

Educrat IAS Academy

UPSC Prelims Mock Test: 8

Answer Key

1. Hot Spots within the earth help produce Geothermal Energy. What are these 'Hot Spots'?

- a) Areas of intense pressure inside the mantle
- b) Region in crust where hot molten rocks are trapped
- c) Regions of high volcanism on earth's surface
- d) Areas of intense magnetic activity within the upper mantle

Solution: b

Explanation:

Due to geological changes, molten rocks formed in the deeper hot regions of earth's crust are pushed upward and trapped in certain regions called 'hot spots'.

When underground water comes in contact with the hot spot, steam is generated. Sometimes hot water from that region finds outlets at the surface. Such outlets are known as hot springs.

2. Consider the following statements.

1. Almost all the world deserts are confined within the 30 to 45 degrees parallels of latitude north and south of the equator.
2. Deserts lie in the trade wind belt on the western parts of the continents where Trade winds are off-shore.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: b

Explanation:

The pattern that can be identified in the location of the world's deserts is that almost all the deserts are confined within 15 to 30 degrees parallels of latitude north and south of the equator.

They lie in the trade wind belt on the western parts of the continents where Trade winds are off-shore. They are bathed by cold currents which produced a 'desiccating effect' so that moisture is not easily condensed into precipitation.

Dryness or aridity is the key note. Such deserts are tropical hot deserts or 'Trade wind deserts'. They include the Great Sahara Desert; Arabian, Iranian and Thar Deserts; Kalahari, Namib, and Atacama Deserts; the Great Australian Deserts and the deserts of the south-west U.S.A, and northern Mexico.

In the continental interiors of the mid-latitudes, the deserts such as the Gobi and Turkestan are characterised by extremes of temperatures.

3. Warm moist summer, cool dry winter, great annual temperature range, rainfall throughout the year are the characteristic feature of which type of climate?

- a) Hot, Wet Equatorial climate
- b) Sudan climate
- c) British type climate
- d) China type climate

Solution: d

Explanation:

This type of climate is found on the eastern margins of continents in warm temperate latitudes, just outside the tropics. It has comparatively more rainfall than the Mediterranean climate in the same latitudes, coming mainly in the summer. It is, in fact, the climate of most parts of China – a modified form of monsoonal climate. It is thus also called the Temperate Monsoon or China Type of climate.

Climatic Condition: Warm moist summer and a cool, dry winter. The mean monthly temperature varies between 5°C and 25°C and is strongly modified by maritime influence. The relative humidity is a little high in mid-summer. Rainfall is more than moderate, anything from 25 inches to 60 inches. Another important feature is the fairly uniform distribution of rainfall throughout the year. There is rain every month, except in the interior of central China, where there is a distinct dry season.

4. Conditions favorable for Delta Formation are

1. No strong current running at right angle to the river mouth.
2. Presence of Continental shelf.
3. Presence of large lake in the way of the river.
4. The coast should be sheltered preferably without tides.

Which of the above statements is/are correct?

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

Solution: c

Explanation:

Conditions favourable for the formation of deltas:

- Lateral erosion and vertical erosion in the upper course of the river to provide extensive sediments to be eventually deposited as deltas.
- The coast should be sheltered and preferably without tides.
- The sea should be shallow near the delta region or else the load will disappear in the deep water.
- There should not be the presence of large lakes in the river course to filter off the sediments.
- The currents should be weak and no strong current should run at right angles to the river mouth as it can wash the sediment away.

5. Consider the following statements regarding Dharwar System of rocks.

1. It is the oldest system of rocks in India.
2. It contains metamorphic sedimentary rocks.
3. It hosts gold mines.

Which of the above statements is/are correct?

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

Solution: d

Explanation:

Dharwar system is later than the Archean system. The Dharwar period of rock formation has been largely fixed from 2500 million years ago to 1800 million years ago. Dharwar Rock System is special because it is the first metamorphic sedimentary rocks in India.

They are named Dharwar system because they were first studied in Dharwar region of Karnataka. But they are also found in Aravallis, Tamil Nadu, Chotanagpur plateau, Meghalaya, Delhi, and the Himalayas region.

6. Which one of the following places is located at the confluence of Alaknanda and Bhagirathi

- a) Vishnuprayag
- b) Devaprayag
- c) Rudraprayag
- d) Karnaprayag

Solution: b

Explanation:

Devaprayag – Confluence of Alaknanda and Bhagirathi

Vishnuprayag – Confluence of Alaknanda and Dhauliganga

Rudraprayag – Confluence of Alaknanda and Mandakini

Karnaprayag – Confluence of Alaknanda and Pindar

7. Which of the following conditions are good for fisheries production & catch?

1. Coastal upwelling of nutrient rich colder water
2. Abundance of phytoplankton
3. Meeting of warm and cold currents
4. Shallow continental shelves in cold regions

Select the correct answer code:

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

Solution: d

Explanation:

The following conditions are good for fisheries production & catch:

- Coastal upwelling of nutrient rich colder water
- Abundance of phytoplankton
- Meeting of warm and cold currents
- Shallow continental shelves in cold regions

8. Which of the following are the conditions for the emergence of a tropical cyclone?

1. Large and continuous supply of warm and moist air.
2. Strong Coriolis force
3. Strong vertical wind
4. Unstable condition through the Troposphere

Select the correct answer code:

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

Solution: b

Explanation:

Some initial conditions for the emergence of a tropical cyclone are:

- (i) Large and continuous supply of warm and moist air that can release enormous latent heat.
- (ii) Strong Coriolis force that can prevent filling of low pressure at the centre (absence of Coriolis force near the equator prohibits the formation of tropical cyclone between 0° - 5° latitude).
- (iii) Unstable condition through the troposphere that creates local disturbances around which a cyclone develops.
- (iv) Finally, absence of strong vertical wind wedge, which disturbs the vertical transport of latent heat.

9. Which of the following statement best describes ‘Doldrums’?

- a) High pressure area in subtropical region where westerlies originate.
- b) Belt of calm region in equatorial region where prevailing trade winds meet.
- c) Tropical region in Indian ocean where cyclone often originate.
- d) Frigid zone of the earth where there is little atmospheric circulation.

Solution: b

Explanation:

Doldrums, also called equatorial calms, equatorial regions of light ocean currents and winds within the intertropical convergence zone (ITCZ), a belt of converging winds and rising air encircling Earth near the Equator. The northeast and southeast trade winds meet there; this meeting causes air uplift and often produces clusters of convective thunderstorms. They occur along the Equator in the Indian and western Pacific oceans and slightly north of the Equator off the African and Central American west coasts.

10. Consider the following statements regarding Temperate Rainforests.

1. Temperate rainforests are found mostly in coastal, mountainous areas.
2. Cooler temperatures and a more stable climate slow down decomposition, allowing more material to accumulate.
3. Temperate rainforests are the most biologically diverse terrestrialecosystems in the world.

Which of the above statements is/are correct?

- a) 1, 3
- b) 2 only
- c) 1, 2
- d) 2, 3

Solution: c

Explanation:

Temperate rainforests are located in the mid-latitudes, where temperatures are much more mild than the tropics. Temperate rainforests are found mostly in coastal, mountainous areas. Rainfall in these forests is produced by warm, moist air coming in from the coast and being trapped by nearby mountains.

Cooler temperatures and a more stable climate slow down decomposition, allowing more material to accumulate. This productivity allows many plant species to grow for incredibly long periods of time.

Tropical rainforests are the most biologically diverse terrestrial ecosystems in the world.

11. Consider the following statements:

1. The soil develops on crystalline igneous rocks in areas of low rainfall.
2. They are generally poor in nitrogen, phosphorous and humus.
3. They are fertile when fine-grained and are poor in fertility when they are coarse-grained.

The above statements refer to:

- a) Laterite soil
- b) Black Soil
- c) Red and Yellow Soil
- d) None of the above

Solution: c

Explanation:

Red soil develops on crystalline igneous rocks in areas of low rainfall in the eastern and southern part of the Deccan Plateau. Along the piedmont zone of the Western Ghats, long stretch of area is occupied by red loamy soil. Yellow and red soils are also found in parts of Odisha and Chhattisgarh and in the southern parts of the middle Ganga plain. The soil develops a reddish colour due to a wide diffusion of iron in crystalline and metamorphic rocks. It looks yellow when it occurs in a hydrated form. The fine-grained red and yellow soils are normally fertile, whereas coarse-grained soils found in dry upland areas are poor in fertility. They are generally poor in nitrogen, phosphorous and humus.

12. Which of the following best describes the ‘Marine upwelling’?

- a) Periodic rise and fall of the ocean due to gravitational attraction of the moon.
- b) Rise in the sea level due to the global warming.
- c) Rise of deep cold water towards the surface of the ocean.
- d) Storm surges hitting the coast due to cyclonic activity.

Solution: c

Explanation:

Winds blowing across the ocean surface push water away. Water then rises up from beneath the surface to replace the water that was pushed away. This process is known as “upwelling.”

Upwelling occurs in the open ocean and along coastlines. The reverse process, called “downwelling,” also occurs when wind causes surface water to build up along a coastline and the surface water eventually sinks toward the bottom.

Water that rises to the surface as a result of upwelling is typically colder and is rich in nutrients. These nutrients “fertilize” surface waters, meaning that these surface waters often have high biological productivity. Therefore, good fishing grounds typically are found where upwelling is common.

13. The drainage pattern of an area is the outcome of which of the following factors

1. Geological time period.
2. Nature of rocks
- 3 Structure of rocks
4. Topography
5. Amount of water flowing and periodicity of the flow.

Which of the above statements is/are correct?

- a) 1, 2, 3
- b) 1, 2, 3, 4
- c) 1, 2, 3, 4, 5
- d) 2, 3, 4, 5

Solution: c

Explanation:

The flow of water through well-defined channels is known as 'drainage' and the network of such channels is called a 'drainage system'. The drainage pattern of an area is the outcome of the ecological time period, nature and structure of rocks, topography, slope, amount of water flowing and the periodicity of the flow.

