



Sleepy Classes
Awakening Toppers

Pre-Mix
(Economy)
Compilation
January to April 2023

Pre-Mix - 5 MCQs for Prelims**Subject - Economy****Date - 04th January 2023****1. Consider the following statements: (2018)**

1. The Reserve Bank of India manages and services Government of India Securities but not any State Government Securities.
2. Treasury bills are issued by the Government of India and there are no treasury bills issued by the state Governments.
3. Treasury bills offer are issued at a discount from the par value.

Which of the statements given above is/are correct?

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

2. In the context of India, which of the following factors is/are contributor/contributors to reducing the risk of a currency crisis?

1. The foreign currency earnings of India's IT sector
2. Increasing the government expenditure.
3. Remittances from Indians abroad

Select the correct answer using the code given below.

- a) 1 only
 - b) 1 and 3 only
 - c) 2 only
 - d) 1, 2 and 3
- (2019)

3. With reference to the Indian economy, consider the following statements:

1. 'Commercial Paper' is a short-term unsecured promissory note.
2. 'Certificate of Deposit' is a long-term instrument issued by the Reserve Bank of India to a corporation.
3. 'Call Money' is a short-term finance used for interbank transactions.
4. 'Zero-Coupon Bonds' are the interest-bearing short-term bond issued by the Scheduled Commercial Banks to corporations.

Which of the statements given above is/are correct?

- a) 1 and 2 only
 - b) 4 only
 - c) 1 and 3 only
 - d) 2, 3 and 4 only
- (2020)

4. Consider the following statements:

The effect of devaluation of a currency is that it necessarily

1. improves the competitiveness of the domestic exports in the foreign markets.
2. increases the foreign value of domestic currency
3. improves the trade balance

Which of the above statements is/are correct?

- a) 1 only
 - b) 1 and 2
 - c) 3 only
 - d) 2 and 3
- (2021)

5. With the Reference of Convertible Bonds, consider the following Statements:

1. As there is an option to exchange the bond of equity, convertible bonds pay a lower rate of Interest.
2. The option to convert to equity affords the bondholder a degree of indexation to rising consumer prices.

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
- (2022)

Answers with Explanations

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

1. Consider the following statements: (2018)

1. The Reserve Bank of India manages and services Government of India Securities but not any State Government Securities.
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Which of the statements given above is/are correct?

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

Answer : C

Explanation

What are Government Securities (G-Secs):

It is a **debt obligation of the Indian government** to fund their fiscal deficit.

- These instruments are **tradable and are issued either by the central or the state government.**
- These securities are offered for **short term as well as long term.**

- Short-term instruments with a maturity of less than one year are typically called **treasury bills (T-Bills).**
- Whereas long-term instruments are called **government bonds** or dated securities with a maturity of one year or more.
- However, in India, the **central government issues T-Bills as well as bonds or dated securities.**
- The **state government issues only the bonds or dated securities called State Development Loans (SDL).**
- T-bills are money market short term debt instruments which are issued by the central government in **three tenures mainly 91-day, 182-day and 364-day.**
- These instruments are actually issued at a discount and redeemed at the face value at maturity.
- For example, a 91 day Treasury bill of ₹100/- (face value) may be issued at say ₹ 98.20, that is, at a discount of say, ₹1.80 and would be redeemed at the face value of ₹100/-.
- The return to the investors is the difference between the maturity value or the face value (that is ₹100) and the issue price

2. In the context of India, which of the following factors is/are contributor/contributors to reducing the risk of a currency crisis?

1. The foreign currency earnings of India's IT sector
2. Increasing the government expenditure.
3. Remittances from Indians abroad

Select the correct answer using the code given below.

- a) 1 only
- b) 1 and 3 only

c) 2 only

d) 1, 2 and 3 (2019)

Answer : B

Explanation

- A currency crisis is defined as a speculative attack on the foreign exchange value of a currency, resulting in a sharp depreciation or forcing the authorities to sell foreign exchange reserves and raise domestic interest rates to defend the currency.
- A substantial amount of foreign exchange reserves can help to cushion against any risks of currency crisis.
- The foreign current earnings of India's IT sector and remittances from abroad would lead more inflow of foreign currencies in the economy and boost the foreign exchange reserves.

