

IASBaba's Daily Quiz

November 9, 2016

Q.1) Which of the following constitute the World Bank?

1. International Bank for Reconstruction and Development
2. International Finance Corporation
3. International Development Association
4. International Monetary Fund

Choose the correct answer from the codes given below:

- a) 1, 2 and 3
- b) 1 and 2
- c) 3 and 4
- d) 1, 2, 3 and 4

Q.1) Solution (a)

The World Bank is an international financial institution that provides loans to developing countries for capital programs.

It comprises two institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

IFC is a member of the World Bank Group. It finances and provides advice for private sector ventures and projects in developing countries in partnership with private investors.

Link: [The IMF and the World Bank: How Do They Differ?](#)

Q.2) Which one of the following statement is true?

- a) GDP is always lower than GNP
- b) GDP is always higher than GNP
- c) GDP is equal to GNP when 'depreciation' is zero
- d) None of the above

Q.2) Solution (d)

Gross Domestic Product (GDP) and Gross National Product (GNP) both try to measure the market value of all goods and services produced for final sale in an economy. The difference is how each term interprets what constitutes the economy. GDP refers to and measures the domestic levels of production, whereas GNP measures the levels of production of any

IASBaba's Daily Quiz

November 9, 2016

person or corporation of a country. For example, the American GNP measures the production levels of any American or American-owned entity, regardless of where the actual production process is taking place, and defines the economy in terms of the citizens. GNP is less commonly referred to than GDP, but is best described as the measure of national output.

Depending on circumstances, GNP can be either higher or lower than GDP. This depends on the ratio of domestic to foreign manufacturers in a given country. For example, China's GDP is \$300 billion greater than its GNP, due to the large number of foreign companies manufacturing in the country, whereas the GNP of the U.S. is \$250 billion greater than its GDP, because of the mass amounts of production that take place outside of the country's borders.

Though both calculations attempt to measure the same thing, generally speaking, GDP is the more commonly utilized method of measuring a country's economic success in the world, but GNP can be useful as well. It is important to reference both when trying to get an accurate description of a given country's economic worth.

Q.3) A multinational business:

- a) Sells products abroad
- b) Produces in more than one country
- c) Imports from abroad
- d) Sells only domestically

Q.3) Solution (b)

A multinational corporation (MNC) has facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a centralized head office where they coordinate global management.

Q.4) Deficit Financing leads to

- a) Recession
- b) Boom
- c) Inflation
- d) Deflation

IASBaba's Daily Quiz

November 9, 2016

Q.4) Solution (c)

Deficit financing may lead to inflation. Due to deficit financing money supply increases & the purchasing power of the people also increase which increases the aggregate demand and the prices also increases.

Q.5) Agricultural income tax is assigned to the State Governments by

- a) the Finance Commission
- b) the National Development Council
- c) the Inter State Council
- d) the Constitution of India

Q.5) Solution (d)

Entry 46 in the state list of seventh schedule

