B. Fisher approach

C. Phillips approach

D. Keynesian multiplier approach

Correct Option: A. Cambridge approach

**Q.239. Which economist reformulated the quantity theory in terms of money demand as an asset?

A. Milton Friedman ✅

B. Keynes

C. Fisher

D. Marshall

Correct Option: A. Milton Friedman

**Q.240. Which type of inflation is associated with excess aggregate demand?

A. Demand-pull inflation ✅

B. Cost-push inflation

C. Deflation

D. Stagflation

Correct Option: A. Demand-pull inflation

**Q.241. Which type of inflation is associated with rising production costs?

A. Cost-push inflation ✅

B. Demand-pull inflation

C. Deflation

D. Disinflation

Correct Option: A. Cost-push inflation

**Q.242. Inflation combined with stagnant economic conditions is known as:

A. Stagflation ✅

B. Deflation

C. Disinflation

D. Depression

Correct Option: A. Stagflation

**Q.243. Which price index is directly associated with consumer prices?

A. CPI ✅

B. WPI

C. GDP only

D. Stock index

Correct Option: A. CPI

**Q.244. Which price index is associated with wholesale prices?

A. WPI ✅

B. CPI

C. Consumer confidence index

D. Stock index

Correct Option: A. WPI

**Q.245. A sustained fall in the general price level is:

A. Deflation ✅

B. Inflation

C. Stagflation

D. Hyperinflation

Correct Option: A. Deflation

**Q.246. The inverse relationship between inflation and unemployment in the short run is represented by:

A. Phillips curve ✅

B. Laffer curve

C. Engel curve

D. Lorenz curve

Correct Option: A. Phillips curve

**Q.247. Which institution is India's central bank?

A. RBI ✅

B. SBI

C. SEBI

D. NABARD

Correct Option: A. RBI

**Q.248. Which institution acts as lender of last resort in India?

A. RBI ✅

B. SBI

C. IMF

D. World Bank

Correct Option: A. RBI

**Q.249. Which monetary tool involves buying and selling government securities?

A. Open Market Operations ✅

B. Taxation

C. Subsidy

D. Public expenditure

Correct Option: A. Open Market Operations

**Q.250. Digital payments are primarily conducted through:

A. Electronic/digital systems ✅

B. Barter

C. Physical exchange only

D. Gold coins only

Correct Option: A. Electronic/digital systems

**Q.251. The Digital Rupee is an example of:

A. Central Bank Digital Currency ✅

B. Private cryptocurrency necessarily

C. Physical currency

D. Commodity money

Correct Option: A. Central Bank Digital Currency

**Q.252. Retail CBDC is mainly intended for:

A. General users and retail payments ✅

B. Only banks

C. Only governments

D. Only international organizations

Correct Option: A. General users and retail payments

**Q.253. The IMF is primarily concerned with:

A. International monetary and financial stability ✅

B. Retail banking

C. Stock exchange regulation

D. Consumer goods

Correct Option: A. International monetary and financial stability

**Q.254. The World Bank primarily supports:

A. Development and poverty reduction ✅

B. Currency printing

C. Retail banking

D. Stock speculation

Correct Option: A. Development and poverty reduction

**Q.255. Which market deals in short-term financial instruments?

A. Money market ✅

B. Capital market

C. Labour market

D. Commodity market

Correct Option: A. Money market

**Q.256. Which market deals in long-term financial instruments?

A. Capital market ✅

B. Money market

C. Labour market

D. Retail market

Correct Option: A. Capital market

**Q.257. The primary market is concerned with:

A. New securities ✅

B. Existing securities only

C. Consumer goods

D. Foreign currency only

Correct Option: A. New securities

**Q.258. The secondary market is concerned with:

A. Existing securities ✅

B. New securities only

C. Consumer goods

D. Agricultural products

Correct Option: A. Existing securities

**Q.259. Which instrument is a short-term money-market instrument?

A. Treasury Bill ✅

B. Equity share

C. Ordinary share

D. Long-term bond

Correct Option: A. Treasury Bill

**Q.260. Which instrument represents ownership in a company?

A. Equity share ✅

B. Treasury Bill

C. Commercial Paper

D. Certificate of Deposit

Correct Option: A. Equity share

**Q.261. Which instrument represents borrowing by a company?

A. Debenture ✅

B. Equity share

C. Ordinary share

D. Currency note

Correct Option: A. Debenture

**Q.262. Financial markets help in:

A. Mobilizing savings

B. Allocating resources

C. Providing liquidity

D. All of the above ✅

Correct Option: D. All of the above

**Q.263. Which of the following is NOT a money-market instrument?

A. Treasury Bill

B. Commercial Paper

C. Certificate of Deposit

D. Equity Share ✅

Correct Option: D. Equity Share

**Q.264. Which of the following is NOT normally a capital-market instrument?

A. Equity share

B. Debenture

C. Long-term bond

D. Treasury Bill ✅

Correct Option: D. Treasury Bill

**Q.265. Which of the following is correctly matched?

A. IMF — Balance of payments support ✅

B. World Bank — Currency printing

C. RBI — International development bank

D. Stock Exchange — Monetary policy

Correct Option: A. IMF — Balance of payments support

**Q.266. Which of the following is correctly matched?

A. World Bank — Development finance ✅

B. IMF — Retail banking

C. RBI — International poverty reduction agency

D. Money Market — Long-term equity finance

Correct Option: A. World Bank — Development finance

**Q.267. Which of the following can increase the demand for money?

A. Higher income

B. Higher price level

C. Greater uncertainty

D. All of the above ✅

Correct Option: D. All of the above

**Q.268. Which of the following can influence money supply?

A. Central bank policy

B. Commercial bank credit creation

C. Currency held by the public

D. All of the above ✅

Correct Option: D. All of the above

**Q.269. When the central bank wants to reduce excessive credit, it may:

A. Tighten monetary policy ✅

B. Increase liquidity without limit

C. Reduce policy rates necessarily

D. Purchase securities necessarily

Correct Option: A. Tighten monetary policy

**Q.270. When inflation is caused mainly by rising input costs, the appropriate description is:

A. Cost-push inflation ✅

B. Demand-pull inflation

C. Deflation

D. Stagflation necessarily

Correct Option: A. Cost-push inflation

**Q.271. When aggregate demand exceeds the economy's available output at full employment, it creates:

A. Inflationary gap ✅

B. Deflationary gap

C. Trade deficit

D. Budget surplus

Correct Option: A. Inflationary gap

**Q.272. Which policy protects wages or other payments against changes in the price level?

A. Indexation policy ✅

B. Trade policy

C. Industrial policy

D. Export policy

Correct Option: A. Indexation policy

**Q.273. Which statement about inflation is correct?

A. Inflation reduces purchasing power of money

B. Inflation means a sustained rise in general prices

C. Inflation can redistribute income and wealth

D. All of the above ✅

Correct Option: D. All of the above

**Q.274. Which statement about deflation is correct?

A. It involves a sustained fall in the general price level

B. It may be associated with weak aggregate demand

C. It can reduce production and employment

D. All of the above ✅

Correct Option: D. All of the above

**Q.275. Which statement correctly distinguishes money market and capital market?

A. Money market deals mainly with short-term finance, while capital market deals mainly with long-term finance ✅

B. Both deal only with long-term finance

C. Money market deals only with equity shares

D. Capital market deals only with Treasury Bills

Correct Option: A. Money market deals mainly with short-term finance, while capital market deals mainly with long-term finance