

## Pre-Mix – 5 MCQs for Prelims

### Subject – Economy

Date – 20<sup>th</sup> February 2023

**1. Which of the following statements is/are correct?**

1. For 2022-23, Corporation Income Tax has the highest weightage among Gross Tax Revenue.
2. External grants is a component of Non-tax Revenue of the government.

**Select the correct code.**

- A. 1 Only
- B. 2 Only
- C. Both are Correct
- D. None is Correct

**2. Consider the following statements:**

1. Loans given for agriculture and allied activities are covered under Food Credit category of Scheduled Commercial banks.
2. Since March 2022, weighted average lending rate (WALR) on fresh and outstanding rupee loans has decreased gradually.

**Which of the above statements is/are correct?**

- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. None of the above

**3. Consider the following statements with respect to various Government Insurance schemes:**

1. Under Ayushman Bharat Yojana, health coverage of ₹5 lakh per beneficiary family per annum is provided.
2. Pradhan Mantri Jeevan Jyoti Bima Yojana provides risk coverage of ₹2

lakh for accidental death and complete disability and ₹1 lakh for partial disability is given to beneficiaries.

3. Old age income security is provided to senior citizens under Pradhan Mantri Vaya Vandana Yojana.

**Which of the statements given above is/are correct?**

- A. 1 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**4. Which one of the following statements is incorrect?**

- A. In FY23, retail inflation was mainly driven by higher food inflation, while core inflation stayed at a moderate level.
- B. In FY23, vegetables, cereals, milk and spices are the major contributors of increase in food inflation.
- C. To check the soaring prices of wheat and rice, the government has prohibited the export of wheat products and imposed an export duty on rice in FY23.
- D. None of the above.

**5. Which one of the following statement correctly defines Inventory Overhang?**

- A. Units that are in the production process but not yet completed.
- B. Estimated time period developers are likely to take to sell off the unsold inventory, based on the current sales velocity.
- C. Extra inventory that a business holds to ensure that it has enough stock to meet unexpected demand or supply chain disruptions.
- D. None of the above

## Answers with Explanations

Click [here](#) to watch the following topics on YouTube.

1. Which of the following statements is/are correct?

- For 2022-23, Corporation Income Tax has the highest weightage among Gross Tax Revenue.
- External grants is a component of Non-tax Revenue of the government.

Select the correct code.

- 1 Only
- 2 Only
- Both are Correct
- None is Correct

**Answer: B**

**Explanation**

### Chapter 3

### Fiscal Developments- Revenue Relish

Table III.2: Buoyant Union Government taxes from April to November 2022

	In ₹ lakh crore			As a per cent of BE		YoY growth (per cent)	
	BE FY23	Apr-Nov 2021	Apr-Nov 2022	Apr-Nov 2021	Apr-Nov 2022	Apr-Nov 2021	Apr-Nov 2022
Gross Tax Revenue, of which	27.58	15.42	17.81	69.5	64.6	50.3	15.5
Direct taxes	14.20	7.00	8.67	63.1	61.0	66.3	23.9
a. Corporation Tax	7.20	3.54	4.28	64.6	59.5	90.4	21.1
b. Taxes on income other than Corporation tax	7.00	3.46	4.39	61.7	62.7	47.2	26.7
Indirect taxes	13.30	8.21	8.91	74.5	67.0	38.6	8.5
c. Custom	2.13	1.26	1.41	92.5	66.4	99.5	12.4
d. Union Excise Duties	3.35	2.42	1.91	72.2	57.1	23.2	-20.9
e. Service Tax	0.02	0.01	0.00	50.2	20.4	-52.6	-18.7
f. GST	7.80	4.53	5.57	71.9	71.5	36.5	23.1