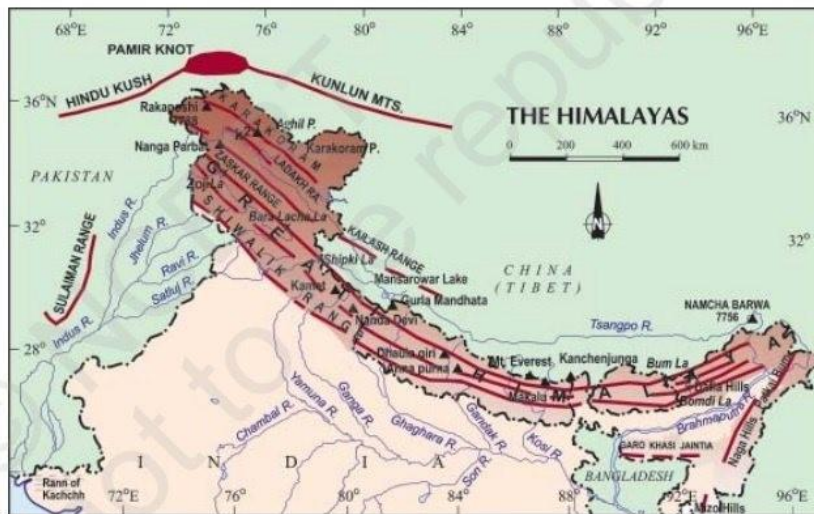
14. Ladakh, a cold desert in the Greater Himalayas, is enclosed by

- a) Karakoram range in North and Zaskar range in South
- b) Zaskar range in North and Karakoram range in South
- c) Pir Panjal range in North and Zaskar range in South
- d) Karakoram range in North and Pir Panjal range in South

Solution: a

Explanation:

Pir Panjal is the further South of Zaskar and Karakoram.



15. Features of the youth stage of a river usually include

1. Stream divides are broad with marshes and swamps
2. Waterfalls and rapids may exist where hard rocks are found
3. Streams meander freely forming natural levees and ox-bow lakes

Which of the above statements is/are correct?

- a) 1, 2
- b) 2, 3
- c) 1, 2, 3
- d) 1 only

Solution: a

Explanation:

A river course goes over several phases of development or maturity. Each phase affects its major characteristics. The characteristics of each of the stages of landscapes developing in running water regimes may be summarised as follows:

Youth stage

- Few streams that with poor integration flowing through original slopes
- Shallow V-shaped valleys; deep gradients
- Stream divides are broad with marshes, swamps etc.
- Waterfalls and rapids may exist where hard rocks are there

Mature stage

- Plenty streams with good integration; mild gradients
- Deep V-shaped valleys
- Broader meandering floodplains
- Water divides turn sharper
- Waterfalls and rapids disappear

Old Stage

- Smaller tributaries flowing over gentle gradients
- Divides are broad and flat with lakes
- Streams meander freely forming natural levees, ox-bow lakes
- Most of the landscape is either at or above sea level.

16. Consider the following statements:

- 1 Estuaries are more favorable than deltas for the siting of large ports.
2. Limestone vegetation in tropical regions is luxuriant because of the heavy rainfall all the year round.
3. Ria coasts, Fiord coasts, Estuarine coasts and Dalmatian coasts are examples for the coastline of emergence.

Which of the above statements is/are correct?

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

Solution: a

Explanation:

Coastlines of Emergence

These are formed either by an uplift of the land or by the lowering of the sea level. Bars, spits, lagoons, salt marshes, beaches, sea cliffs and arches are the typical features.

The east coast of India, especially its south-eastern part (Tamil Nadu coast), appears to be a coast of emergence.

The west coast of India, on the other hand, is both emergent and submergent. The northern portion of the coast is submerged as a result of faulting and the southern portion, that is the Kerala coast, is an example of an emergent coast.

Coastlines of Submergence

A submerged coast is produced either by subsidence of land or by a rise in sea level.

Ria, fjord, Dalmatian and drowned lowlands are its typical features.

Limestone vegetation in tropical regions is luxuriant because of the heavy rainfall all the year round.

17. What is/are the difference(s) between troposphere and stratosphere?

- 1.. Jet aircrafts fly in stratosphere, not in troposphere.
2. Stratosphere is the layer with auroras, not troposphere.
3. Most of the Weather patterns occur in the troposphere, not in stratosphere.

Select the correct answer code:

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

Solution: c

Explanation:

Many jet aircrafts fly in the stratosphere because it is very stable.

Auroras are the result of disturbances in the magnetosphere caused by solar wind. These particles, mainly electrons and protons, precipitate into the upper atmosphere (thermosphere/exosphere).

The troposphere is the lowest layer of Earth's atmosphere, and is also where nearly all weather conditions take place.

18. Consider the following statements:

1. The lapse rate usually is more in winter than summer.
2. In hilly areas, a hot day followed by calm, cloudless night act as favorable condition for the phenomenon of temperature inversion.
3. If the moist air ascends rapidly to the cooler layers of the atmosphere, the water droplets freeze into ice pellets and fall to the earth as hail.

Which of the above statements is/are correct?

- a) 1, 2
- b) 3 only
- c) 2, 3
- d) 1, 2, 3

Solution: c

Explanation:

The lapse rate usually is more in summer than winter.

In hilly areas, a hot day followed by calm, cloudless night act as favourable condition for the phenomenon of temperature inversion.

If the moist air ascends rapidly to the cooler layers of the atmosphere, the water droplets freeze into ice pellets and fall to the earth as hail.

19. Which of the following techniques for soil conservation is best used in coastal and flat dry areas?

- a) Sheltered belts
- b) Terrace farming
- c) Countour barriers
- d) Countour ploughing

Solution: a

Explanation:

All techniques mentioned above in b, c and d are used in hilly terrains. For e.g. terrace farming is used to cut flat steps in hilly farms to reduce water erosion and make farm cultivable. They are not suited to flat dry (where water erosion is not significant) and coastal areas.

In the coastal and dry regions, rows of trees are planted to check the wind movement to protect soil cover. These are known as shelter belts. These trees also yield valuable resources and supplement farm income.

20. Where is Saltoro Ridge located?

- a) Southwest of Siachen glacier
- b) Northeast of Pangong Tso
- c) Southeast of Depsang plains
- d) Northwest of Baltistan

Solution: a

Explanation:

The Saltoro Mountains are a subrange of the Karakoram Range. They are located in the southeast Karakoram on the southwest side of the Siachen Glacier.

The Indian Army dominates the glaciers, occupying the high ground on the Saltoro ridge on the western edge of the glacier, restricting Pakistani forces to lower positions.



21. Which of the following pollutants is/are monitored under the National Air Quality Index?

1. SO₂
2. NO₂
3. NH₃

Select the correct answer using the code given below:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Solution: d

Explanation:

Air Quality Index is a tool for effective communication of air quality status to people in terms, which are easy to understand. It transforms complex air quality data of various pollutants into a single number (index value), nomenclature and colour.

There are six AQI categories, namely Good, Satisfactory, Moderately polluted, Poor, Very Poor, and Severe. Each of these categories is decided based on ambient concentration values of air pollutants and their likely health impacts (known as health breakpoints). AQ sub-index and health breakpoints are evolved for eight pollutants (PM₁₀, PM_{2.5}, NO₂, SO₂, CO, O₃, NH₃, and Pb).

22. What is the objective of the recently launched EOS-01 satellite?

- a) Applications in agriculture, forestry and disaster management support
- b) 5G connectivity
- c) Internet connectivity to islands in Indian Ocean
- d) Military intelligence network

Solution: a

Explanation:

India's Polar Satellite Launch Vehicle, in its fifty first flight (PSLV-C49), successfully launched EOS-01 along with nine international customer satellites from Satish Dhawan Space Centre (SDSC) SHAR, Sriharikota on November 07, 2020.

EOS-01 is an earth observation satellite, intended for applications in agriculture, forestry and disaster management support.

EOS-01 is nothing but another Radar Imaging Satellite (RISAT) that will work together with RISAT-2B and RISAT-2BR1 launched last year. EOS-01 was initially named RISAT-2BR2.

With EOS-01, ISRO is moving to a new naming system for its earth observation satellites which till now have been named thematically, according to the purpose they are meant for.

23. Consider the following statements regarding the Immune System:

1. Macrophages are white blood cells that swallow up and digest germs, plus dead or dying cells.
2. B-lymphocytes are defensive white blood cells that produce antibodies.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Both statements are correct.

Blood contains red blood cells, for carrying oxygen to tissues and organs, and white or immune cells, for fighting infection. These white cells consist primarily of macrophages, B-lymphocytes and T-lymphocytes.

–Macrophages are white blood cells that swallow up and digest germs, plus dead or dying cells. The macrophages leave behind parts of the invading germs called antigens. The body identifies antigens as dangerous and stimulates antibodies to attack them.

–B-lymphocytes are defensive white blood cells. They produce antibodies that attack the antigens left behind by the macrophages.

–T-lymphocytes are another type of defensive white blood cell. They attack cells in the body that have already been infected.

24. The Ishad mango variety belongs to which of the following State?

- a) Madhya Pradesh
- b) Maharashtra
- c) Bihar
- d) Karnataka

Solution:d

Explanation:

‘Ishad’ is a native mango variety grown in Ankola taluk of Uttara Kannada district in Karnataka. The mango has two variants — Kari Ishad, which has thin skin, more pulp and is sweeter, and Bili Ishad, which has thick skin and has less pulp and sweetness.

Karnataka Biodiversity Board has recommended that the Union government grant Geographical Indication (GI) tag to Kari Ishad, a variety of mango grown in Ankola taluk of Uttara Kannada, the Gajani Kagga paddy cultivated in Kumta taluk in the same district, and the Rajamudi variety of paddy grown in Hassan district.

