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Chapter-02

Inflation

1.The relationship between the value of money and the price level is an economy is-

- (A) Direct
- (B) Inverse
- (C) Proportional
- (D) Stable

2.The Result of cost push inflation is-

- (A) Hindrances in economic development increases
- (B) Adverse effect on Balance on Payment
- (C) Hindrance in development
- (D) All of the above

3.During periods of inflation, tax rates should-

- (A) Increase
- (B) Decrease
- (C) Remain constant
- (D) Fluctuate

4.Which of the following groups suffer the most from inflation?

- (A) Debtors
- (B) Creditors
- (C) Business Class
- (D) Holders of Real Assets

5.Inflation can be checked by-

- (A) Increasing exports
- (B) Increasing money supply
- (C) Increasing government expenditure
- (D) Decreasing money supply

6.Government securities are considered liquid because they are-

- (A) backed by the government treasure

- (B) convertible into other types of saving deposits
- (C) quickly and easily marketable
- (D) stable in value

7.Inflation is caused by-

- (A) Increase in supply of goods
- (B) Increase in cash with the government
- (C) Decrease in money supply
- (D) Increase in money supply

8.The Central Statistical Organisation (CSO) provides data under a new revised series in which the base year is taken as-

- (A) 1960-61
- (B) 2004-05
- (C) 1980-81
- (D) 1990-91

9.Which is NOT a measure undertaken by government to check inflation?

- (A) Increase in consumption
- (B) Increase in production
- (C) Reduction in Deficit financing
- (D) Taxation measures

10.Which of the following is a consequence of inflationary price rise?

- (A) Obstacle in development
- (B) Increase in economic inequalities
- (C) Adverse effect on the balance of payment
- (D) All of these

11.The supply-side measure to control inflation is-

- (A) Reducing public expenditure
- (B) Price control through Public Distribution System
- (C) Higher taxation to mop up liquidity.
- (D) Credit control

12.'Galloping Inflation' is also known as-

- (A) Walking Inflation
- (B) Running Inflation
- (C) Hyper Inflation





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(D) Creeping Inflation

13.The Great Depression occurred during-

- (A) 1914-18
- (B) 1929-34
- (C) 1939-45
- (D) 1922-26

14. The world wide Great Depression took place in-

- (A) 1936
- (B) 1929
- (C) 1928
- (D) 1930

15.State which of the following is correct? The Consumer Price Index reflects-

- (A) the standard of living
- (B) the extent of inflation in the prices of consumer goods
- (C) the increasing per capita income
- (D) the growth of the economy

16.Forced Savings refer to-

- (A) Reduction of consumption consequent to a rise in prices
- (B) Taxes on individual income and wealth
- (C) Compulsory deposits imposed on income tax payers
- (D) Provident fund contribution of private sector employees

17.When too much money is chasing to few goods, the situation is-

- (A) deflation
- (B) inflation
- (C) recession
- (D) stagflation

18.Which of the following groups suffer the most from inflation?

- (A) Debtors
- (B) Creditors
- (C) Business class

(D) Holders of real assets

19.Which of the following can be used for checking inflation temporarily?

- (A) Increase in wages
- (B) Decrease in money supply
- (C) Decrease in taxes
- (D) None of these

20.Inflation occurs when aggregate supply is

- (A) More than aggregate demand
- (B) Less than aggregate demand
- (C) Equal to aggregate demand
- (D) None of these

21. The process of curing inflation by reducing money supply is called-

- (A) Cost-push inflation
- (B) Demand-pull inflation
- (C) Disinflation
- (D) Reflection

22.The term stagflation refers to a situation where-

- (A) Growth has no relation with the change in prices
- (B) Rate of growth and prices both are decreasing
- (C) Rate of growth is faster than the rate of price increase
- (D) Rate of growth is slower than the rate of price increase

23.Cheap Money means-

- (A) Low Rate of Interest
- (B) Low Level of Savings
- (C) Low Level Income
- (D) Excess of Black Money

24.In a period of inflation and price rise the supply of money remains-

- (A) The same
- (B) Increases
- (C) Decreases
- (D) Increases or decreases proportionately





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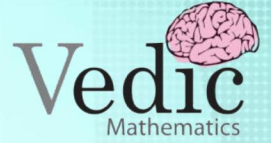
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25. Stagflation is a situation of-

- (A) Stagnation and deflation
- (B) Stagnation and recession
- (C) Stagnation and inflation
- (D) Stagnation and recovery

26. Deflation is a situation in which-

- (A) The value of money is falling.
- (B) The price of goods is increasing.
- (C) The value of money is increasing
- (D) The price level is stagnant.

