

# 50 IMPORTANT TOPICS FOR PRELIMS 2023

## SCHEDULE

27-03-2023	Monday	Polity	06-04-2023	Thursday	Geography
28-03-2023	Tuesday	Science	07-04-2023	Friday	Economy
29-03-2023	Wednesday	Environment	08-04-2023	Saturday	History
30-03-2023	Thursday	Geography	09-04-2023	Sunday	HOLIDAY
31-03-2023	Friday	Economy	10-04-2023	Monday	Polity
01-04-2023	Saturday	History	11-04-2023	Tuesday	Science
02-04-2023	Sunday	HOLIDAY	12-04-2023	Wednesday	Environment
03-04-2023	Monday	Polity	13-04-2023	Thursday	IR
04-04-2023	Tuesday	Science	14-04-2023	Friday	Economy
05-04-2023	Wednesday	Environment	15-04-2023	Saturday	Schemes

Starting from **27th March** 2023 on YouTube Channel







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## संभव PRELIMS

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## Pre-Mix - 5 MCQs for Prelims

### Subject - Economy

Date - 10<sup>th</sup> April 2023

Source: Crash Course 2023

**1. Which of the following statements can be a consequence(s) of increase in Interest by US Fed on Indian Economy?**

1. It affects the currency trade negatively.
2. Negative impact on the earnings of IT services companies in India.
3. Increase in Forex Reserve.

Select the correct code:

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

**2. Consider the following statements with respect to Exchange Traded Funds:**

1. These funds are traded like a common stock on a stock exchange.
2. It is an index fund that follows a benchmark index irrespective of market movement.
3. These funds are passively managed.

Which of the above statements are correct?

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

Source: Crash Course 2023 + PYQ

**3. Which one of the following statements is correct?**

- A. Supply of money remaining the same when there is an increase in demand for money, there will be a decrease in the rate of interest.

- B. During a liquidity trap, interest rates are low.
- C. The value of national currency becomes almost zero during hyperinflation.
- D. None of the above.

Source: Eco Survey 2023 and Crash Course

**4. Which of the following are the components of Primary market?**

1. FPOs
2. QIPs
3. Options
4. Rights Issues

Select the correct code:

- A. 1 and 2 only
- B. 2, 3 and 4 only
- C. 1, 2 and 4 only
- D. 3 and 4 only

Source: Eco Survey 2023

**5. Consider the following statements with respect to Indian Agriculture:**

1. There is a gradual increase in food grain production in last 5 years.
2. Oilseed production has witnessed a declining trend in the last 5 years.

Which of the statements given above is/are correct?

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

## Answers with Explanations

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

Source: Crash Course 2023

**1. Which of the following statements can be a consequence(s) of increase in Interest by US Fed on Indian Economy?**

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2. Negative impact on the earnings of IT services companies in India.
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**Select the correct code:**

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- C. 1 and 2 only
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**Answer: C**

**Explanation**

**Impact of Rate hike by US Fed**

- After a rate hike by the US Fed, the difference between interest rates in the US and India shrinks which affects the currency trade negatively.
- The dollar and the US treasury yield become attractive in the US and the Indian market begins to see capital outflow.
- Moreover, the rupee gets weaker and it prompts rate hikes in India.
- If the rupee falls significantly, the RBI may be forced to sell some dollars to help the domestic currency. This depletes domestic forex reserve.
- Rupee depreciation is good for all export-oriented companies in India.
- If we look from a sectoral view, then the US Fed's increasing rates benefit the IT and pharma sector due to the rupee depreciation tailwind.
- However, if interest rates go up too sharply, it leads to a slowdown and a recession in the US, negatively impacting the businesses there.
- Hence, US companies' appetite for tech spending may get restricted, which can

negatively impact the earnings of IT services companies in India.

**2. Consider the following statements with respect to Exchange Traded Funds:**

1. These funds are traded like a common stock on a stock exchange.
2. It is an index fund that follows a benchmark index irrespective of market movement.
3. These funds are passively managed.