25. Consider the following statements regarding the Innovation in Science Pursuit for Inspired Research (INSPIRE) programme:

1. The program is managed by All India Council for Technical Education (AICTE).
2. Scholarship for Higher Education (SHE) component of INSPIRE aims to promote youths to undertake higher education in science intensive programmes.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: b

Explanation:

Statement 1 is incorrect. “Innovation in Science Pursuit for Inspired Research (INSPIRE)” is an innovative programme sponsored and managed by the Department of Science & Technology for attraction of talent to Science.

Statement 2 is correct. INSPIRE has three components:

–Scheme for Early Attraction of Talent (SEATS) aims to attract talented youth to study science by providing INSPIRE Award of Rs 5000 to one million young learners of the age group 10-15 years, ranging from Class VI to Class X standards, and also by arranging summer camps for about 50,000 science students of Class XI with global leaders in science to experience the joy of innovations on an annual basis through INSPIRE Internship.

–Scholarship for Higher Education (SHE) aims to enhance rates of attachment of talented youth to undertake higher education in science intensive programmes, by providing scholarships and mentorship.

–Assured Opportunity for Research Careers (AORC) aims to attract, attach, retain and nourish talented young scientific Human Resource for strengthening the R&D foundation and base.

26. Which of the following country(s) have recently signed the Regional Comprehensive Economic Partnership (RCEP) agreement?

1. Vietnam
2. Australia
3. Philippines

Select the correct answer using the code given below:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Solution: d

Explanation:

The Regional Comprehensive Economic Partnership is a free trade agreement in the Asia-Pacific region between the ten ASEAN states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and five of their FTA partners—Australia, China, Japan, New Zealand, and South Korea.

–The members make up nearly a third of the world’s population and account for 29% of global gross domestic product.

–The new free trade zone will be bigger than both the US-Mexico-Canada Agreement and the European Union.

–India was also part of the negotiations, but pulled out last year, over concerns that lower tariffs could hurt local producers.

27. Which of the following is/are Scorpene submarine of Project-75?

1. INS Karanj
2. INS Vela
3. INS Vagir

Select the correct answer using the code given below:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Solution: d

Explanation:

Two submarines of the ongoing Project-75 Scorpene programme at MDL, Kalvari and Khanderi, have been commissioned into the Indian Navy. The third submarine, Karanj, is in the last phase of rigorous sea trials. The fourth Scorpene, Vela, has commenced her sea trials, fifth Scorpene submarine of Project-75 named 'Vagir' has been launched at Mazagon Dock Shipbuilders Limited (MDL) in Mumbai recently whilst the sixth and last submarine, Vagsheer, is being readied for boot together.

Scorpene submarines can undertake multifarious types of missions i.e Anti-Surface warfare, Anti-Submarine warfare, Intelligence gathering, Mine Laying, Area Surveillance etc.

The Scorpene project is given support by the Department of Defence Production (MoD) and Indian Navy throughout its various phases of construction.

The number 75 in Project 75 refers to such unique identifier which was assigned to a programme for series production of submarines in India. Based on the specifications drawn for Project 75, the Scorpene class submarine from France, chosen under the project, is being constructed at the Mazagon Dock Limited (MDL) in Mumbai.

28. Consider the following statements regarding the Foreign Contribution Regulation Act (FCRA), 2010:

1. Members of legislatures and political parties are prohibited from receiving any foreign contribution.

2. Any donation received from a 'foreign source' whether in rupees or in foreign currency is construed as 'foreign contribution' under FCRA.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Both statements are correct.

Foreign Contribution Regulation Act (FCRA), 2010 was enacted by the Parliament to consolidate the law to regulate the acceptance and utilization of foreign contribution or foreign hospitality by certain individuals or associations or companies.

As per the FCRA, members of legislatures, political parties, government officials, judges and media persons are prohibited from receiving any foreign contribution

Any donation, delivery or transfer received from a 'foreign source' whether in rupees or in foreign currency is construed as 'foreign contribution' under FCRA, 2010. Such transactions even in rupees term are considered as foreign contribution.

The Ministry of Home Affairs (MHA) has recently relaxed norms for farmer, student, religious and other groups who are not directly aligned to any political party to receive foreign funds if the groups are not involved in "active politics".

29. Where is Stepanakert located?

- a) Inner Mongolia
- b) Nagorno-Karabakh
- c) Israel-Palestine border region
- d) Ukraine

Solution: b

Explanation:

Stepanakert is the de facto capital and the largest city of the self-proclaimed Republic of Artsakh (Nagorno-Karabakh), though the city is within internationally recognised borders of Azerbaijan.



Stepanakert

30. Consider the following statements regarding the RNA vaccines:

1. They work by introducing an mRNA sequence in body which is coded for a disease specific antigen.
2. Production of RNA vaccines is laboratory based.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Both statements are correct.

RNA vaccines work by introducing an mRNA sequence (the molecule which tells cells what to build) which is coded for a disease specific antigen, once produced within the body, the antigen is recognised by the immune system, preparing it to fight the real thing

RNA vaccines are faster and cheaper to produce than traditional vaccines, and a RNA based vaccine is also safer for the patient, as they are not produced using infectious elements

Production of RNA vaccines is laboratory based, and the process could be standardised and scaled, allowing quick responses to large outbreaks and epidemics

31. Which of the following statement most appropriately defines the One Health approach?

- a) A solution to communicable as well as non-communicable disease
- b) A curative approach without vaccine intervention
- c) A curative approach without vaccine intervention
- d) An approach recognizing the interconnection among people and environmental

Solution: d

Explanation:

One Health is a collaborative, multisectoral, and transdisciplinary approach—working at the local, regional, national, and global levels—with the goal of achieving optimal health outcomes recognizing the interconnection between people, animals, plants, and their shared environment.

It has gained importance as many of the same microbes infect animals and humans, as they share the eco-systems, they live in. Efforts by just one sector cannot prevent or eliminate the problem.

32. Consider the following statements regarding the Chang'e-5 spacecraft:

1. It is targeted to land at the far-side of the moon.
2. The mission aims to bring back sample from the lunar surface to Earth.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: b

Explanation:

Statement 1 is incorrect. Chang'e-4 spacecraft made a soft touch down on the Moon's far-side. The Chang'e-5 is going to target a nearside location called Mons Rümker, a high volcanic complex in a region known as Oceanus Procellarum.

Statement 2 is correct. It is a multi-step mission that involves an orbiter, a lander-ascender and finally a return component that uses a capsule to survive a fast and hot entry into Earth's atmosphere at the end of the mission to bring back sample from Lunar surface.

The last sample returned from the moon was delivered by the Soviet Union's Luna 24 spacecraft in 1976.

33. What is a Negative Bond Yield?

- a) Investor receives more money at the bond's maturity than the original purchase price for the bond
- b) Investor receives less money at the bond's maturity than the original purchase price for the bond
- c) Investor receives no money at the bond's maturity but is offered another bond with higher return
- d) None of the above

Solution: b

Explanation:

A negative bond yield is when an investor receives less money at the bond's maturity than the original purchase price for the bond.

A negative bond yield is an unusual situation in which issuers of debt are paid to borrow. In other words, the depositors, or buyers of bonds, are effectively paying the bond issuer a net amount at maturity instead of earning a return through interest income.

Negative-yield bonds attract investments during times of stress and uncertainty as investors look to protect their capital from significant erosion.

These are generally issued by central banks or governments, and investors pay interest to the borrower to keep their money with them.

34. Pangda village has been in news recently, where is it located?

- a) India-Nepal border
- b) China-Bhutan border
- c) India-China border
- d) India-Pakistan border

Solution: b

Explanation:

Pangda Village is news for being recently populated by Chinese settlements on disputed territory on China-Bhutan border.

The area is east of the India-Bhutan-China trijunction on the Doklam plateau, which was the site of a 72-day stand-off in 2017.

Authorities in Yadong county of Southwest China's Tibet Autonomous Region have confirmed that 27 households with 124 people voluntarily moved from Shangdui village of Duina prefecture of Yadong county to Pangda village in September 2020.

35. Government of India has recently banned several mobile applications, citing national security threats, using which of the following legal provision?

- a) Information and Technology Act
- b) Epidemic Diseases Act
- c) National Investigation Agency Act
- d) Unlawful Activities (Prevention) Act

Solution: a

Explanation:

Ministry of Electronics and Information Technology recently issued an order under section 69A of the Information Technology Act blocking access to 43 mobile apps.

This action was taken based on the inputs regarding these apps for engaging in activities which are prejudicial to sovereignty and integrity of India, defence of India, security of state and public order.

The order for blocking the access of these apps by users in India is based on the comprehensive reports received from Indian Cyber Crime Coordination Center, Ministry of Home Affairs.

Earlier on 29th June, 2020 the Government of India had blocked access to 59 mobile apps and on 2nd September, 2020 118 more apps were banned under section 69A of the Information Technology Act.

36. Which of the following is/are correctly matched?

1. Rudram 1 – Anti-Radiation missile
2. Brahmos – Ramjet supersonic cruise missile

Select the correct answer using the code given below:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Option 1 is correctly matched. Rudram-1 is an air-to-surface anti-radiation missile in development by Defence Research and Development Organisation.

It is first anti-radiation missile to be developed in India.

Option 2 is correctly matched. Brahmos is a medium-range ramjet supersonic cruise missile produced by an Indo-Russian joint venture Brahmos Aerospace.

There have been reports recently that Brahmos missiles may be exported to Phillipines.

India on November 24 successfully test fired the surface-to-surface supersonic cruise missile BrahMos.

37. Which of the following is/are correctly matched?

1. Bhavai – Andhra Pradesh
2. Therukoothu – Tamil Nadu
3. Pichwai – Rajasthan

Select the correct answer using the code given below:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Solution: b

Explanation:

Bhavai is a genre of folk dance popular in Rajasthan state in western India. The male or female performers balance a number of earthen pots or brass/metal pitchers as they dance.