3. With reference to the Indian economy, consider the following statements:

1. 'Commercial Paper' is a short-term unsecured promissory note.
2. 'Certificate of Deposit' is a long-term instrument issued by the Reserve Bank of India to a corporation.
3. 'Call Money' is a short-term finance used for interbank transactions.
4. 'Zero-Coupon Bonds' are the interest-bearing short-term bond issued by the Scheduled Commercial Banks to corporations.

Which of the statements given above is/are correct?

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

(2020)

Answer : C

Explanation

Certificate of Deposit

- A certificate of Deposit (CD) is an electronic short-term negotiable money market instrument to be held with a SEBI-registered (Securities and Exchange Board of India) depository.
- A negotiable instrument guarantees the repayment of the principal amount along with interest at the pre-specified rate.
- CDs are governed by the RBI and issued by authorized banks against the funds deposited by an investor.

Commercial paper

- Commercial paper, also called CP, is a short-term debt instrument issued by companies to raise funds generally for a time period up to one year.
- It is an unsecured money market instrument issued in the form of a promissory note and was introduced in India for the first time in 1990.
- **Call money** rate is the rate at which short term funds are borrowed and lent in the money market among banks on a day-to-day basis. Banks resort to this type of loan to fill the asset liability mismatch, comply with the statutory CRR and SLR requirements and to meet the sudden demand of funds.
- A zero-coupon bond, also known as an accrual bond, is a debt security that does not pay interest but instead trades at a deep discount, rendering a profit at maturity, when the bond is redeemed for its full-face value.

4. Consider the following statements:

The effect of devaluation of a currency is that it necessarily

1. improves the competitiveness of the domestic exports in the foreign markets.

2. increases the foreign value of domestic currency
3. improves the trade balance

Which of the above statements is/are correct?

- a) 1 only
- b) 1 and 2
- c) 3 only
- d) 2 and 3 (2021)

Answer : A

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.
- One reason a country may devalue its currency is to combat a trade imbalance.
- Devaluation reduces the cost of a country's exports, rendering them more competitive in the global market, which, in turn, increases the cost of imports.
- If imports are more expensive, domestic consumers are less likely to purchase them, further strengthening domestic businesses.
- Because exports increase and imports decrease, there is typically a better balance of payments because the trade deficit shrinks.
- In short, a country that devalues its currency can reduce its deficit because there is greater demand for cheaper exports.

5. With the Reference of Convertible Bonds, consider the following Statements:

1. As there is an option to exchange the bond of equity, convertible bonds pay a lower rate of Interest.

2. The option to convert to equity affords the bondholder a degree of indexation to rising consumer prices.

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 (2022)

Answer : C

Explanation

- A convertible bond is a fixed-income corporate debt security that yields interest payments, but can be converted into a predetermined number of common stock or equity shares.
- The conversion from the bond to stock can be done at certain times during the bond's life and is usually at the discretion of the bondholder.
- Each time a company issues additional shares or equity, it adds to the number of shares outstanding and dilutes existing investor ownership.
- The company might issue convertible bonds to avoid negative sentiment. Bondholders can, then, convert into equity shares should the company perform well.

Pre-Mix - 5 MCQs for Prelims**Subject - Economy****Date - 11th January 2023****1. Consider the following statements with respect to term Foreign Exchange Reserves.**

1. The rise in the US currency in 2022 was due to risk aversion among investors amid the aggressive monetary tightening of the US Federal Reserve.
2. Increase in Forex Reserves can be attributed to rise in ECBs.
3. Increase in the yields of 10-year benchmark securities of the US led to rise in India's foreign exchange reserves.

Which of the statements given above is/are correct?

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

2. Which one of the following statement is incorrect with respect to Social Progress Index?

- A. The index assesses on three critical dimensions of social progress - Basic Human Needs, Foundations of Wellbeing, and Opportunity.
- B. Index is made by the Institute for Competitiveness and Social Progress Imperative.
- C. It assesses states only based on extensive framework comprising 89 indicators.
- D. None of the above.

3. With reference to the Foreign Direct Investment, consider the following statements:

1. Any foreign investment equal to or beyond 5 percent stake in post issue paid-up equity capital on a fully diluted basis in a listed company is construed as EDI.
2. India is among top 25 nations to be in Kearney's 25-Country 2022 FDI Confidence Index.

