

Chapter 8 - Inflation in India

Level - I

1. MI—Narrow Money consists of
 - (A) Currency with the public + Post office savings deposits
 - (B) Demand deposits + Time deposits of the public with banks.
 - (C) Currency with public + Demand deposits
 - (D) Currency with public + Time deposits of the public with banks

2. M1—Broad Money consists of
 - (A) M1 + Time deposits of the public with banks
 - (B) M2 + Post office savings deposits
 - (C) M1 + Post office savings deposits
 - (D) Demand deposits + M,

3. Built-in inflation is also called
 - (A) Creeping inflation
 - (B) Hangover inflation
 - (C) Galloping inflation
 - (D) Runaway inflation

4. Who is responsible for the compilation of WPI?
 - (A) Office of Economic Adviser
 - (B) Ministry of Labour
 - (C) Ministry of Statistics & Programme Implementation.
 - (D) Ministry of Finance

5. Combination of inflation and rising unemployment due to recession is called
 - (A) Deflation
 - (B) Stagflation
 - (C) Reflation
 - (D) Skewflation

Level - II

6. Consider the following statements:
1. Inflation means a persistent rise in the price of goods and services.
 2. Inflation hurts poor as a greater proportion
- Which of the above statements is/are incorrect?
- (A) 1 only (B) None of the above
(C) 2 only (D) Both 1 and 2
7. Consider the following statements:
1. Inflation reduces savings, pushes up interest rates, dampens investments.
 2. Inflation leads to depreciation of currency, thus making imports cheaper.
- Which of the above statements is/are correct?
- (A) 1 only (B) 2 only
(C) Both 1 and 2 (D) None of the above
8. Arrange the types of inflation in ascending order based on their intensity.
1. Creeping inflation
 2. Trotting inflation
 3. Hyper inflation
- (A) 3, 2, 1 (B) 1, 3, 2
(C) 1, 2, 3 (D) 2, 1, 3
9. Consider the following statements:
1. Reflation occurs when there is the reduction in the rate of inflation.
 2. Disinflation is an attempt to raise prices to counter act deflationary pressures.
- Which of the above statements is/are incorrect?
- (A) Both 1 and 2 (B) 1 only
(C) None of the above (D) 2 only

10. Which of the following represents the relationship between rate of inflation and rate of unemployment?
- (A) Latter curve (B) Agels Ian
(C) Philips curve (D) Grasham lan

Level - III

11. Consider the following statements:
- 1. WPI covers primary goods, power fuel and manufactured goods.
 - 2. WPI is available on weekly basis.
 - 3. WPI gives more weightage to food grains. Which of the above statement's is/are correct?
- (A) 1 and 3 only (B) 1 and 2 only
(C) 2 and 3 only (D) All the above
12. Consider the following statements:
- 1. Ministry of Statistics & Programme Implementation is compiling and releasing the data on CPI for industrial works.
 - 2. Ministry of Labour is compiling preleasing the data on the CPI for urban non-manual employees. Which of the following statements is/are correct?
- (A) 1 and 2 only (B) 1 only
(C) None of the above (D) 2 only
13. Consider the following statements:
- 1. Inflation targets rates will be set joilitly by the RBI and the government.
 - 2. The primary responsibility of achieving inflation would rest on the government. Which of the above statements is/are incorrect?
- (A) I only (B) 2 only
(C) Both 1 and 2 (D) None of the above

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14. Consider the following statements:
1. India whole sale price inflation was recorded at 0 per cent in November 2014.
 2. It is the lowest rate in nearly 5 Y2 years mainly due to fall in fuel prices and lower food cost. Which of the above statements is/are incorrect?
- (A) None of the above (B) 1 only
(C) 2 only (D) Both I and 2
15. Consider the statements about Fiscal Drag:
1. It is the tax liability increases as wages rise.
 2. It leaves less purchasing power in the hands of the people and so demand drops automatically.
 3. It acts as a stabiliser. Which of the above statements is/are correct?
- (A) 1 only (B) 1 and 2 only
(C) All the above (D) 1 and 3 only

Answer Key

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|---------|---------|---------|---------|---------|---------|
| 1. (C) | 2. (A) | 3. (B) | 4. (A) | 5. (B) | 6. (B) |
| 7. (A) | 8. (C) | 9. (A) | 10. (C) | 11. (B) | 12. (C) |
| 13. (B) | 14. (A) | 15. (C) | | | |