Also, Bhavai (Vesha or Swang) is a popular folk theatre form of western India, especially in Gujarat.

Therukoothu is an ancient art, where artists play songs with dance and music in storytelling the epics, performed in Tamil; it is a folk art originated from the early Tamil region.

Pichwai are large devotional Hindu painted pictures, normally on cloth, which portray Krishna. It originated over 400 years ago, in the town of Nathdwara near Udaipur in Rajasthan, India. Intricate and visually stunning, pichwai paintings, made on cloth, depict tales from Lord Krishna's life.

38. Which of the following country(s) is/are participating in the SITMEX 2020?

1. India
2. Singapore
3. Thailand

Select the correct answer using the code given below:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Solution: d

Explanation:

A trilateral naval exercise involving India, Singapore and Thailand commenced in the Andaman Sea recently.

The two-day long exercise, SITMEX-2020, is scheduled in a “non-contact, at sea only format”, in wake of the COVID-19 restrictions.

The primary aim of the exercise is to further consolidate interoperability between the three navies and also enhance understanding, sharing best practices and procedures for multi-faceted maritime operations.

The Indian Navy is represented by two indigenous warships — an ASW corvette, INS Kamorta, and a guided Missile corvette, INS Karmuk.

39. Consider the following statements regarding the Herd Immunity:

1. It can be achieved only when hundred percent of the population becomes immune to a disease.
2. It cannot be achieved through vaccination.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: d

Explanation:

Both statements are incorrect.

Herd immunity happens when so many people in a community become immune to an infectious disease that it stops the disease from spreading. This can happen in two ways:

–Many people contract the disease and in time build up an immune response to it (natural immunity).

–Many people are vaccinated against the disease to achieve immunity.

The percentage of people who need to have antibodies in order to achieve herd immunity against a particular disease varies with each disease. For example, herd immunity against measles requires about 95% of a population to be vaccinated. The remaining 5% will be protected by the fact that measles will not spread among those who are vaccinated. For polio, the threshold is about 80%.

40. Which of the following is/are correctly matched?

1. COVAXIN – Bharat Biotech
2. ZyCOV-D – Serum Institute of India
3. COVISHIELD – Pfizer Inc.

Select the correct answer using the code give below:

- a) 1 only
- b) 2 and 3 only
- c) 3 only
- d) 1 and 2 only

Solution: a

Explanation:

Option 1 is correctly matched. COVAXIN is India's indigenous COVID-19 vaccine by Bharat Biotech is developed in collaboration with the Indian Council of Medical Research (ICMR) – National Institute of Virology (NIV).

Option 2 is incorrectly matched. ZyCOV-D is another indigenous DNA based vaccine being developed by Zydus Cadila.

Option 3 is incorrectly matched. The COVISHIELD vaccine is under clinical trial in India by the Serum Institute. It has been developed by the Oxford University.

41. Union Government has recently announced Production Linked Incentives for which of the following sectors?

1. Pharmaceuticals
2. Advance Chemistry Cell Battery
3. Solar PV

Select the correct answer using the code given below:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Solution: d

Explanation:

The Union Cabinet chaired by the Prime Minister has given its approval to introduce the Production-Linked Incentive (PLI) Scheme in the following 10 key sectors for Enhancing India's Manufacturing Capabilities and Enhancing Exports:

- Advance Chemistry Cell (ACC) Battery: NITI Aayog and Department of Heavy Industries
- Electronic/Technology Products: Ministry of Electronics and Information Technology
- Automobiles & Auto Components: Department of Heavy Industries
- Pharmaceuticals drugs: Department of Pharmaceuticals
- Telecom & Networking Products: Department of Telecom
- Textile Products, MMF segment and technical textiles: Ministry of Textiles
- Food Products: Ministry of Food Processing Industries
- High Efficiency Solar PV Modules: Ministry of New and Renewable Energy
- White Goods (ACs & LED): Department for Promotion of Industry and Internal Trade
- Speciality Steel: Ministry of Steel

42. The report ‘Assessment of climate change over the Indian region’ has been released by which of the following institution/organisation?

- a) India Meteorological Department
- b) Geological Survey of India
- c) Intergovernmental Panel on Climate Change
- d) Ministry of Earth Sciences

Solution: d

Explanation:

Assessment of climate change over the Indian region: A report of the Ministry of Earth Sciences (MoES) discusses the impact of human-induced global climate change on the Indian subcontinent and regional monsoon, the adjoining Indian Ocean and the Himalayas.

–India’s average temperature has risen by around 0.7°C during 1901–2018. In the recent 30-year period (1986–2015), temperatures of the warmest day and the coldest night of the year have risen by about 0.63°C and 0.4°C , respectively.

–Sea surface temperature (SST) of the tropical Indian Ocean has risen by 1°C on average during 1951–2015, markedly higher than the global average SST warming of 0.7°C , over the same period.

–The summer monsoon precipitation (June to September) over India has declined by around 6% from 1951 to 2015, with notable decreases over the Indo-Gangetic Plains and the Western Ghats.

–The overall decrease of seasonal summer monsoon rainfall during the last 6–7 decades has led to an increased propensity for droughts over India. Both the frequency and spatial extent of droughts have increased significantly during 1951–2016.

43. Consider the following statements regarding the Anti-Satellite (ASAT) Missile:

1. India conducted a successful ASAT test with Mission Shakti.
2. India is the only Asian country to have demonstrated the anti-satellite weapon technology till date.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: a

Explanation:

Statement 1 is correct. 'Mission Shakti' was India's first ever Anti-Satellite (ASAT) Missile Test successfully conducted on 27th March 2019 from Dr AP J Abdul Kalam Island in Odisha, where a fast-moving Indian orbiting target satellite in Low Earth Orbit (LEO) was neutralized with pinpoint accuracy.

Statement 2 is incorrect. China conducted its first acknowledged test of an anti-satellite missile in 2007. Apart from India and China, USA and Russia possess the anti-satellite weapons technology.

44. Which of the following country(s) is/are not member(s) to the Shanghai Cooperation Organisation (SCO)?

1. Mongolia
2. Belarus
3. Afghanistan

Select the correct answer using the code given below:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Solution: d

Explanation:

The Shanghai Cooperation Organization (SCO) is a eight-member multilateral organization, established on 15 June 2001 in Shanghai, China by the leaders of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

These countries, except for Uzbekistan, had been members of the Shanghai Five group, formed on 26 April 1996 with the signing of the Treaty on Deepening Military Trust in Border Regions. In 2001, during the annual summit in Shanghai, the five member nations first admitted Uzbekistan in the Shanghai Five mechanism (thus transforming it into the Shanghai Six).

In July 2015 in Ufa, Russia, the SCO decided to admit India and Pakistan as full members.

The four Observers of the SCO are Afghanistan, Belarus, Iran and Mongolia.

45. The Central Government can designate an individual as terrorist under Unlawful Activities (Prevention) Act on which of the following grounds?

1. Commits or participates in acts of terrorism
2. Promotes or encourages terrorism

Select the correct answer using the code given below:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Under the Unlawful Activities (Prevention) Act, 1967, the central government may designate an organisation as a terrorist organisation if it: (i) commits or participates in acts of terrorism, (ii) prepares for terrorism, (iii) promotes terrorism, or (iv) is otherwise involved in terrorism.

The Unlawful Activities (Prevention) Amendment Act, 2019 additionally empowered the government to designate individuals as terrorists on the same grounds.

46. Which of the following is/are Ramsar wetland sites in India?

1. Kabartal Wetland
2. Lonar Lake
3. Asan Conservation Reserve

Select the correct answer using the code given below:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Solution: d

Explanation:

The Lonar lake in Maharashtra and Sur Sarovar, also known as Keetham lake, in Agra, have been added to the list of recognised Ramsar sites recently.

Before that, Kabartal in Bihar's Begusarai district was recognised as a wetland of international importance, the first such wetland in Bihar.

The Asan Conservation Reserve in Dehradun, the first wetland from Uttarakhand to be recognised by Ramsar convention, was added to the list in October 2020.

47. Which of the following statement correctly defines the Aplastic anemia?

- a) Body doesn't produce enough blood cells
- b) Body doesn't produce enough antibodies against infection
- c) The somatic cell's capacity to utilize oxygen diminishes
- d) The antibodies in the blood start targeting the healthy cells

Solution: a

Explanation:

Aplastic anemia is a condition that occurs when body stops producing enough new blood cells. The condition leaves person fatigued and more prone to infections and uncontrolled bleeding.

A rare and serious condition, aplastic anemia can develop at any age. It can occur suddenly, or it can come on slowly and worsen over time. It can be mild or severe.

Treatment for aplastic anemia might include medications, blood transfusions or a stem cell transplant, also known as a bone marrow transplant.

48. Consider the following statements regarding the GRIHA ratings:

1. It evaluates the environmental performance of a building holistically over its entire life cycle.
2. GRIHA Council was founded by The Energy and Resources Institute with support from Ministry of New and Renewable Energy.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Statement 1 is correct. GRIHA is an acronym for Green Rating for Integrated Habitat Assessment. GRIHA is a rating tool that helps people assesses the performance of their building against certain nationally acceptable benchmarks. It evaluates the environmental performance of a building holistically over its entire life cycle, thereby providing a definitive standard for what constitutes a 'green building'.

Statement 2 is correct. GRIHA Council is mandated to promote development of buildings and habitats in India through GRIHA. GRIHA Council an independent platform for the interaction on scientific and administrative issues related to sustainable habitats in the Indian subcontinent.

It was founded by TERI (The Energy and Resources Institute, New Delhi) with support from MNRE (Ministry of New and Renewable Energy, Government of India) along with a handful of experts in the sustainability of built environment from across the country.

