



GS FOUNDATION FOR CSE 2024
ECONOMY-5
PRACTICE QUESTIONS (NATIONAL
INCOME AND INFLATION)

LevelUp IAS

#	QUESTIONS						
National Income; Economic Growth and Related Issues							
1	<p>Consider the following goods:</p> <ol style="list-style-type: none"> 1. Onion bought by household for daily consumption 2. A shirt bought by a retailer for further resale 3. A display screen bought by an educational institute for use in the classroom 4. Steel sheet bought by a tractor factory for use in manufacture of tractor component <p>How many of the above goods can be considered final goods produced in an economy?</p> <ol style="list-style-type: none"> A. Only one B. Only two C. Only three D. All four 						
2	<p>Final goods are used by the:</p> <ol style="list-style-type: none"> A. Consumers B. Producers C. Government D. All of the above 						
3	<p>Mixer-grinder used in an household is an example of:</p> <ol style="list-style-type: none"> A. Capital goods B. Intermediate goods C. Consumption goods D. None of these 						
4	<p>Consider the following pairs:</p> <table border="1"> <tbody> <tr> <td>1. Net Investment</td><td>Gross Investment - Depreciation</td></tr> <tr> <td>2. Final Goods</td><td>Goods which have crossed the boundary line of production</td></tr> <tr> <td>3. GDP</td><td>Final value of goods and services produced in the economy</td></tr> </tbody> </table> <p>How many of the above pairs are correctly matched?</p> <ol style="list-style-type: none"> A. Only one pair B. Only two pairs C. All three pairs D. None 	1. Net Investment	Gross Investment - Depreciation	2. Final Goods	Goods which have crossed the boundary line of production	3. GDP	Final value of goods and services produced in the economy
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5	<p>Consider the following:</p> <ol style="list-style-type: none"> 1. Income 2. Wages 3. Investment 4. Bank Balance 5. Capital 6. Number of Workers in a economy <p>How many of the above are stock quantity:</p> <ol style="list-style-type: none"> A. Only two B. Only three C. Only four D. All six
6	<p>Consider the following statements about National Income:</p> <ol style="list-style-type: none"> 1. GDP = Gross Primary income receivable by resident units in the domestic territory + Gross Primary income receivable by non-Resident Unit in the domestic Territory 2. Gross National Income (GNI) is the sum of gross primary income receivable by resident units or sectors from domestic economic territory and foreign economic territory <p>Which of the above statements is/are correct?</p> <ol style="list-style-type: none"> a. 1 only b. 2 only c. Both 1 and 2 d. Neither 1 nor 2
7	<p>Consider the following activities:</p> <ol style="list-style-type: none"> 1. Indian vessels operating in International Waters 2. Foreign tourists buying clothes in India 3. Indian company providing online coaching to foreigners 4. Reliance industries oil and gas rig in Krishna Godavari Basin <p>Which of the above activities will contribute to India's GDP?</p> <ol style="list-style-type: none"> A. 4 only B. 2 and 4 only C. 1, 2 and 3 only D. 1, 2, 3 and 4
8	<p>Which of the following correctly define(s) Gross National Product (or Gross National Income):</p> <ol style="list-style-type: none"> 1. $GNP = GDP + \text{Net Primary Income from Rest of the World (ROW)}$ 2. $GNP = GDP + \text{Net Factor Income from Abroad (NFA)}$ <p>Choose the correct answer from the codes given below:</p> <ol style="list-style-type: none"> A. 1 only B. 2 only

