

DAILY PRACTICE _DAY 01_UPSC CSE PRELIMS 2026



“Knowledge is of no value unless you put it into practice”

Here's a set of **20 UPSC-level multiple-choice questions (MCQs)** on the **Indian Economy**, specifically focusing on **Inflation, Forex Reserves, RBI Reports, Dollar-Rupee Exchange, and Trade (Import-Export)**. Each question is designed to test conceptual understanding, analytical ability, and current relevance.

Instructions to Candidates

1. **This quiz contains 20 multiple-choice questions** on topics related to the Indian Economy, including:
 - Inflation
 - Foreign Exchange Reserves
 - RBI Reports
 - Dollar-Rupee Exchange
 - Trade (Imports and Exports)
2. Each question has **four options** (A, B, C, D). Only **one option is correct**.
3. **Attempt all questions**. There is no negative marking.
4. **Write your answers in the comment section**

◆ INFLATION

1. Which of the following best captures the concept of "core inflation"?

- A. Inflation excluding food and fuel prices
 - B. Inflation in the core sectors of the economy
 - C. Inflation as measured by the CPI Rural index
 - D. Inflation only in imported goods
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2. The Phillips Curve represents the relationship between:

- A. Money supply and interest rate
 - B. Unemployment and inflation
 - C. GDP growth and tax revenue
 - D. Inflation and fiscal deficit
-

3. Which of the following would most likely cause **cost-push inflation**?

- A. Increase in direct taxes
 - B. Appreciation of Indian Rupee
 - C. Hike in global crude oil prices
 - D. Reduction in repo rate by the RBI
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4. The **headline inflation** in India is measured by:

- A. CPI Combined (Rural + Urban)
 - B. Wholesale Price Index (WPI)
 - C. Core CPI
 - D. GDP deflator
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5. What is the role of the **Monetary Policy Committee (MPC)** in controlling inflation?

- A. Regulates subsidies
- B. Decides repo rate to maintain inflation within target
- C. Controls government spending
- D. Manages the forex reserves

◆ FOREX RESERVES

6. India's foreign exchange reserves are managed by:

- A. Ministry of Finance
 - B. NITI Aayog
 - C. Reserve Bank of India
 - D. SEBI
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7. Which of the following is **not** a component of India's foreign exchange reserves?

- A. Gold
 - B. Special Drawing Rights (SDRs)
 - C. Foreign Direct Investment
 - D. Foreign Currency Assets
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8. A decline in forex reserves could result from:

- A. Increase in exports
 - B. Inflow of NRI deposits
 - C. Intervention by RBI to stabilize the rupee
 - D. Growth in service sector
-

9. The largest component of India's forex reserves (as of 2024) is:

- A. SDRs
 - B. Gold reserves
 - C. Foreign currency assets
 - D. Reserve Tranche Position with IMF
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10. Which institution allots **Special Drawing Rights (SDRs)** to member countries?

- A. World Bank
 - B. IMF
 - C. WTO
 - D. Asian Development Bank
-

RBI REPORTS

11. The Financial Stability Report (FSR) is published by the RBI:

- A. Monthly
 - B. Quarterly
 - C. Biannually
 - D. Annually
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12. The RBI's Annual Report includes data on all the following except:

- A. Monetary policy implementation
 - B. Government's revenue-expenditure gap
 - C. Banking trends
 - D. Inflationary trends
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13. The Report on Currency and Finance by RBI primarily discusses:

- A. Digital payments and fintechs
 - B. Thematic long-term macroeconomic issues
 - C. Government budget
 - D. International trade policy
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14. Which of the following is **not an objective of the RBI's monetary policy?**

- A. Price stability
 - B. Ensuring availability of forex
 - C. Financial inclusion
 - D. Managing liquidity
-

15. In the RBI's Financial Stability Report, the Systemic Risk Survey is conducted to:

- A. Measure inflationary expectations
 - B. Assess major risks perceived by market participants
 - C. Estimate GDP growth
 - D. Evaluate public debt sustainability
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● DOLLAR-RUPEE RELATION

16. A **depreciation** of the Indian Rupee against the US Dollar is likely to:

- A. Reduce export competitiveness
 - B. Increase cost of imports
 - C. Lower remittance value in INR
 - D. Reduce forex reserves
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17. A stronger US dollar generally results in:

- A. Increase in foreign portfolio investment in India
 - B. Cheaper imports for India
 - C. Higher oil import bill for India
 - D. Appreciation of the Indian rupee
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18. Which of the following can cause the rupee to appreciate against the dollar?

- A. RBI buying dollars from the market
 - B. Increase in gold imports
 - C. Rise in crude oil prices
 - D. Surge in foreign direct investment
-

● TRADE: IMPORT & EXPORT

19. India's largest import item by value (as of 2024) is:

- A. Electronics
 - B. Crude oil and petroleum
 - C. Gold
 - D. Fertilizers
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20. Which of the following is most likely to **improve** India's trade balance?

- A. Increase in crude oil prices
- B. Weakening of global demand
- C. Depreciation of the rupee
- D. Increase in import of defense equipment



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Best Wishes,

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