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Economy

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1. Which of the following statements are correct with respect to GDP?

1. It represents the 'qualitative' aspects of the goods and services produced.
2. The GDPs of the member nations are ranked by the IMF at Market Exchange Rates.
3. Per annum percentage change in GDP is the 'growth rate' of an economy.

Select the correct code.

- A. 1 and 3 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B

Explanation

- Gross Domestic Product (GDP) is the value of the all final goods and services produced within the boundary of a nation during one year period.
- It is a 'quantitative' concept and its volume/size indicates the 'internal' strength of the economy.
- But it does not say anything about the 'qualitative' aspects of the goods and services produced.
- This is the most commonly used data in comparative economics.

- In 2020, India was the 3rd largest economy (i.e., the size of its GDP) in the world in PPP terms.

2. Which of the following is/are correct?

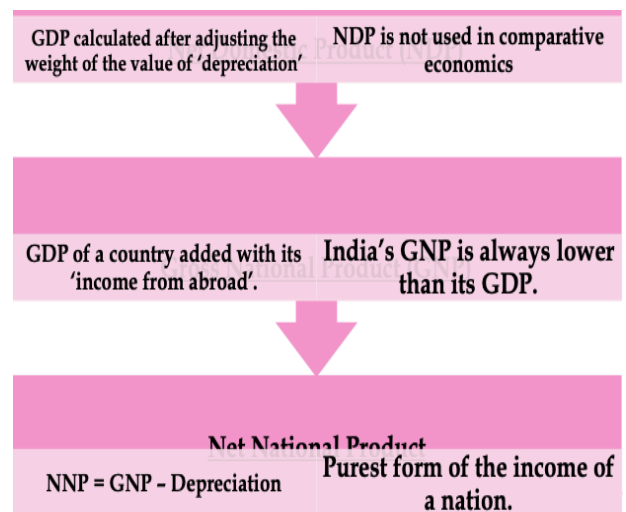
1. $NDP = GDP - \text{Depreciation}$.
2. The value of GNP cannot be lower than GDP.
3. Net National Product (NNP) is the purest form of the income of a nation.

Select the correct code.

- A. 1 and 3 only
- B. 1 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: A

Explanation



3. Which of the following statements are correct?

1. GDP gives the picture from the consumers' side.
2. GVA is a better measure to compare different sectors within the economy.
3. Government analyses growth estimates using GVA methodology from January 2015.
4. GDP is equal to GVA added with the net taxes.

Select the correct code.

- A. 1, 2 and 3 only
- B. 2, 3 and 4 only
- C. 3 and 4 only
- D. 1, 2, 3 and 4

Answer: D

Explanation

- Economic growth is estimated using two main methods – demand side and supply side.
- Under supply side, the value-added by the various sectors in the economy (i.e., agriculture, industry and services) are added up to derive the gross value added (GVA).
- This way, it captures the income generated by all economic actors across the country.
- Under the demand side, GDP is arrived by adding up all expenditures done in the economy.

- Broadly speaking there are four sources of expenditures in an economy – namely, private consumption (individuals and households), government, business enterprises, and net exports (exports minus imports).
- It includes all the taxes received and all subsidies disbursed by the government.
- Thus, GDP is equal to GVA added with the net taxes (taxes minus subsidies).
- While GDP is a good measure in comparative studies (comparing economies), GVA is a better measure to compare different sectors within the economy.

4. Consider the following statements with respect to Government Schemes in India

1. The implementation of Central Sector Schemes is done by State Governments.
2. Mahatma Gandhi National Rural Employment Guarantee Programme is one of the Core of the core Scheme.
3. The expenditure sharing pattern for 8 North Eastern (NE) states and 3 Himalayan states for the Core Schemes is 90:10.

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: D

Explanation

- The exercise of planned development in India has evolved two type of schemes over the time, viz., – Central Sector Scheme and Centrally Sponsored Scheme. The names are derived from the pattern of funding and the modality for implementation.
- Central Sector Scheme
 - ✓ 100 per cent funded by the Union Government
 - ✓ Mainly formulated on subjects from the Union List.

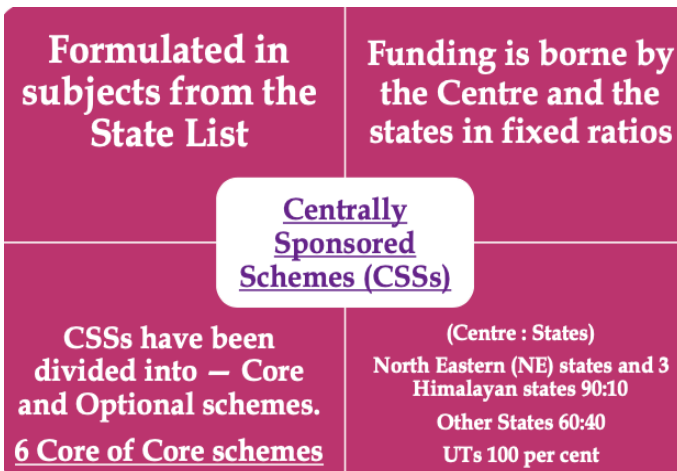
Which of the above statements is/are correct?

- A. 1 and 3 only
- B. 2 only
- C. 1 and 2 only
- D. 3 only

Answer: A

Explanation

- The Price Level Index (PLI)
- It is the ratio of a PPP to its corresponding market exchange rate.
- It is used to compare the price levels of economies.
- The price level index indicates the price levels of different countries relative to a chosen country or a country group.
- If the price level index of a country is higher than 100, the country is more expensive than average, and vice versa.
- India’s PLI has risen to 47.55 in 2017 from 42.99 in 2011.



5. Consider the following statements with respect to Price Level Index (PLI).

1. It is the ratio of a PPP to its corresponding market exchange rate.
2. If the price level index of a country is higher than 100, the country is more cheaper than average.
3. India’s PLI has risen to 47.55 in 2017 from 42.99 in 2011.