	<p>C. Both 1 and 2</p> <p>D. Neither 1 nor 2</p>
9	<p>Consider the following statements;</p> <ol style="list-style-type: none"> 1. Real GDP growth rate is always higher than the nominal GDP growth rate 2. Real GDP is always lower than the nominal GDP <p>Which of the above statements is/are correct?</p> <ol style="list-style-type: none"> A. 1 only B. 2 only C. Both 1 and 2 D. Neither 1 nor 2
10	<p>Which of the following will form part of Net Current Transfer from Rest of the World?</p> <ol style="list-style-type: none"> A. Income tax charged by GoI on the resident citizens B. PMJAY contributions made by GoI C. Insurance benefits received by an Indian entity from an International player D. None of the above
11	<p>Which of the following is not a correct definition of GDP?</p> <ol style="list-style-type: none"> A. It is the sum total of the value of all the final goods and services produced in the territory of the country within a financial year B. It is the sum total of all the consumption and investment expenditure made by Individuals, Government sector and private business in India C. It is the income earned by all the factors of production in the economy D. None of the above
12	<p>If India is witnessing a growth in real GDP every year, which of the following must necessarily be true?</p> <ol style="list-style-type: none"> A. India is witnessing a positive GDP growth rate every year when calculated at constant price B. India is witnessing a positive GDP growth rate every year when calculated at current market price C. Employment is increasing in India D. Income inequality is decreasing in India
13	<p>Consider the following statements:</p> <ol style="list-style-type: none"> 1. Net Factor Income from abroad is zero in case exports are equal to imports 2. Brokerage paid to real estate agents on the sale and purchase of only new (and not the old) houses is included in the estimation of National Income <p>Which of the above statements is/are correct?</p> <ol style="list-style-type: none"> A. 1 only

	<p>B. 2 only</p> <p>C. Both 1 and 2</p> <p>D. Neither 1 nor 2</p>
14	<p>Which of the following statements is correct with respect to National Income?</p> <ol style="list-style-type: none"> National Income exceeds domestic income only when exports are greater than imports Remittances from a relative working abroad are included in national income Sum total of factor incomes generated within the domestic territory of a country during an accounting year is National Income Services rendered by the housewives are not included in national income
15	<p>If an economy is going through recession it must mean:</p> <ol style="list-style-type: none"> It's nominal GDP is decreasing It's rate of inflation is decreasing Employment rate has become stagnant/decreasing It's rate of economic growth is decreasing <p>How many of the above statements is/are correct?</p> <ol style="list-style-type: none"> None Only 1 Only 2 Only 3
16	<p>Consider the following statements about India's economic growth since the LPG reforms of 1991:</p> <ol style="list-style-type: none"> India's annual economic growth has always been positive (except for the FY 2020-21 due to COVID-19 lockdown) India's economic growth rate has always been increasing (except for the FY 2020-21 due to COVID-19 lockdown) <p>Which of the above statements is/are correct?</p> <ol style="list-style-type: none"> 1 only 2 only Both 1 and 2 Neither 1 nor 2
17	<p>In the past decade, India's real annual GDP growth rate was highest in the FY 2021-22. The most important factor behind it was:</p> <ol style="list-style-type: none"> Economic reforms of the FY 2020-21 and various initiatives under the Atmanirbhar Bharat initiative One of the highest flows of FDI and FIIs in the country Base Effect India's increasing middle class population