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

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

**Answer: D**

**Explanation**

- We can consider an ETF as a basket that holds several securities that tracks one or more underlying assets.
- By nature, it is close to mutual funds, but listed with the exchanges and traded in the market like stocks.
- It is an index fund that follows a benchmark index irrespective of market movement.
- ETF funds were introduced in India in 2001. The first ETF was NIFTY BEES (Nifty Benchmark Exchange Traded Scheme) based on NIFTY 50 launched by Benchmark Mutual Funds.
- ETFs are passively managed. The purpose of an ETF is to match a particular market index, leading to a fund management style known as passive management.

**Source: Crash Course 2023 + PYQ**

**3. Which one of the following statements is correct?**

- A. Supply of money remaining the same when there is an increase in demand for money, there will be a decrease in the rate of interest.

- B. During a liquidity trap, interest rates are low.
- C. The value of national currency becomes almost zero during hyperinflation.
- D. None of the above.

**Answer: C**

**Explanation**

- Liquidity trap refers to a situation where the interest rates in an economy are at extremely low levels, and individuals prefer to hold their money in cash or cash equivalent form as they are uncertain about the performance of a nation's economy.
- Liquidity traps occur when a country is trying to recover from a recession, and the government aims to boost the investment in the nation by reducing interest rates to facilitate borrowing.
- However, an expansionary monetary policy through lowering borrowing rates are ineffective when the interest rates are already close to 0, as any further reduction has no effect on the borrowing patterns of individuals.
- Due to prevailing depressed demand and production levels, individuals prefer storing their money in the advent of weakening economic conditions.
- Hyperinflation is **very high inflation**.
- Although the threshold is arbitrary, economists generally reserve the term "hyperinflation" to describe episodes **when the monthly inflation rate is greater than 50 percent**.
- **The value of national currency becomes almost zero and paper money becomes worthless.**
- The most widely studied hyperinflation occurred in **Germany after World War I**.
- Other Examples: Venezuela, Zimbabwe

**Source: Eco Survey 2023 and Crash Course**

**4. Which of the following are the components of Primary market?**

1. FPOs
2. QIPs
3. Options
4. Rights Issues

**Select the correct code:**

- A. 1 and 2 only
- B. 2, 3 and 4 only
- C. 1, 2 and 4 only
- D. 3 and 4 only

**Answer: C**

**Explanation**

Table IV.6: Resource Mobilisation from the Primary Market

Particulars	April - Nov 2021		April - Nov 2022	
	No. of Issues	Amount (₹ crore)	No. of Issues	Amount (₹ crore)
<b>A. Equity</b>	<b>350</b>	<b>1,81,532</b>	<b>448</b>	<b>1,14,361</b>
IPOs	76	89,166	104	48,095
FPOs	0	0	1	4,300
Rights Issues	18	22,659	37	3,436
QIPs	23	26,704	8	4,115
Preferential Allotments	233	43,004	298	54,414
<b>B. Debt</b>	<b>871</b>	<b>3,71,590</b>	<b>967</b>	<b>3,91,997</b>
Public	20	9,132	22	6,624
Private Placement	851	3,62,458	945	3,85,373
<b>Total (A+B)</b>	<b>1,221</b>	<b>5,53,122</b>	<b>1,415</b>	<b>5,06,358</b>

**Source: Eco Survey 2023**

**5. Consider the following statements with respect to Indian Agriculture:**

1. There is a gradual increase in food grain production in last 5 years.
2. Oilseed production has witnessed a declining trend in the last 5 years.

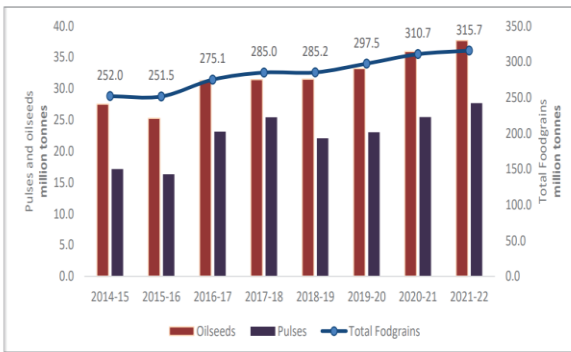
**Which of the statements given above is/are correct?**

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

**Answer: A**

## Explanation

Figure VIII.4: Sustained increase in Foodgrains Production in India (Million Tonnes)



Source: 1st Advance Estimates (2022-23) of DA&FW released dated 21.09.2022.