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

4. Consider the following statements with respect to Non-performing Asset (NPA).

1. Assets which has remained NPA for a period less than or equal to 12 months are known as Substandard assets.
2. While writing-off a loan, any collateral or security against the borrowed amount, it will be given back to the borrower.
3. Loan write-off is a regular activity conducted by banks or financial institutions to have a clean balance sheet and minimize tax liabilities.

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

5. Based on recommendations of which committee Factoring Regulation (Amendment) Act, 2021 was enacted?

- A. C Rangarajan committee
- B. Janakiraman Committee
- C. Urjit Patel Committee
- D. UK Sinha Committee

Answers with Explanations

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1. Consider the following statements with respect to term Foreign Exchange Reserves.

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Which of the statements given above is/are correct?

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

Answer : A

Explanation

- After three consecutive years of rise, India's foreign exchange reserves declined by around \$ 70 billion in 2022 amid rising inflation and interest rates.
- Market participants attribute two reasons for this decrease in the forex reserves.
- One of the primary reasons was valuation loss, after the US dollar appreciated against major currencies in 2022. The rise in the US currency was due to risk aversion among investors amid the aggressive monetary tightening of the US Federal Reserve.
- Foreign exchange reserves are maintained as a multi-currency portfolio comprising major currencies such as the US dollar, Euro, Pound



sterling, and Japanese yen, among others, but are valued in terms of US dollars.

- When the dollar strengthens, the valuation of other currencies vis-à-vis the US currency declines, leading to notional fall in the overall reserves position.
- The RBI also keeps the forex reserves in the dollar-denominated assets like the 10-year benchmark securities of the US and UK. Since the yields of these assets rose in 2022, it impacted India's foreign exchange reserves.
- Besides valuation loss, the forex reserves also declined as the Reserve Bank sold dollars in the spot market to smoothen the sudden fluctuations in the rupee's movement caused by outflows from foreign investors.
- Higher FII outflows led to an over 10 per cent fall in the rupee – making it the worst-performing Asian currency in 2022.

2. Which one of the following statement is incorrect with respect to Social Progress Index?

- A. The index assesses on three critical dimensions of social progress - Basic Human Needs, Foundations of Wellbeing, and Opportunity.
- B. Index is made by the Institute for Competitiveness and Social Progress Imperative.
- C. It assesses states only based on extensive framework comprising 89 indicators.
- D. None of the above.

Answer : C

Explanation

- Social Progress Index (SPI) for States and Districts made by the Institute for Competitiveness and Social Progress

Imperative was submitted to Economic Advisory Council- Prime Minister.

- SPI is a comprehensive tool that can serve as a holistic measure of a country's social progress at the national and sub-national levels.
- The index assesses states and districts based on 12 components across three critical dimensions of social progress - Basic Human Needs, Foundations of Wellbeing, and Opportunity.
- The index uses an extensive framework comprising 89 indicators at the state level and 49 at the district level.
- Basic Human Needs assess the performance of states and districts in terms of Nutrition and Basic Medical Care, Water and Sanitation, Personal Safety and Shelter.
- Foundations of Wellbeing evaluates the progress made by the country across the components of Access to Basic Knowledge, Access to Information and Communication, Health and Wellness, and Environmental Quality.
- Opportunity focuses on Personal Rights, Personal Freedom and Choice, Inclusiveness, and Access to Advanced Education.

State	SPI	Rank
Puducherry	65.99	1
Lakshadweep	65.89	2
Goa	65.53	3
Sikkim	65.10	4
Mizoram	64.19	5
Tamil Nadu	63.33	6
Himachal Pradesh	63.28	7
Chandigarh	62.37	8
Kerala	62.05	9

- Based on the SPI scores, states and districts have been ranked under six tiers of social progress. The tiers are Tier 1: Very High Social Progress; Tier

2: High Social Progress; Tier 3: Upper Middle Social Progress; Tier 4: Lower Middle Social Progress; Tier 5: Low Social Progress; and Tier 6: Very Low Social Progress.

3. With reference to the Foreign Direct Investment, consider the following statements:

1. Any foreign investment equal to or beyond 5 percent stake in post issue paid-up equity capital on a fully diluted basis in a listed company is construed as EDI.
2. India is among top 25 nations to be in Kearney's 25-Country 2022 FDI Confidence Index.