18	<p>The 'Base Effect' can play a role in subduing/enhancing the growth rate of which of the following indicators:</p> <ol style="list-style-type: none"> 1. GDP Growth 2. Consumer Price Index - Inflation 3. Wholesale Price Index - Inflation 4. Index of Industrial Production growth <p>Choose the correct answer from the codes provided below:</p> <ol style="list-style-type: none"> 1. 1 and 2 only 2. 2 and 3 only 3. 1 and 4 only 4. 1, 2, 3 and 4
19	<p>Which of the following factors have led to an increase in government's capital expenditure in recent years?</p> <ol style="list-style-type: none"> 1. Increased budgetary allocation for capital expenditure in the Union Budget 2. Center's Grant in Aid to states for capital works <p>Which of the above statements is/are correct?</p> <ol style="list-style-type: none"> A. 1 only B. 2 only C. Both 1 and 2 D. Neither 1 nor 2
20	<p>An economy is said to be in technical recession when:</p> <ol style="list-style-type: none"> A. The GDP growth has been negative for at least 1 quarter and there has been a decline in consumption and employment as well B. The GDP growth has been negative for at least 2 quarters and there has been a decline in consumption and employment as well C. The GDP growth has been negative for at least 1 quarter D. The GDP growth has been negative for at least 2 quarters
21	<p>If in FY2024, the rate of inflation is very high in India, very low in the USA and the rupee-US\$ exchange rate doesn't change in the FY2024. Then which of the following would be true for FY 2024?</p> <ol style="list-style-type: none"> 1. Weakening of India's purchasing power parity 2. Strengthening of India's purchasing power parity 3. Purchasing power parity will not be affected 4. Cannot be determined
22	<p>India moved to a new method of Gross Domestic Product Calculation in 2015. Which of the following is/are correct regarding the changes brought in this new system?</p> <ol style="list-style-type: none"> 1. Under the new system, the final GDP is calculated on the basis of Market Price

	<p>2. The real GDP is calculated on the basis of current market price</p> <p>3. For manufacturing sector, the new system has shifted on establishment approach from enterprise approach</p> <p>Choose the correct answer from the codes provided below:</p> <p>A. 1 only</p> <p>B. 2 only</p> <p>C. 1 and 3 only</p> <p>D. 1, 2 and 3</p>
23	<p>India moved to GVA method of GDP calculation in 2015 and did appropriate changes in its methodology. Which of the following was/were the impact of these changes?</p> <p>1. It increased the share of manufacturing sector in India's GDP when compared to earlier method</p> <p>2. India's national accounting system was brought more in sync with global practice.</p> <p>Choose the most appropriate answer from the codes provided below:</p> <p>A. 1 only</p> <p>B. 2 only</p> <p>C. Both 1 and 2</p> <p>D. Neither 1 nor 2</p>
24	<p>Consider the following statements about Middle Income Trap:</p> <p>1. According to the World Bank those countries whose Gross National Income per Capita is between \$1000 - \$12000 in 2011 prices are in middle income trap</p> <p>2. India, South Korea, and Taiwan are some countries which have remained trapped in the middle income category</p> <p>Which of the above statement(s) is/are incorrect?</p> <p>A. 1 only</p> <p>B. 2 only</p> <p>C. Both 1 and 2</p> <p>D. Neither 1 nor 2</p>
25	<p>Despite being a high saving economy, capital formation may not result in significant increase in output due to [2018]</p> <p>(a) weak administrative machinery</p> <p>(b) illiteracy</p> <p>(c) high population density</p> <p>(d) high capital-output ratio</p>

26	<p>Increase in absolute and per capital real GNP don't connote a higher level of economic development, if [2018]</p> <p>(a) Industrial output fails to keep pace with agricultural output</p> <p>(b) agricultural output fails to keep pace with industrial output</p> <p>(c) Poverty and unemployment increase</p> <p>(d) Imports grow faster than exports</p>
27	<p>With reference to Indian economy, consider the following statements: [2015]</p> <p>1. The rate of growth of Real Gross Domestic Product has steadily increased in the last decade.</p> <p>2. The Gross Domestic Product at market prices (in rupees) has steadily increased in the last decade.</p> <p>Which of the statements given above is/are correct?</p> <p>(a) 1 only</p> <p>(b) 2 only</p> <p>(c) Both 1 and 2</p> <p>(d) Neither 1 nor 2</p>
28	<p>The national income of a country for a given period is equal to the [2013]</p> <p>(a) total value of goods and services produced by the nationals</p> <p>(b) sum of total consumption and investment expenditure</p> <p>(c) sum of personal income of all individuals</p> <p>(d) money value of final goods and services produced</p>
29	<p>A "closed economy" is an economy in which [2011]:</p> <p>(a) The money supply is fully controlled</p> <p>(b) Deficit financing takes place</p> <p>(c) Only exports take place</p> <p>(d) Neither exports nor imports take place</p>
30	<p>Economic growth is usually coupled with [2011]</p> <p>(a) Deflation</p> <p>(b) Inflation</p> <p>(c) Stagflation</p> <p>(d) Hyperinflation</p>
31	<p>In the context of Indian economy, consider the following statements [2011]</p> <p>1. The growth rate of GDP has steadily increased in the last five years.</p> <p>2. The growth rate in per capita income has steadily increased in the last five years.</p> <p>Which of the statements given above is/are correct?</p> <p>(a) 1 only</p> <p>(b) 2 only</p> <p>(c) Both 1 and 2</p> <p>(d) Neither 1 nor 2</p>
32	<p>In the context of Indian economy, consider the following pairs: [2010]</p>