Source: Union Budget documents, O/o CGA

Table III.3: Trends in Non-tax Revenue of Union Government

	FY18	FY19	FY20	FY21	FY22 PA	FY23 BE	Apr-Nov 2022
	₹ lakh crore						
Interest receipts	0.14	0.12	0.12	0.17	0.22	0.18	0.17
Dividends & Profits	0.91	1.13	1.86	0.97	1.61	1.14	0.68
External Grants	0.04	0.01	0.00	0.02	0.01	0.01	0.01
Others	0.84	1.07	1.27	0.90	1.64	1.34	1.12
Non-tax Revenue	1.93	2.36	3.27	2.08	3.48	2.70	1.98

Source: Union Budget documents, O/o CGA

2. Consider the following statements:

- Loans given for agriculture and allied activities are covered under Food Credit category of Scheduled Commercial banks.
- Since March 2022, weighted average lending rate (WALR) on fresh and outstanding rupee loans has decreased gradually.

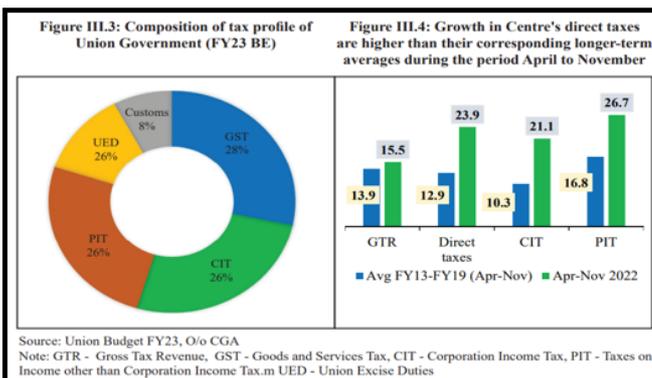
Which of the above statements is/are correct?

- 1 only
- 2 only
- Both 1 and 2
- None of the above

**Answer: D**

**Explanation**

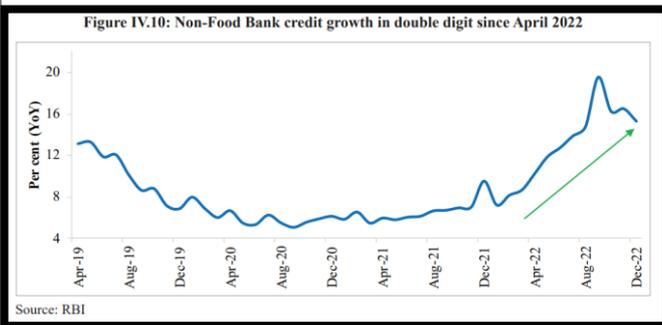
- Given the importance of bank credit flow to different productive sectors of the economy, the Reserve Bank has been compiling and publishing monthly sectoral deployment of bank credit data.
- The data is classified under the food and non-food credit (NFC) categories, with food credit being provided to the Food Corporation of India (FCI) and state agencies for procurement of food grains.
- As food credit is largely driven by external forces such as monsoons, size of the marketed surplus and Government procurements, non-food



credit is generally used as a gauge of bank lending.

- Non-food credit is categorised into four broad categories - (i) agriculture and allied activities, (ii) industry, (iii) services, and (iv) personal loans.

### Chapter-3 Monetary Management And Financial Inter Mediation: A Good Year



- Weighted average lending rate (WALR) is an important metric used by banks and financial institutions to determine the interest rates on their loans.
- The WALR is calculated by taking into account the interest rate on each loan and its corresponding share in the total loan portfolio of the institution.
- The resulting rate is a weighted average that reflects the overall cost of borrowing for the institution.
- Overall, the weighted average lending rate (WALR) on fresh and outstanding rupee loans rose by 135 bps and 71 bps, respectively, in FY23 (up to November 2022).

### 3. Consider the following statements with respect to various Government Insurance schemes:

1. Under Ayushman Bharat Yojana, health coverage of ₹5 lakh per beneficiary family per annum is provided.
2. Pradhan Mantri Jeevan Jyoti Bima Yojana provides risk coverage of ₹2

lakh for accidental death and complete disability and ₹1 lakh for partial disability is given to beneficiaries.