49. The Nord Stream gas pipeline is proposed to connect which of the following countries?

1. Germany
2. Russia
3. France

Select the correct answer using the code given below:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Solution: a

Explanation:

Nord Stream is a system of offshore natural gas pipelines from Russia to Germany. It includes two lines running from Vyborg to Lubmin near Greifswald forming original Nord Stream, and two lines under construction running from Ust-Luga to Lubmin termed Nord Stream 2.



50. Consider the following statements regarding the T-cell immunity:

1. It is a major component of the adaptive immune system.
2. T cells form in bone marrow and mature in thymus.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Statement 1 is correct. The immune response to viral infection comprises innate and adaptive defenses. The innate response functions continuously in a normal host without exposure to any virus. Most viral infections are controlled by the innate immune system.

The adaptive defense consists of antibodies and lymphocytes, often called the humoral response and the cell mediated response. The cells of the adaptive immune system are lymphocytes – B cells and T cells.

Statement 2 is correct. T cells originate from haematopoietic stem cells which are produced in the bone marrow. Some of these multipotent cells will become progenitor cells that leave the bone marrow and travel to the thymus via the blood. In the thymus these cells mature: T cells are named after their thymus-dependent development.

51. Which of the following institution publishes the Financial Stability Report (FSR) in India?

- a) Reserve Bank of India
- b) Securities and Exchange Board of India
- c) Competition Commission of India
- d) NITI Aayog

Solution: a

Explanation:

The Financial Stability Reports, published by Reserve Bank of India, after approved by Financial Stability and Development Council (FSDC) Sub-Committee since its inception, taking inputs from financial sector regulators i.e. RBI, SEBI, PFRDA, IRDAI including Ministry of Finance, are periodic exercise for reviewing the nature, magnitude and implications of risks that may have a bearing on the macroeconomic environment, financial institutions, markets and infrastructure.

52. The term ‘technical recession’ was in news recently, what does it mean?

- a) GDP of a country increasing while global GDP is decreasing
- b) Economic output reducing for two consecutive quarters
- c) Increase in supply despite low demand in economy
- d) Economic output of manufacturing sector reducing while primary and tertiary sector keeps growing

Solution: b

Explanation:

Reserve Bank of India in its monthly bulletin stated that India has entered a technical recession in the first half of 2020-21 for the first time in its history with Q2:2020-21 likely to record the second successive quarter of GDP contraction.

A technical recession is a term used to describe two consecutive quarters of decline in output. In the case of a nation’s economy, the term usually refers to back-to-back contractions in real GDP.

The difference between a ‘technical recession’ and a ‘recession’ is that while the former term is mainly used to capture the trend in GDP, the latter expression encompasses an appreciably more broad-based decline in economic activity.

53. Consider the following statements regarding laws of demand and supply:

1. The law of demand says that at higher prices, buyers will demand less of an economic good.
2. Producers supply more at a higher price because the higher selling price justifies the higher opportunity cost of each additional unit sold.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Statement 1 is correct. The law of demand states that, if all other factors remain equal, the higher the price of a good, the less people will demand that good. In other words, the higher the price, the lower the quantity demanded.

The amount of a good that buyers purchase at a higher price is less because as the price of a good goes up, so does the opportunity cost of buying that good.

Statement 2 is correct. The law of supply says that at higher prices, sellers will supply more of an economic good.

From the seller's perspective, the opportunity cost of each additional unit that they sell tends to be higher and higher. Producers supply more at a higher price because the higher selling price justifies the higher opportunity cost of each additional unit sold.

54. In some of the five-year plans, the Gadgil – Mukherjee Formula was used to

- a) Determine the target of fiscal deficit for the Government
- b) Allocate financial assistance to states from the Centre
- c) Calculate the trajectory of industrial growth in India
- d) Determine maximum permissible limit of External Borrowings by the Government

Solution: b

Explanation:

The Gadgil formula was evolved in 1969 for determining the allocation of central assistance for state plans in India. It was adopted for distribution of plan assistance during Fourth and Fifth Five Year Plans.

55. Consider the following statements regarding Angel Investors.

1. Angel Investors are high-net-worth individuals, who generally buy back failed firms for asset restructuring.
2. The funds angel investors provide may be a one-time investment to help the business propel or an ongoing injection of money to support and carry the company.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: b

Explanation:

An angel investor (also known as a private investor, seed investor or angel funder) is a high-net-worth individual who provides financial backing for small startups or entrepreneurs, typically in exchange for ownership equity in the company.

Often, angel investors are found among an entrepreneur's family and friends.

The funds that angel investors provide may be a one-time investment to help the business get off the ground or an ongoing injection to support and carry the company through its difficult early stages.

56. Consider the following statements regarding Special Drawing Right (SDR).

1. The SDR is an international reserve asset, created by the IMF to supplement its member countries' official reserves.
2. The value of the SDR is based on a basket of currencies of developed countries.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: a

Explanation:

The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. The value of the SDR is based on a basket of five currencies—the U.S. dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling.

57. Consider the following statements regarding Prompt Corrective Action (PCA) framework:

1. The capital to risk weighted assets ratio (CRAR), net non-performing assets (NPA) and Return on Assets (RoA) are the trigger points for banks to be put under PCA.
2. It is not applicable to co-operative banks and non-banking financial companies (NBFCs).

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Statement 1 is correct. Prompt Corrective Action or PCA is a framework under which banks with weak financial metrics are put under watch by the RBI.

The Reserve Bank has specified certain regulatory trigger points, as a part of prompt corrective action (PCA) Framework, in terms of three parameters, i.e. capital to risk weighted assets ratio (CRAR), net non-performing assets (NPA) and Return on Assets (RoA), for initiation of certain structured and discretionary actions in respect of banks hitting such trigger points.

Statement 2 is correct. The PCA framework is applicable only to commercial banks and not extended to co-operative banks, non-banking financial companies (NBFCs) and Financial Market Infrastructure (FMI).

58. Which of the following may lead to Inflation

1. A reduction in the total productive capacity of the economy even as more and more people are employed
2. Oversupply of goods in the economy.

Select the correct answer code:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: a

Explanation:

Inflation is basically too much money chasing too few goods, or excess demand chasing limited supply. If income rises faster, demand for goods and services will also rise. On the other hand, if the economy is unable to satisfy the increased demand, for e.g. due to poor infrastructure, lack of production etc, the higher income will spiral the prices upwards and lead to high inflation.

Excess supply is likely to bring prices down.

59. Consider the following statements regarding GDP deflator.

1. The GDP deflator is basically a measure of inflation.
2. It helps show the extent to which the increase in gross domestic product has happened on account of higher prices rather than increase in output.
3. It covers only those goods and services directly consumed by households.

Which of the above statements is/are correct?

- a) 1 only
- b) 1, 2
- c) 1, 3
- d) 1, 2, 3

Solution: b

Explanation:

The GDP deflator, also called implicit price deflator, is a measure of inflation. It is the ratio of the value of goods and services an economy produces in a particular year at current prices to that of prices that prevailed during the base year.

This ratio helps show the extent to which the increase in gross domestic product has happened on account of higher prices rather than increase in output.

Since the deflator covers the entire range of goods and services produced in the economy — as against the limited commodity baskets for the wholesale or consumer price indices — it is seen as a more comprehensive measure of inflation.

Changes in consumption patterns or introduction of goods and services are automatically reflected in the GDP deflator. This allows the GDP deflator to absorb changes to an economy's consumption or investment patterns. Often, the trends of the GDP deflator will be similar to that of the CPI.

60. Consider the following statements regarding revenue receipts and capital receipts of the government.

1. Capital receipts are always debt creating unlike revenue receipts.
2. Capital receipts are non-redeemable unlike revenue receipts.

Which of the above statements is/are incorrect?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

The main difference between revenue receipts and capital receipts is that in the case of revenue receipts, government is under no future obligation to return the amount, i.e., they are non-redeemable. But in case of capital receipts which are borrowings, government is under obligation to return the amount along with Interest.

Capital receipts may be debt creating or non-debt creating. Examples of debt creating receipts are—Net borrowing by government at home, loans received from foreign governments, borrowing from RBI. Examples of non-debt capital receipts are—Recovery of loans, proceeds from sale of public enterprises (i.e., disinvestment), etc. These do not give rise to debt.

61. Consider the following statements regarding Cash Reserve Ratio (CRR).

1. It is the fraction of the total Net Demand and Time Liabilities (NDTL) of a Scheduled Commercial Bank in India that has to maintain as cash deposit with the RBI.
2. It applies uniformly to all banks in the country irrespective of an individual bank's financial situation or size.
3. Banks are paid interest for parking the required cash under CRR.

Which of the above statements is/are correct?

- a) 1 only
- b) 1, 2
- c) 1, 3
- d) 1, 2, 3

Solution: b

Explanation:

Cash Reserve Ratio refers to the fraction of the total Net Demand and Time Liabilities (NDTL) of a Scheduled Commercial Bank held in India, that it has to maintain as cash deposit with the Reserve Bank of India (RBI). The requirement applies uniformly to all banks in the country irrespective of an individual bank's financial situation or size. In contrast, certain countries e.g. China stipulates separate reserve requirements for 'large' and 'small' banks.

As per the RBI Act 1934, all Scheduled Commercial Banks (that includes public and private sector banks, foreign banks, regional rural banks and co-operative banks) are required to maintain a cash balance on average with the RBI on a fortnightly basis to cater to the CRR requirement.

Presently, banks are not paid any interest on behalf of the RBI for parking the required cash. If a bank fails to meet its required reserve requirements, the RBI is empowered to impose a penalty by charging a penal interest rate.

62. Consider the following statements regarding First Five-year Plan (FYP) in India.

1. The First Five-year Plan mainly focused on development of the primary sector.
2. The First Five-year Plan was followed by the Bombay Plan which became the basis for the Second Five Year Plan.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: a

Explanation:

The First Five-year Plan was launched in 1951 which mainly focused in development of the primary sector. The First Five-Year Plan was based on the Harrod–Domar model with few modifications.