Term	Most Appropriate description
1. Melt down	Fall in stock prices
2. Recession	Fall in growth rate
3. Slow down	Fall in GDP

Which of the pairs given above is/are correctly matched?

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

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Which one of the following is the correct sequence in the decreasing order of contribution of different sectors to the Gross Domestic Product of India? [2007]

- (a) Services - Industry - Agriculture
- (b) Services - Agriculture - Industry
- (c) Industry - Services - Agriculture
- (d) Industry - Agriculture - Services

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The most appropriate measure of economic growth is its: [2001]

- (a) Gross Domestic Product of a country
- (b) Net Domestic Product
- (c) Net National Product
- (d) Per Capita Real Income

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Match List I with List II and select the correct answer using the codes given below the lists: [2000]

List - I	List-II
A. Boom	1. Business activity at high level with increasing income, output and employment at macro level
B. Recession	2. Gradual fall of income, output and employment with business activity in a low gear

	<table> <tr> <td>C. Depression</td><td>3. Unprecedented level of under employment, and unemployment, drastic fall in income output and employment.</td></tr> <tr> <td>D. Recovery</td><td>4. Steady rise in the general level of prices, income, output and employment.</td></tr> </table> <p>Codes: (a) A-1; B-2; C-3; D-4 (b) A-1; B-2; C- 4; D-3 (c) A-2; B-1; C- 4; D-3 (d) A-2; B-1; C-3; D-4</p>	C. Depression	3. Unprecedented level of under employment, and unemployment, drastic fall in income output and employment.	D. Recovery	4. Steady rise in the general level of prices, income, output and employment.
C. Depression	3. Unprecedented level of under employment, and unemployment, drastic fall in income output and employment.				
D. Recovery	4. Steady rise in the general level of prices, income, output and employment.				
36	<p>In an open economy, the national income (Y) of the economy is: (C, I, G, X, M stand for Consumption, Investment, Govt. Expenditure, total exports and total imports respectively.) [2000]</p> <p>(a) $Y = C + I + G + X$ (b) $Y = I + G - X + M$ (c) $Y = C + I + G + (X - M)$ (d) $Y = C - G + I + (X - M)$</p>				
37	<p>Since 1980, the share of the tertiary sector in the total GDP of India has: [1999]</p> <p>(a) shown an increasing trend (b) shown a decreasing trend (c) remained constant (d) been fluctuating</p>				
38	<p>National Income is: [1997]</p> <p>(a) Net National Product at market price (b) Net National Product at factor cost (c) Net Domestic Product at market price (d) Net Domestic Product at factor cost</p>				
39	<p>The main reason for low growth rate in India, in spite of high rate of savings and capital formation is: [1995]</p> <p>(a) high birth rate (b) low level of foreign aid (c) low capital output ratio (d) high capital output ratio</p>				
40	<p>Consider the following pairs:</p> <table> <tr> <td>Price Index</td><td>Calculating Authority</td></tr> </table>	Price Index	Calculating Authority		
Price Index	Calculating Authority				

1. Consumer Price Index - Rural (CPI-R)	CSO
2. Consumer Price Index - Industrial Worker (CPI-IW)	Labour Bureau
3. Wholesale Price Index (WPI)	Office of Economic Advisor, Ministry of Commerce and Industry

How many of the above pairs are correctly matched?

