Objective Question Answers On Currency Inflation

Multiple Choice Questions on Currency Inflation in Indian Economy for your upcoming competitive examinations like Banking SBI PO, SSC, CGL, MTS, CHSL, Railway Group D, IAS and UPSC.

A set of important objective questions with answers which are previously came in various competitive exams on Currency inflation.

**QUESTION 01 What is the cause of inflation?**

A: If money supply increases.

B: If the production rate falls.

C: If money supply increases and production falls.

D: Both money supply and production decreases.

**ANSWER:**

If money supply increases and production rate falls.

**QUESTION 02 Who will get the maximum benefit from inflation? [IAS 1989]**

A: Holder of real assets

B: Saving bank account holders.

C: The business men.
D: Debtors.

**ANSWER:** Debtors

**Debtors**

**QUESTION 03** Who will suffer most from inflation? 

[A: Creditors](#)
[B: Government pensioners.](#)
[C: debtors](#)
[D: merchants](#)

**ANSWER:** Creditors.

**QUESTION 04** In which period the inflation in post economic reforms was minimum?

[A: 1997-1999](#)
[B: 2007-2008](#)
[C: 1999-2000](#)
[D: 2008-2009](#)

**ANSWER:** 1999-2000

**QUESTION 05** What does the inflation imply?

[Railways 1994](#)
A: Rise in budget deficit
B: Rise in prices of consumer goods.
C: rise in money supply.
D: Rise in general price index.

ANSWER: Rise in general price index.

QUESTION 06 When both unemployment and inflation increases, the situation is termed as,-

[A: Parainflation
B: Hyperinflation
C: stagflation
D: Galloping inflation.

ANSWER: Stagflation.

QUESTION 07 Which factors contributes to an inflationary trend?

[A: 10% increase in supply of money in the market.
B: 15% increase in supply of money in the market.
C: 15% decrease in supply of production of industrial goods.
**QUESTION 08** How the inflation can be checked temporarily?

A: Increase in money supply  
B: Decrease in money supply  
C: Increase in wages  
D: Decrease in Tax  

**ANSWER:** Decrease in money supply.

**QUESTION 09** Which groups are not protected from inflation?  

[Railways 1992]  

A: Industrial worker  
B: Agricultural farmers  
C: Government pensioners  
D: Saving bank account holders  

**ANSWER:** Agricultural farmers.

**QUESTION 10** What is an essential attribute of inflation?
A: fall in production
B: increase in prices
C: absence of black market
D: Presence of black market.
ANSWER:
Increase in prices.

QUESTION 11 When high inflation and low economic growth is occurred in a period, the period is termed as,-

A: Stagflation
B: Stagnation
C: Reflation
D: Hyperinflation
ANSWER:
Stagflation

QUESTION 12 Which of the following case implies stagflation?

A: Rising budget deficit
B: Recession plus inflation
C: Increase in wages and unemployment
D: galloping inflation

ANSWER:
Recession plus inflation.

QUESTION 13 How the inflation can be contained?
A: Surplus budget
B: increasing tax
C: Reduce the public expenditure.
D: All the above options.

ANSWER:
All the above options

QUESTION 14 Aim of economic development fails when deficit financing creates additional paper currency to fill the gap between expenditure and revenue, is known as

[IAS 1990]
A: inflation
B devaluation
C: deflation
D: demonetisation

ANSWER:
Inflation
QUESTION 15 A steady increase in the general level of prices as a result of excessive increase in aggregate demand as compared to aggregate supply is termed as:

A: demand-pull inflation
B: cost-push inflation
C: Stagflation
D: Structural inflation

ANSWER: demand-pull inflation

QUESTION 16 Which of the following cannot be included among the remedies of inflation?

A: Better capacity utilisation
B: by making low bank rate
C: by reducing budget deficit
D: by making high bank rate

ANSWER: by making low bank rate

QUESTION 17 Barter may be preferable when money losses its value is termed as:

A: hyper-inflation
B: Para-inflation
C: inflation
D: disinflation

ANSWER: Hyperinflation

QUESTION 18 The effect of inflation on the tax revenue results in a situation known as:

A: fiscal drag
B: stagflation
C: deflation
D: hyperinflation

ANSWER: Fiscal Drag

QUESTION 19 What is Cost-Push inflation?

Increasing money supply
B: Increasing indirect tax
C: Population increase
D: expenditure increase unnecessarily.

ANSWER: Increase indirect tax.

QUESTION 20 What type of inflation is experiencing in the country at present?

A: Cost-Push inflation
B: Hyper-inflation
C: Stagflation
D: Galloping Inflation

ANSWER:

Cost-Push Inflation