27. Stagflation refers to a situation which is characterised by-

- (A) Stagnant employment and deflation
- (B) Deflation and rising unemployment
- (C) Inflation and rising employment.
- (D) Inflation and rising unemployment.

28. Who benefits the most during the inflationary period?

- (A) Corporate servants
- (B) Creditors
- (C) Entrepreneurs
- (D) Government servants

29. Pump priming should be resorted to at a time of-

- (A) Inflation
- (B) Deflation
- (C) Stagflation
- (D) Reflation

30. Inflation is a situation characterized by-

- (A) Too much money chasing too few goods
- (B) Too few money chasing too much goods
- (C) Too many people chasing too few goods
- (D) Too many people chasing too little money

31. Which of the following brings out the 'Consumer Price Index Number' for Industrial workers?

- (A) RBI

(B) The Labour Bureau

(C) Commerce Department

(D) NITI Ayog

32. The basis of determining dearness allowance to employees in India is-

- (A) National Income
- (B) Consumer Price Index
- (C) Standard of Living
- (D) Inflation Rate

33. In 2015 the nominal rate of interest in country was 6%, and the inflation rate then was 1.5%. So real rate of interest in 2015 was-

- (A) 7.50%
- (B) 4.50%
- (C) 4%
- (D) 0.25%

34. Stagflation is defined as-

- (A) low inflation, low growth, low unemployment
- (B) high inflation, low growth, high unemployment
- (C) high inflation, high growth, high unemployment
- (D) low inflation, high growth, low unemployment

35. An increase in the growth rate of the nominal money supply results in-

- (A) Lower rate of inflation
- (B) Higher rate of inflation
- (C) Lower interest rates
- (D) Currency appreciation

36. In 2015, the real rate of interest in a country was 6% and the inflation rate then was 3%. So the nominal rate of interest in 2015 was-

- (A) 3%
- (B) 6%
- (C) 9%
- (D) 12%

37. If Money supply growth is faster than real GDP growth, it results in ____.





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- (A) Inflation
(B) Deflation
(C) Budget surplus
(D) Budget deficit

38. During a recession _____

- (A) Producers will be cautiously optimistic.
(B) There will be decrease in inventory
(C) There will be capacity under utilization.
(D) There will be expansion in bank credit

39. In 2015, the nominal rate of interest in a country was 8% and the inflation rate then was 2.5%. So real rate of interest in 2015 was-

- (A) 3.2 percent
(B) 10.5 percent
(C) 8 percent
(D) 5.5 percent

40. Stagflation exists when _____

- (A) price indices and output both decrease.
(B) price indices increase but output decreases.
(C) price indices and output both increase.
(D) price indices decrease but output increases.

41. Stagflation is a period of _____.

- (A) Persistent high inflation combined with high unemployment
(B) Persistent high inflation combined with low unemployment
(C) Persistent low inflation combined with high unemployment
(D) Persistent low inflation combined with low unemployment

42. Inflation exists when

- (A) There is general increase in the prices over time.
(B) There are periodic decreases in the price level.
(C) There are continuous increases in the output level over time.
(B) There is rise in the purchasing value of money

43. In a period when an economy is facing price rise, and along with that there is slowing down of economy activities, this is case of _____.

- (A) Deflation
(B) Stagflation
(C) Recession
(D) Depression

44. An increase of 1% per annum in the rate of growth of the money supply will increase inflation in the long run by _____.

- (A) Zero percent
(B) One percent
(C) 0.5 percent
(D) More than one percent

45. In which situation, wages and prices chase each other at a very quick speed?

- (A) Disinflation
(B) Reflation
(C) Stagflation
(D) Hyper-inflation

46. What is moderate degree of controlled inflation called as?

- (A) Reflation
(B) Stagflation
(C) Hyper-inflation
(D) Disinflation