- (a) only one pair
- (b) only two pairs
- (c) All three pairs
- (d) None of the pairs

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Consider the following statements about inflation:

- 1. Inflation indicates upward movement in the prices of general goods and services in current year with respect to base year
- 2. Consumer Price Index - Combined (CPI-C) Inflation has shown a consistent growth since 2012-13

Which of the above statement(s) is/are correct?

- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

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Consider the following statements:

- 1. In India, both Wholesale Price Index (WPI) and Consumer Price Index (CPI) is released by Central Statistical Organization (CSO), MoSPI
- 2. Increased competition in the market leads to huge variation in WPI inflation and CPI inflation

Which of the above statement(s) is/are correct?

- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. Neither 1 nor 2

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Which of the following is true about Core Inflation?

- A. It measures the rate of increase of prices of food items like wheat and rice
- B. It measures the rate of increase in prices of products of core industries like petroleum, steel, Cement etc.
- C. Core inflation shows long term trend in price rise

	D. None of the above
44	<p>The Labour Bureau has recently revised the base year of the existing Consumer Price Index - Industrial Worker (CPI-IW) and have made appropriate changes. The new series of CPI-IW covers which of the following industrial worker category?</p> <ol style="list-style-type: none"> 1. Public Motor Transport workers 2. Factory workers 3. Mines workers 4. Plantation Workers <p>Choose the correct answer from the codes provided below:</p> <ol style="list-style-type: none"> A. 1 only B. 1 and 3 only C. 2 and 3 only D. 1, 2, 3 and 4
45	<p>If the rate of inflation is high in an economy, which of the following entities would be on an advantageous side?</p> <ol style="list-style-type: none"> 1. Debtors 2. Producers 3. Consumers 4. Creditors <p>Choose the correct answer from the codes provided below:</p> <ol style="list-style-type: none"> A. 1 and 2 only B. 3 and 4 only C. 1, 2, 3 and 4 D. None of the above
46	<p>Which of the following is not true about Consumer Price Index - Rural Laborers/ Agricultural laborer:</p> <ol style="list-style-type: none"> A. Currently (as of Sep 2023), it uses the base year of 1986-87 B. Separate CPI-AL/RL indices are produced for all the states and Union Territories C. It is released by Labor Bureau D. CPI-AL/RL is used for revising the minimum wages of agricultural laborers
47	<p>Consider the following statement(s) about Wholesale Price Index (WPI) Inflation in India:</p> <ol style="list-style-type: none"> 1. It measures inflation of both goods and services 2. It measures inflation closest to producers

	<p>Which of the above statement(s) is/are correct?</p> <ul style="list-style-type: none"> A. 1 only B. 2 only C. Both 1 and 2 D. Neither 1 nor 2
48	<p>Which of the following may be responsible for divergence between CPI-Inflation and WPI-Inflation?</p> <ul style="list-style-type: none"> 1. Passthrough of international prices to wholesale prices are faster 2. Difference in the basket of CPI and WPI 3. Less Competition at retail levels <p>Choose the correct answer from the codes given below:</p> <ul style="list-style-type: none"> A. 1 only B. 2 only C. 1, 2 and 3 D. 2 and 3 only
49	<p>Which of the following factors may be responsible for variation between wholesale and retail price of a product?</p> <ul style="list-style-type: none"> 1. Weak Information System 2. Excellent Marketing Facilities 3. Very less margin for middle men 4. High Competition 5. Asymmetry in transmission of price signal <p>Choose the correct answer from the codes provided below:</p> <ul style="list-style-type: none"> A. 1 and 4 only B. 2, 3, and 4 only C. 1 and 5 only D. 2, 3, 4, and 5 only
50	<p>Which of the following is true about Cobweb theory in economics?</p> <ul style="list-style-type: none"> a. Cobweb theory highlights how the prices of different food items are inter-linked b. Cobweb theory highlights how the prices of commodities are interlinked globally c. Cobweb theory is the idea that price fluctuation leads to supply fluctuation which causes a cycle of rising and falling prices d. None of the above
51	<p>Which of the following is true regarding the impact of high inflation?</p> <ul style="list-style-type: none"> A. Debtor who has taken loan on fixed interest rate benefits B. Consumers will be benefitted C. Groups whose income is fixed benefits D. Producers of goods suffer