The Bombay Plan is the name commonly given to a World War II-era set of proposals for the development of the post-independence economy of India. The plan was published in 1944/1945.

Second Plan (1956–1961).

**63. Printing currency is usually the last resort for the government in managing its deficit.
This is because**

1. Government expenditure using this new money boosts incomes and raises private demand in the economy, thus leading to inflation.
2. Excess supply of rupee will cause its depreciation.

Select the correct answer code:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Government expenditure using this new money boosts incomes and raises private demand in the economy. Thus, it fuels inflation.

Easy monetary policy and high inflation are two of the leading causes of currency depreciation.

64. Hard currency is usually preferred because

1. It is seen as politically and economically stable.
2. It is widely accepted around the world as a form of payment for goods and services.
3. It is not likely to depreciate or appreciate suddenly.

Select the correct answer code:

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

Solution: c

Explanation:

Hard currency refers to money that is issued by a nation that is seen as politically and economically stable. Hard currencies are widely accepted around the world as a form of payment for goods and services and may be preferred over the domestic currency.

A hard currency is expected to remain relatively stable through a short period of time, and to be highly liquid in the forex or foreign exchange (FX) market. The most tradable currencies in the world are the U.S. dollar (USD), European euro (EUR), Japanese yen (JPY), British pound (GBP), Swiss franc (CHF), Canadian dollar (CAD) and the Australian dollar (AUD). All of these currencies have the confidence of international investors and businesses because they are not generally prone to dramatic depreciation or appreciation.

65. Consider the following statements regarding Fiscal Responsibility and Budget Management (FRBM) Act, 2003.

1. The Act made Central government responsible for ensuring inter-generational equity in fiscal management and long-term macro-economic stability.
2. The Act envisages the setting of limits on the Central government's debt and deficits.
3. The law contains an 'escape clause' under which Centre can exceed the annual fiscal deficit target.

Which of the above statements is/are correct?

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

Solution: d

Explanation:

What is the FRBM Act?

Enacted in August 2003, the legislation is aimed at making the Central government responsible for ensuring "inter-generational equity in fiscal management and long-term macro-economic stability".

To achieve this, the Act envisages the setting of limits on the Central government's debt and deficits as well as mandating greater transparency in fiscal operations of the Central government and the conduct of fiscal policy in a medium-term framework.

The rules for implementing the Act were notified in July 2004 and since then every Budget of the Union government has included a Medium Term Fiscal Policy Statement that specifies the annual revenue and fiscal deficit goals over a three-year horizon.

The States have also enacted their own respective Financial Responsibility Legislation.

66. In economics, the monetary base includes:

1. Total currency circulating in the public.
2. Currency that is physically held in the vaults of commercial banks.
3. Sum total of the capital of all financial institutions regulated by Central Bank.
4. Commercial banks' reserves held in the central bank.

Select the correct answer code:

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

Solution: b

Explanation:

In economics, the monetary base (also base money, high-powered money, reserve money) in a country is the total amount of bank notes and coins. This includes:

- the total currency circulating in the public,
- plus the currency that is physically held in the vaults of commercial banks,
- plus the commercial banks' reserves held in the central bank.

The monetary base should not be confused with the money supply, which consists of the total currency circulating in the public plus certain types of non-bank deposits with commercial banks.

67. When the Reserve Bank of India increases the repo rate by 50 basis points, which of the following is likely to happen?

1. India's GDP growth rate increases drastically
2. Foreign Institutional Investors will bring more capital into our country
3. Scheduled Commercial Banks may increase their lending rates

Select the correct answer code:

- a) 1, 2
- b) 1, 3
- c) 2, 3
- d) 3 only

Solution: d

Explanation:

Increase in repo rate by RBI would largely lead to increase in lending rates of banks.

68. Consider the following policy measures by the government:

1. Increasing foreign aid to underdeveloped nations
2. Increasing import duties
3. Providing export subsidies

Which of the policy measures given above may be used to reduce the Current Account Deficit (CAD)?

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

Solution: b

Explanation:

The current account measures the flow of goods, services and investments into and out of the country. We run into a deficit if the value of the goods and services we import exceeds the value of those we export. The current account includes net income, including interest and dividends, and transfers, like foreign aid.

Therefore, increasing foreign aid to underdeveloped nations increases the current account deficit.

However, increasing import duties and providing export subsidies help in reducing the current account deficit.

69. Which of the following form a part of revenue expenditure?

1. Salaries
2. Defence expenditure
3. Major Subsidies
4. Expense towards new infrastructure projects

Select the correct answer code:

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

Solution: b

Explanation:

Revenue expenditure is expenditure for the normal running of government departments and various services, interest charges on debt incurred by government, subsidies and so on. Broadly speaking, expenditure which does not result in the creation of assets is treated as revenue expenditure. All grants given to state governments and other parties are also treated as revenue expenditure even though some of the grants may be for creation of assets.

Capital expenditure usually denotes funds used by a company (government) to acquire, maintain or upgrade physical assets such as property, new infrastructural projects or buying new equipment. When a government spends money on big-ticket projects, the expenses incurred are usually categorised as capital expenditure. Such expenses are not recurring in nature.

70. A bank may decide to fulfil its Statutory Liquidity Ratio (SLR) obligations in which of the following forms?

1. Government security holdings
2. Gold holdings or Sovereign Gold Bonds (SGBs)
3. Vault Cash

Select the correct answer code:

- a) 3 only
- b) 1, 2
- c) 2, 3
- d) 1, 2, 3

Solution: d

Explanation:

The RBI Act instructs that all commercial banks (and some other specified institutions) in the country have to keep a given proportion of their demand and time deposits (NDTL or net demand and time liabilities) as liquid assets in their own vault. This is called statutory liquidity ratio.

The word statutory here means that it is a legal requirement and liquid asset means assets in the form of cash, gold and approved securities (government securities) or even SGBs.

71. Consider the following statements regarding Rupee Appreciation.

1. Rupee can appreciate because of strong foreign portfolio investments into the country.
2. Avoiding the appreciation of the rupee can strengthen the domestic manufacturing industry.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Rupee mostly appreciates against dollar due to higher flows into the market.

We need to avoid the appreciation of the rupee if we are to strengthen the domestic manufacturing industry. Any appreciation of the rupee facilitates more imports and less exports, adversely affecting domestic production.

72. Consider the following statements regarding Fiscal Deficit.

1. Fiscal deficit is reflective of the total borrowing requirements of the Government.
2. A higher fiscal deficit can lead to higher interest rates in the economy.

Which of the above statements is/are incorrect?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: d

Explanation:

Fiscal Deficit is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure.

In other words, fiscal deficit is “reflective of the total borrowing requirements of the Government”.

If the fiscal deficit ratio is too high, it implies that there is a lesser amount of money left in the market for private entrepreneurs and businesses to borrow.

Lesser amount of this money, in turn, leads to higher rates of interest charged on such lending.

So, simply put, a higher fiscal deficit means higher borrowing by the government, which, in turn, mean higher interest rates in the economy.

A high fiscal deficit and higher interest rates would also mean that the efforts of the Reserve Bank of India to reduce interest rates are undone.

73. Which of the following are considered or counted while calculating GDP?

1. Rental value of all houses
2. Newly produced cars as well as second-hand cars
3. Pensions and scholarships given by the Government.

Select the correct answer code:

- a) 1 only
- b) 1, 2
- c) 1, 3
- d) 2, 3

Solution: a

Explanation:

In calculating GDP, only newly produced goods are counted. Transactions in existing goods like second-hand cars are not included, as these do not involve the production of new goods. But the services provided by the agents while selling second-hand cars are counted. The agents make some money through commission which adds to the service economy.

There are imputed values as part of GDP. All houses are assumed to be rented as it is not possible for the government to check which one is owner occupied and which one is rented. Thus, rental value of all houses is part of GDP.

Transfer payments like scholarships, pensions and universal basic income that the government gives do not fetch any direct returns in terms of addition to GDP and thus are not included in the GDP.

74. Consider the following statements.

1. Factor cost refer to the price arrived after deducting from the market price the government subsidy and adding the indirect taxes.
2. GDP at factor cost is useful to see how competitive market forces are and how distortionary indirect taxes are.

Which of the above statements is/are incorrect?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: a

Explanation:

Factor costs are the actual production costs at which goods and services are produced in an economy.

Factor cost refer to the price arrived after deducting from the market price the indirect taxes and adding to the resulting number government subsidies if any.

75. Match the following pairs

Term

Definitions

- | | |
|-----------------------------|---|
| 1. Deflation | A. Reduction in the rate of inflation |
| 2. Disinflation | B. General fall in the level of prices |
| 3. Stagflation
recession | C. Combination of inflation and rising unemployment due to |
| 4. Reflation | D. Attempt to raise the prices to counteract the deflationary prices. |

Select the correct answer code:

- a) 1-A, 2-B, 3-C, 4-D
- b) 1-B, 2-A, 3-C, 4-D
- c) 1-B, 2-A, 3-D, 4-C
- d) 1-A, 2-B, 3-D, 4-C

Solution: b

Explanation: Refer class notes on economics.

76. After liberalization, India has undergone structural change in its economy. In this context, 'structural change' necessarily implies

- a) Change in demographic characteristics
- b) Change in the contribution of different sectors of economy to GDP.
- c) Change in exploitation pattern of natural resources
- d) Change in the production pattern of agriculture.

Solution: b

Explanation:

STRUCTURAL CHANGE represents the fundamental CHANGES that occurring in the basic features of the ECONOMY over a long period. STRUCTURE of the ECONOMY MEANS the occupational STRUCTURE, sectoral distribution of income, industrial pattern, composition of exports, saving- GDP ratio etc.