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

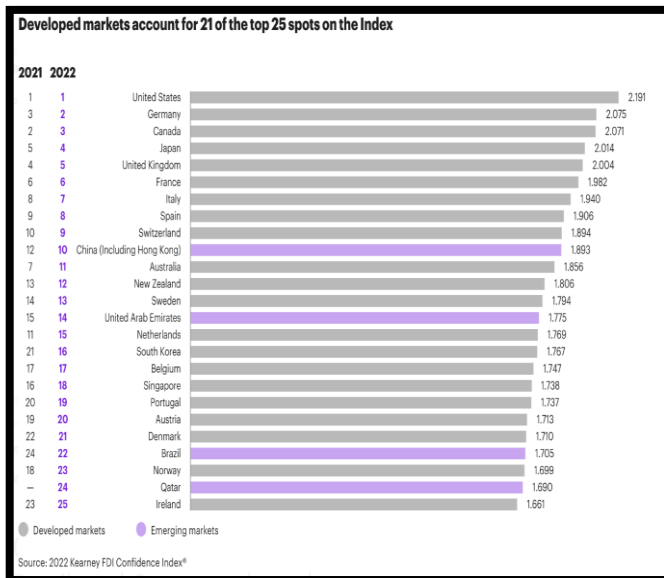
Answer : D

Explanation

Foreign Direct Investment

- It refers to the **purchase of assets in the rest of the world which allows control over the assets**, e g, purchase of firms by Reliance in the United States.
- On the recommendation of the **Mayaram panel**, the following definition for FDI was adopted:
 - Any foreign investment **equal to or beyond (\geq) 10 percent stake in post issue paid-up equity capital** on a fully diluted basis in a listed company is construed as EDI.

- Further, **any investment in an unlisted entity** (even if it is only 1 or 2 percent of paid-up capital) is treated as FDI.



4. Consider the following statements with respect to Non-performing Asset (NPA).

- Assets which has remained NPA for a period less than or equal to 12 months are known as Substandard assets.
- While writing-off a loan, any collateral or security against the borrowed amount, it will be given back to the borrower.
- Loan write-off is a regular activity conducted by banks or financial institutions to have a clean balance sheet and minimize tax liabilities.

Which of the above statements are correct?

- 1 and 2 only
- 2 and 3 only
- 1 and 3 only
- 1, 2 and 3

Answer : C

Explanation

- A non performing asset (NPA) is a loan or advance for which the principal or

interest payment remained overdue for a period of 90 days.

Banks are required to classify NPAs further into:

- Substandard assets:** Assets which has remained NPA for a period less than or equal to 12 months.
- Doubtful assets:** An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.
- Loss assets:** As per RBI, "Loss asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value."

Loan waive-off	Loan write-off
Here, if the borrower has given any collateral or security against the borrowed amount, it will be given back to the borrower.	Any collateral or security given against the loan by the borrower will be confiscated by the bank and auctioned if the repayment is not completed.
Loan waive-off is a facility provided by the government to help mainly the farmers at times of natural calamities that are beyond human intervention.	Loan write-off is a regular activity conducted by banks or financial institutions to have a clean balance sheet and minimize tax liabilities.
It's a voluntary action by the lender with the support from Govt.	It's a practice carried out by banks/ lenders.

5. Based on recommendations of which committee Factoring Regulation (Amendment) Act, 2021 was enacted?

- C Rangarajan committee
- Janakiraman Committee
- Urjit Patel Committee
- UK Sinha Committee**

Answer : D

Explanation

- RBI constituted an Expert Committee on MSMEs under the Chairmanship of Shri U.K. Sinha in January 2019 to suggest long-term measures for the economic and financial sustainability of the MSME Sector.

- Among various other suggestions related to the MSME sector as a whole, the committee recommended that NBFCs other than those whose principal business is factoring should also be permitted to carry out factoring business.
- Hence, the Factoring Regulation (Amendment) Act, 2021 was enacted with the amendments in line with the recommendations of UK Sinha Committee.