3. Old age income security is provided to senior citizens under Pradhan Mantri Vaya Vandana Yojana.

### Which of the statements given above is/are correct?

- A. 1 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

**Answer: C**

**Explanation**

Table IV.16: Government Insurance schemes and progress

Scheme name	Brief description	Achievement
Ayushman Bharat Yojana	The scheme provides health coverage of ₹5 lakh per beneficiary family per annum to poor and vulnerable families identified based on select deprivation and occupational criteria	Since inception, 19.7 crore beneficiaries have been provided Ayushman cards, and over 4.3 crore hospital admissions worth over ₹0.49 lakh crore have been authorised through a network of 28,667 empanelled health-care providers, including 13,115 private hospitals as of 20th January 2023.

Pradhan Mantri Suraksha Bima Yojana	Under the scheme, risk coverage of ₹2 lakh for accidental death and complete disability and ₹1 lakh for partial disability is given to beneficiaries	Since its inception, 31.3 crore beneficiaries have been enrolled under the scheme, and 1.07 lakh claims have been disbursed as of 30th November 2022.
Pradhan Mantri Jeevan Jyoti Bima Yojana	Under the scheme, risk coverage of ₹2 Lakh is credited to the savings bank account of the holder in case of the death of the insured	Since its inception, 14.4 crore beneficiaries have been enrolled under the scheme, and 6.3 lakh claims have been disbursed as of 30th November 2022.
Pradhan Mantri Vaya Vandana Yojana	Under the scheme, old age income security is provided to senior citizens through the provision of an assured pension/return linked to the subscription amount based on a government guarantee to LIC	A total number of 8.6 lakh subscribers with a subscription amount of ₹84,659.4 crore deposited by these subscribers have benefited under the scheme as of 30th September 2022

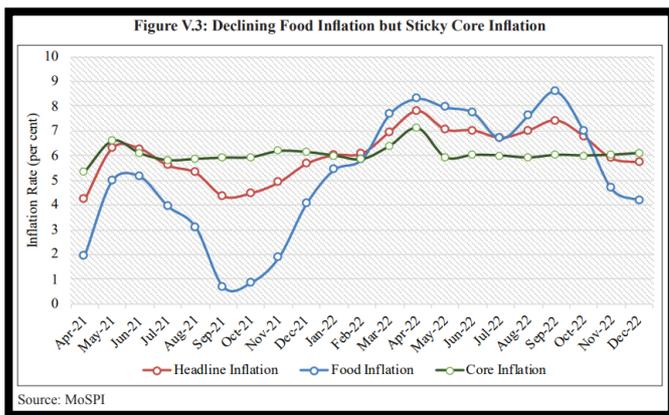
### 4. Which one of the following statements is incorrect?

- A. In FY23, retail inflation was mainly driven by higher food inflation, while core inflation stayed at a moderate level.

- B. In FY23, vegetables, cereals, milk and spices are the major contributors of increase in food inflation.
- C. To check the soaring prices of wheat and rice, the government has prohibited the export of wheat products and imposed an export duty on rice in FY23.
- D. None of the above.