52	<p>Which of the following laws may be contributing towards controlling inflation in India?</p> <ol style="list-style-type: none"> Essential Commodities Act, 1955 Prevention of Black Marketing and Maintenance of Essential Commodities Act, 1980 Insolvency and Bankruptcy Code, 2016 All of the above
53	<p>According to Essential Commodities Act, 1955, the food stuffs can only be regulated in which of the following circumstances?</p> <ol style="list-style-type: none"> War Famine Extra Ordinary Price Rise Extra Ordinary Price Fall <p>Choose the correct answer from the codes provided below:</p> <ol style="list-style-type: none"> 3 only 3 and 4 only 1 and 2 only 1, 2 and 3 only
54	<p>Other things remaining unchanged, market demand for a good might increase if: [2021]</p> <ol style="list-style-type: none"> Price of its substitute increases Price of its complement increases the good is an inferior good and income of the consumers increases its price falls <p>Which of the above statements are correct?</p> <ol style="list-style-type: none"> 1 and 4 only 2, 3 and 4 only 1, 3 and 4 only 1, 2 and 3 only
55	<p>With reference to inflation in India, which of the following statements is correct? [2015]</p> <ol style="list-style-type: none"> Controlling the inflation in India is the responsibility of the Government of India only The Reserve Bank of India has no role in controlling the inflation Decreased money circulation helps in controlling the inflation Increased money circulation helps in controlling the inflation

56	<p>Which of the following brings out the "Consumer Price Index" numbers for <u>Industrial Workers</u>?</p> <p>(a) The Reserve Bank of India (b) The Department of Economic Affairs (c) The Labour Bureau (d) The Department of Personnel and Training</p>
57	<p>Which one of the following is likely to be the most inflationary in its effect? [2013]</p> <p>(a) Repayment of public debt (b) Borrowing from the public to finance a budget deficit (c) Borrowing from banks to finance a budget deficit (d) Creating new money to finance a budget deficit</p>
58	<p>A rapid increase in the rate of inflation is sometimes attributed to the "base effect". What is "base effect"? [2011 - I]</p> <p>(a) It is the impact of drastic deficiency in supply due to failure of crops (b) It is the impact of the surge in demand due to rapid economic growth (c) It is the impact of the price levels of previous year on the calculation of inflation rate (d) None of the statements (a), (b) and (c) given above is correct in this context</p>
59	<p>India has experienced persistent and high food inflation in the recent past. What could be the reasons? [2011]</p> <p>1. Due to a gradual switchover to the cultivation of commercial crops, the area under the cultivation of food grains has steadily decreased in the last five years by about 30%. 2. As a consequence of increasing incomes, the consumption patterns of the people have undergone a significant change. 3. The food supply chain has structural constraints.</p> <p>Which of the statements given above are correct?</p> <p>(a) 1 and 2 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3</p>
60	<p>Which one of the following statements is an appropriate description of deflation? [2010]</p> <p>(a) It is a sudden fall in the value of a currency against other currencies (b) It is a persistent recession in both the financial and real sectors of economy (c) It is a persistent fall in the general price level of goods and services (d) It is a fall in the rate of inflation over a period of time</p>