Due to LPG reforms, largely agriculture-based economy has transformed into service-based economy in subsequent years or decades.

77. Which of the following factors can lead to Demand-pull inflation?

1. Strong consumer demand
2. Increase in money supply
3. When prices go up
4. Technological innovation

Select the correct code:

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

Solution: b

Explanation:

When the aggregate demand in an economy strongly outweighs the aggregate supply, prices go up. Economists describe demand-pull inflation as a result of too many dollars chasing too few goods.

If a government reduces taxes, households are left with more disposable income in their pockets. This, in turn, leads to increased consumer spending, thus increasing aggregate demand and eventually causing demand-pull inflation.

Cost-push inflation is when prices go up.

78. Consider the following statements regarding Non-Banking Financial Companies.

1. NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself.
2. NBFCs can accept demand deposits.
3. Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs.

Which of the above statements is/are correct?

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

Solution: c

Explanation:

NBFCs lend and make investments and hence their activities are akin to that of banks; however, there are a few differences as given below:

NBFC cannot accept demand deposits; (The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months. They cannot accept deposits repayable on demand.)

NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself;

iii. deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

79. Stressed Assets is a powerful indicator of the health of the banking system. It includes

1. Non-performing Assets
2. Restructured Loans
3. Written off Assets

Select the correct answer code:

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

Solution: d

Explanation:

The most important scale of asset quality is Non Performing Assets (NPA). But NPA alone doesn't tell the whole story of bad asset quality of loans given by banks. Hence a new classification is made in the form of stressed assets that comprises restructured loans and written off assets besides NPAs.

Restructured asset or loan are that assets which got an extended repayment period, reduced interest rate, converting a part of the loan into equity, providing additional financing, or some combination of these measures.

Written off assets are those the bank or lender doesn't count the money borrower owes to it. The financial statement of the bank will indicate that the written off loans are compensated through some other way.

80. A closed economy is likely to have which of the following characteristics?

- a) Fiscal deficit would be zero.
- b) The central bank does not control money supply.
- c) The government does not have a right to print currency.
- d) Balance of Payments is zero.

Solution: d

Explanation:

A closed economy is self-sufficient, meaning that no imports are brought in and no exports are sent out. The goal is to provide consumers with everything that they need from within the economy's borders. A closed economy is the opposite of an open economy, in which a country will conduct trade with outside regions.

So, if no capital or goods/services are imported, exported, the BoP will be zero.

In this case, the fiscal deficit need not be zero since a developing country may adopt expansionary fiscal policy to tackle poverty and unemployment.

81. Consider the following statements regarding “crowding out” effect.

1. Crowding out effect refers to how increased government spending, for which it must borrow more money, tends to reduce private spending.
2. This also impacts interest rates in the economy.
3. A high magnitude of the crowding out effect may even lead to lesser income in the economy.

Which of the above statements is/are correct?

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

Solution: d

Explanation:

“Crowding out” effect refers to how increased government spending, for which it must borrow more money, tends to reduce private spending. This happens because when the government takes up the lion’s share of funds available in the banking system, less of it is left for private borrowers. This also impacts interest rates in the economy.

Sometimes, government adopts an expansionary fiscal policy stance and increases its spending to boost the economic activity. This leads to an increase in interest rates. Increased interest rates affect private investment decisions. A high magnitude of the crowding out effect may even lead to lesser income in the economy.

82. Sustained high revenue deficit in the Union budget can lead to gradual weakening of the rupee because

1. The confidence of foreign investors in the economy reduces.
2. Injection of high liquidity for consumption purposes may inflate prices rendering our exports uncompetitive.

Which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: c

Explanation:

Statement 1: As the confidence reduces, FIIs start withdrawing and the capital account deficit increases. Moreover, new FDI may not come due to poor macroeconomic conditions, and CAD will not be financed leading to a weakening of the rupee.

Statement 2: If the same money would have been used for investment, it would have reduced supply side bottlenecks, and generated significant demand leading to economic growth.

But, only consumption spending (as in the case of revenue deficit) would put greater pressure on supply side and inflate price leading to uncompetitive products. Exports fall, trade deficit will increase and rupee will weaken.

83. Which of the following constitutes Liabilities of Reserve Bank of India.

1. Notes in Circulation
2. Deposits of the Central Government
3. Paid-up Capital and Reserve Fund
4. Rupee Securities

Select the correct answer code:

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

Solution: c

Explanation:

Liabilities of Reserve Bank

Notes Issued: The currency notes issued by the Reserve Bank are the Reserve Bank's liability.

Notes in Circulation

Notes held in the Banking Department

Deposits: These represent the cash balances maintained with the Reserve Bank by the Central and State Governments, banks, all India financial institutions, such as, Export Import Bank (EXIM Bank) and NABARD, foreign central banks, international financial institutions, and the balance in different accounts relating to the Employees' Provident Fund, Gratuity and Superannuation Funds.

Paid-up Capital and Reserve Fund: The Capital of the Bank, of ` 0.05 billion, is held by the Government of India and reserve funds i.e. Credit (Long-term Operations) Fund, National Agricultural Credit (Stabilisation) Fund, National Industrial Credit (Long-term Operations) Fund of the Bank are part of other liability.

84. Which of the following are not the components of Non-tax revenue receipts?

1. Government earning Dividends and profits from PSUs.
2. Goods and Services Tax (GST)
3. State governments receiving grants from the Central Government
4. Wealth Tax
5. Value Added Tax (VAT)

Select the correct code:

- a) 1, 3
- b) 1, 2, 3
- c) 2, 4, 5
- d) 3, 4, 5

Solution: c

Explanation:

Revenue receipts are of two types viz. Tax Revenue and Non-tax revenue.

Tax revenues are either direct taxes or indirect taxes. Income Tax, Corporate tax, Gift Tax, Wealth Tax and Property tax etc. are direct taxes. Sales tax, Value Added Tax (VAT), Goods and Services tax (GST) are indirect tax.

Non-Tax Revenue Receipts are those revenue receipts which are not generated by Taxing the public. They include:

- Money which the Government earns as “Dividends and profits” from public enterprises (PSUs). Interest which the Government earns on the money lent by it to external or internal borrowers.
- Money received through stamp printing, currency printing, medal printing etc.
- Money which the government accrues as fees, fines, penalties etc.
- Grants the Government of India receives from the external sources.
- In case of the state Governments, it may be the internal grant from the central Government.

85. Consider the following statements with reference to Minimum Support Price (MSP):

1. MSP are announced by the Government of India for all crops grown during all the three seasons.
2. MSP for food grains is kept necessarily higher than market price of the grains.

Which of the statements given above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: d

Explanation:

MSP is announced for selected crops (22 mandated crops: 14 crops of the kharif season viz. paddy, jowar, bajra, maize, ragi, arhar, moong, urad, groundnut-inshell, soyabean, sunflower, sesamum, nigerseed and cotton; 6 rabi crops viz. wheat, barley, gram, masur(lentil), rapeseed/mustard and safflower ; and two other commercial crops viz. jute and copra; MSPs of toria and de-husked coconut are fixed on the basis of the MSPs of rapeseed/mustard and copra, respectively)

Fair and Remunerative Price (FRP) is announced for sugarcane

MSP price is kept relatively lower than market price.

86. Consider the following statements.

1. Economic growth will always lead to inflation.
2. Economic growth will always lead to a fall in poverty and increase in per capita income.

Which of the above is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Solution: d

Explanation:

Statement 1: If high growth results in an imbalance of supply and demand (greater than supply), then inflation is likely. On the other hand, if supply outstrips demand due to high growth, prices will be depressed.

Statement 2: High growths are necessary for reducing poverty, but high growths may not always reduce poverty.

The benefits of high growth may be restricted to the top earners of the population and little or no benefit may accrue to the BPL.

Also, whether Economic growth results in increase in per capita income depends on whether the population of the country has grown or not. If population growth has outpaced economic growth rate, then per capita income will reduce.

87. Consider the following statements regarding Open market operations.

1. Open market operations are conducted by the Reserve Bank of India (RBI) with an objective to adjust the rupee liquidity conditions in the market on a durable basis.
2. These operations are conducted only on quarterly basis in a manner that balances inflation while helping banks continue to lend.
3. RBI carries out the Open market operations through commercial banks and does not directly deal with the public.

Which of the above statements is/are correct?

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

Solution: c

Explanation:

What are open market operations?

They are conducted by the RBI by way of sale or purchase of government securities (g-secs) to adjust money supply conditions.

The central bank sells g-secs to suck out liquidity from the system and buys back g-secs to infuse liquidity into the system.

These operations are often conducted on a day-to-day basis in a manner that balances inflation while helping banks continue to lend.

The RBI uses OMO along with other monetary policy tools such as repo rate, cash reserve ratio and statutory liquidity ratio to adjust the quantum and price of money in the system.

When the RBI wants to increase the money supply in the economy, it purchases the government securities from the market and it sells government securities to suck out liquidity from the system.

RBI carries out the OMO through commercial banks and does not directly deal with the public.

88. With reference to the currency market, the term “Convertibility” is used to denote

1. Freedom to exchange currencies like commodities across the counter.
2. Freedom to invest globally.
3. Freedom to residents to remit outside the country.

Select the correct answer code:

- a) 1 only
- b) 2, 3
- c) 3 only
- d) None

Solution: a

Explanation:

Convertibility is the quality that allows money or other financial instruments to be converted into other liquid stores of value.

Convertibility is an important factor in international trade, where instruments valued in different currencies must be exchanged.

89. Which of the following best describes ‘Bank Rate’?

- a) It is the rate at which banks lend to their best customers based on the previous balance sheet record.
- b) It is the rate at which central bank lends money to the commercial banks.
- c) It is the rate at which bank penalizes the customers if they not paid interest regularly
- d) None of the statements (a), (b) and (c) are correct.