**Answer: D**

Explanation



**Table V.1: Average Annual Retail Inflation Based on CPI-C (per cent) (base: 2012=100)**

Groups/Sub-groups	Weight	FY20	FY21	FY22	FY23*
<b>Food &amp; beverages</b>	<b>45.9</b>	<b>6.0</b>	<b>7.3</b>	<b>4.2</b>	<b>7.0</b>
Cereals and products	9.7	2.8	3.8	0.5	9.3
Meat and fish	3.6	9.3	15.4	7.9	4.7
Egg	0.4	4.5	12.9	7.6	-1.0
Milk and products	6.6	2.9	5.4	2.8	6.8
Oils and fats	3.6	2.9	16.0	27.4	5.4
Fruits	2.9	0.7	2.6	6.2	4.4
Vegetables	6.0	21.3	5.8	-7.2	7.6
Pulses and products	2.4	9.9	16.4	6.0	1.8
<b>Sugar and confectionery</b>	<b>1.4</b>	<b>0.8</b>	<b>2.5</b>	<b>2.3</b>	<b>2.7</b>
Spices	2.5	4.4	10.9	5.3	14.9
<b>Pan, tobacco &amp; intoxicants</b>	<b>2.4</b>	<b>4.2</b>	<b>9.9</b>	<b>4.5</b>	<b>2.0</b>
<b>Clothing &amp; footwear</b>	<b>6.5</b>	<b>1.6</b>	<b>3.4</b>	<b>7.2</b>	<b>9.7</b>
<b>Housing</b>	<b>10.1</b>	<b>4.5</b>	<b>3.3</b>	<b>3.7</b>	<b>4.1</b>
<b>Fuel and light</b>	<b>6.8</b>	<b>1.3</b>	<b>2.7</b>	<b>11.3</b>	<b>10.5</b>
<b>Miscellaneous</b>	<b>28.3</b>	<b>4.4</b>	<b>6.6</b>	<b>6.7</b>	<b>6.3</b>
Household goods and services	3.8	3.1	3.0	5.8	7.5
Health	5.9	6.2	5.1	7.5	5.8
Transport and communication	8.6	2.4	9.9	10.1	6.4
Recreation and amusement	1.7	4.9	5.1	6.5	6.4
Education	4.5	5.5	2.8	2.9	5.2
<b>Headline Inflation</b>	<b>100.0</b>	<b>4.8</b>	<b>6.2</b>	<b>5.5</b>	<b>6.8</b>
<b>Core Inflation</b>	<b>47.3</b>	<b>4.0</b>	<b>5.5</b>	<b>6.0</b>	<b>6.1</b>
<b>Food Inflation</b>	<b>39.1</b>	<b>6.7</b>	<b>7.7</b>	<b>3.8</b>	<b>7.0</b>

Source: MoSPI.  
Note: \*April-December, CPI data for December 2022 are provisional

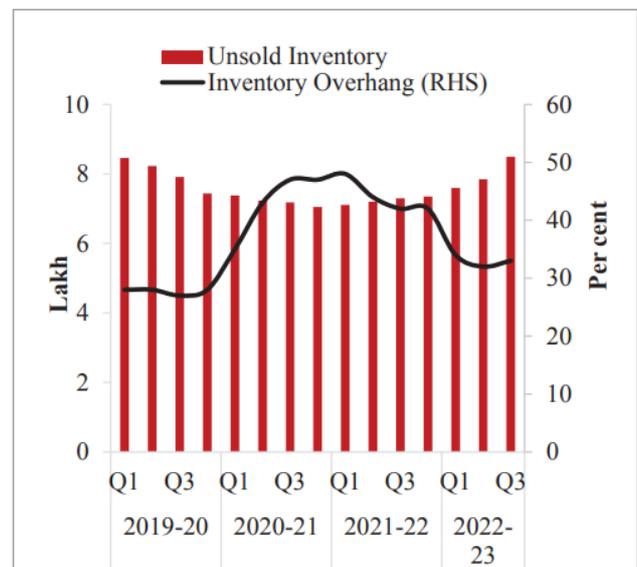
**5. Which one of the following statement correctly defines Inventory Overhang?**

- A. Units that are in the production process but not yet completed.
- B. Estimated time period developers are likely to take to sell off the unsold inventory, based on the current sales velocity.
- C. Extra inventory that a business holds to ensure that it has enough stock to meet unexpected demand or supply chain disruptions.
- D. None of the above

**Answer: B**

Explanation

**Figure X.10: The decline in Inventory Overhang**



- There is evidence of a significant decline in the inventory overhang dipping to 33 months during Q3 of FY23 from 42 months last year.
- Inventory overhang refers to the estimated time period developers are likely to take to sell off the unsold inventory, based on the current sales velocity.