Solution: b

Explanation:

Bank rates influence lending rates of commercial banks. Higher bank rate will translate to higher lending rates by the banks.

90. Consider the following statements about Index of Eight Core Industries (ICI).

1. ICI provide an advance indication on production performance of industries of 'core' nature before the release of Index of Industrial Production.
2. The Index is compiled and released by Central Statistics Office.
3. Refinery Products are not part of eight core industries.

Which of the above statements is/are correct?

- a) 1 only
- b) 1, 2
- c) 2, 3
- d) 1, 3

Solution: a

Explanation:

The objective of the ICI is to provide an advance indication on production performance of industries of 'core' nature before the release of Index of Industrial Production (IIP). ICI measures collective and individual performance of production in selected eight core industries viz. Coal, Crude Oil, Natural Gas, Petroleum Refinery Products, Fertilizers, Steel, Cement and Electricity.

The Index is compiled and released by Office of the Economic Adviser (OEA).

91. Consider the following statements regarding India's External Debt.

1. The debtors can be Union government, state governments, corporations or citizens of India.
2. Long-term borrowings dominate India's external debt.
3. The largest of India's external debt is the United States dollar.
4. Multilateral debt by the international financial institutions is the largest component of external debt.

Which of the above statements is/are correct?

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

Solution: c

Explanation:

The external debt of India is the total debt the country owes to foreign creditors. The debtors can be the Union government, state governments, corporations or citizens of India. The debt includes money owed to private commercial banks, foreign governments, or international financial institutions such as the International Monetary Fund (IMF) and World Bank.

Long-term borrowings (more than a year to maturity) dominate India's external debt.

Commercial borrowings remained the largest component of external debt, with a share of 38.4 per cent, followed by non-resident deposits (24 per cent) and short-term trade credit (18.7 per cent).

92. The Qualitative measures of money control through monetary policy includes

1. Bank Rate
2. Consumer Credit Regulation
3. Cash Reserve Ratio
4. Rationing of credit

Select the correct answer code:

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

Solution: c

Explanation:

Reserve bank of India employs the monetary policy as an instrument of achieving the objectives of general economic policy.

The quantitative measures of credit control are:

- Bank Rate
- Open Market Operations
- Cash Reserve Ratio
- Statutory Liquidity Ratio

Qualitative measures:

- Margin requirements: This refers to difference between the securities offered and amount borrowed by the banks.
- Consumer Credit Regulation: This refers to issuing rules regarding down payments and maximum maturities of instalment credit for purchase of goods.
- Guidelines: RBI issues oral, written statements, appeals, guidelines, warnings etc. to the banks.
- Rationing of credit: The RBI controls the Credit granted / allocated by commercial banks.
- Moral Suasion: psychological means and informal means of selective credit control.

93. Consider the following statements regarding FDI Policy in India.

1. Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from Government of India for the investment.
2. Private sector investment in Atomic energy requires the prior approval of the Government of India.
3. Gambling and Betting sectors are prohibited for FDI.

Which of the above statements is/are correct?

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

Solution: c

Explanation:

Automatic Route

Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from Government of India for the investment.

Government Route

Under the Government Route, prior to investment, approval from the Government of India is required. Proposals for foreign investment under Government route, are considered by respective Administrative Ministry/Department.

PROHIBITED SECTORS

- Lottery Business including Government/private lottery, online lotteries, etc.
- Chit Funds
- Trading in Transferable Development Rights (TDR)
- Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- Nidhi Company
- Real Estate Business or Construction of farm houses (Real estate business shall not include development of town shops, construction of residential/ commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations, 2014)

- Sectors not open to private sector investment- atomic energy, railway operations (other than permitted activities mentioned under the Consolidated FDI policy).

94. Which of the following statements about Monetary Policy Framework Agreement is correct?

- a) It is an agreement between Government and Reserve Bank of India (RBI) on the maximum tolerable inflation rate that RBI should target to achieve price stability.
- b) It is an agreement between Government and Reserve Bank of India (RBI) on the minimum inflation rate that RBI should target to achieve growth.
- c) It is an agreement between Banks and Reserve Bank of India (RBI) to ensure that the changes in the Interest rates are passed on to the customers.
- d) Both b and c

Solution: a

Explanation:

Monetary Policy Framework Agreement is an agreement reached between Government and the central bank in India – The Reserve Bank of India (RBI) – on the maximum tolerable inflation rate that RBI should target to achieve price stability.

The Reserve Bank of India and Government of India signed the Monetary Policy Framework Agreement on 20 February 2015 which made inflation targeting and achieving price stability the responsibilities of RBI. Subsequently, the government, while unveiling the Union Budget for 2016-17 in the Parliament, proposed to amend the Reserve Bank of India (RBI) Act, 1934 for giving a statutory backing to the aforementioned Monetary Policy Framework Agreement and for setting up a Monetary Policy Committee (MPC).

95. Consider the following statements.

1. Repo Rate: The fixed interest rate at which the Reserve Bank provides overnight liquidity to banks.
2. Liquidity Adjustment Facility (LAF): Scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio.
3. Open Market Operations (OMOs): Include both, outright purchase and sale of government securities, for injection and absorption of durable liquidity, respectively.

Which of the above statements are correctly matched?

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

Solution: b

Explanation:

Repo Rate: The (fixed) interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government and other approved securities under the liquidity adjustment facility (LAF).

Liquidity adjustment facility (LAF) is a monetary policy tool which allows banks to borrow money through repurchase agreements or repos. LAF is used to aid banks in adjusting the day to day mismatches in liquidity (frictional liquidity deficit/surplus).

Open Market Operations (OMOs): These include both, outright purchase and sale of government securities, for injection and absorption of durable liquidity, respectively.

Marginal Standing Facility (MSF): A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest. This provides a safety valve against unanticipated liquidity shocks to the banking system.

96. Which of the following measures is/are examples of expansionary fiscal policy?

1. Decrease in tax rate
2. Increase in pensions
3. Increase in unemployment compensation
- 4 Increase in tax rate.

Select the correct answer codes:

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

Solution: c

Explanation:

An expansionary is a macroeconomic policy that seeks to encourage economic growth or combat inflationary price increases by expanding the money supply, lowering interest rates, increasing government spending or cutting taxes.

Increasing the tax rate is not an example of expansionary fiscal policy.

97. Consider the following statements about Purchasing Managers' Index (PMI)

1. It is an indicator of business activity in the manufacturing sector only.
2. A figure above 50 denotes expansion in business activity. Anything below 50 denotes contraction.
3. PMI is usually released at start of month by Central Statistics Office (CSO).

Which of the above statements is/are correct?

- a) 1, 2
- b) 1, 2, 3
- c) 2 only
- d) 1, 3

Solution: c

Explanation:

PMI or a Purchasing Managers' Index (PMI) is an indicator of business activity — both in the manufacturing and services sectors. It is a survey-based measure that asks the respondents about changes in their perception of some key business variables from the month before. It is calculated separately for the manufacturing and services sectors and then a composite index is constructed.

How is the PMI derived?

The PMI is derived from a series of qualitative questions. Executives from a reasonably big sample, running into hundreds of firms, are asked whether key indicators such as output, new orders, business expectations and employment were stronger than the month before and are asked to rate them.

How does one read the PMI?

A figure above 50 denotes expansion in business activity. Anything below 50 denotes contraction.

The PMI is usually released at the start of the month, much before most of the official data on industrial output, manufacturing and GDP growth becomes available. It is, therefore, considered a good leading indicator of economic activity.

98. Consider the following statements about the consequences of Devaluation of currency.

1. Exporters become more competitive in a global market.
2. It favors an improved balance of payments.
3. Reduce the cost of interest payments on its outstanding government debts.

Which of the above statements is/are correct?

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

Solution: d

Explanation:

Devaluation is the deliberate downward adjustment of the value of a country's money relative to another currency, group of currencies, or currency standard.

Currency devaluations can be used by countries to achieve economic policy. Having a weaker currency relative to the rest of the world can help boost exports, shrink trade deficits and reduce the cost of interest payments on its outstanding government debts.

Boost Exports: exporters become more competitive in a global market. Exports are encouraged while imports are discouraged.

Shrink Trade Deficits: Exports will increase and imports will decrease due to exports becoming cheaper and imports more expensive. This favors an improved balance of payments as exports increase and imports decrease, shrinking trade deficits.

Reduce Sovereign Debt Burdens: A government may be incentivized to encourage a weak currency policy if it has a lot of government-issued sovereign debt to service on a regular basis. If debt payments are fixed, a weaker currency makes these payments effectively less expensive over time.

99. Non-performing Assets (NPAs) are loans made by a bank or finance company on which repayments or interest payments are not being made on time. How do high NPAs affect the Banks in India?

1. Banks tend to lower the interest rates on deposits
2. Results in lesser interest income
3. Adds to risk weighted assets

Select the correct code?

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

Solution: d

Explanation:

Statement 1 – In the light of high NPAs, Banks tend to lower the interest rates on deposits on one hand and likely to levy higher interest rates on advances.

Statement 2 – The increased NPAs put pressure on recycling of funds and reduces the ability of banks for lending more and thus results in lesser interest income.

Statement 3 – As per Basel norms, banks are required to maintain adequate capital on risk-weighted assets on an ongoing basis. Every increase in NPA level adds to risk weighted assets which warrant the banks to shore up their capital base further.

100. Under the Provisions of the Banking Regulation Act, 1949 RBI can

1. Examine on oath any director or other officer of the bank
2. Issue directions to banks for resolution of stressed assets
3. Prohibit banks against entering into any particular transaction

Which of the above statements is/are correct?

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

Solution: d

Explanation:

The Reserve Bank of India (RBI) regulates and supervises Public Sector and Private Sector Banks. The powers of RBI are wide-ranging and comprehensive to deal with various situations that may emerge in all banks, irrespective of ownership i.e. the Public Sector and the Private Sector owned Banks.