The key changes brought are:

- **Removal of principal business criteria** has significantly increased the number of eligible NBFCs that can undertake factoring business.
 - At present, factoring is done either manually or on Trade Receivable Discounting System (TReDS).
 - Now, the amended Act and new Rules and Regulations allow the **concerned TReDS platform to register charge directly with Central Registry of Securitization Asset Reconstruction and Security Interest (CERSAI)** on behalf of the factors using the platform, so as to make the process operationally efficient, promote the use of TReDS and reduce procedural burden on factors.
 - Definitions of “assignment”, “factoring business” and “receivables” have been amended to bring them in consonance with international definitions.
-

Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 18th January 2023

1. Consider the following statements with respect to Money Supply in Indian Economy.

1. Narrow Money includes currency with the public and non-interest bearing deposits with the banking sector including that of RBI.
2. Currency with the public is arrived at after deducting cash with banks from total currency in circulation (CIC).

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

2. Which one of the following statements can be the reason for a company not to be recognised as a Startup?

- A. It has annual turnover of Rs 150 crore in preceding financial year.
- B. It is registered as a limited liability partnership under the Limited Liability Partnership Act, 2008.
- C. It has been 5 years since its incorporation.
- D. None of the above.

3. With reference to the Minimum Alternate Tax, consider the following statements:

1. MAT credit is the difference between the tax the company pays under MAT and the regular tax.
2. The objective of introduction of MAT is to bring into the tax net "zero tax companies".

3. MAT credit can be carried forward only for a period of 5 years after which it will lapse.

Which of the statements given above is/are correct?

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

4. Which one of the following statements correctly defines Purse Seine?

- A. A new project on river restoration being carried out in France.
- B. Using a large vertical net to surround dense shoals of midwater fish in the open ocean.
- C. Providing substantive research grant to universities on based on scientific publications.
- D. None of the above

5. Consider the following statements with respect to Ways and Means Advances.

1. The rate of interest on WMA is linked to the Repo Rate.
2. WMA limits of a state are based on three-year average of actual revenue and capital expenditure of the state.

Which of the above statements is/are correct?

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

Answers with Explanations

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1. Consider the following statements with respect to Money Supply in Indian Economy.

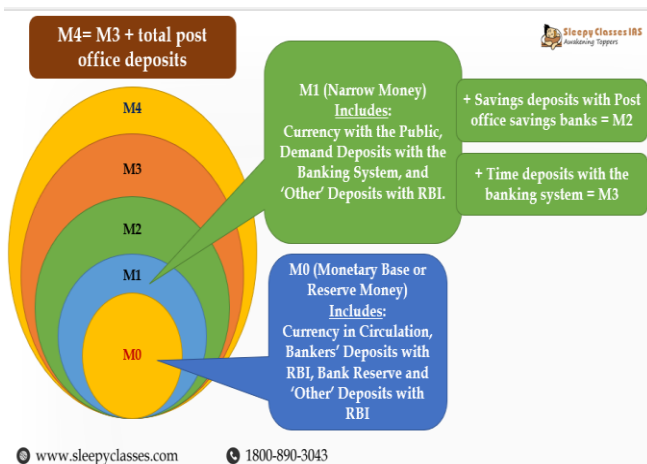
1. Narrow Money includes currency with the public and non-interest bearing deposits with the banking sector including that of RBI.
2. Currency with the public is arrived at after deducting cash with banks from total currency in circulation (CIC).

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 : C

Explanation



- Currency with the public is arrived at after deducting cash with banks from total currency in circulation (CIC).
- Currency in circulation (CIC) refers to cash or currency within a country that is physically used to conduct transactions between consumers and businesses.
- Currency in Circulation includes notes in circulation, rupee coins and small coins.

2. Which one of the following statements can be the reason for a company not to be recognised as a Startup?

- A. It has annual turnover of Rs 150 crore in preceding financial year.

- B. It is registered as a limited liability partnership under the Limited Liability Partnership Act, 2008.
- C. It has been 5 years since its incorporation.
- D. None of the above.

Answer : A

Explanation

Definition of a 'Start-up'

- The **Department of Industrial Policy and Promotion (DIPP)**, Ministry of Commerce and Industry has defined 'start-up' and has given various conditions/criteria for a firm to be regarded as 'start-up'.
- It should be incorporated as a **private limited company** (as per Companies Act, 2013) or registered as a **partnership firm** (under the Partnership Act, 1932) or registered as a **limited liability partnership** (under the Limited Liability Partnership Act, 2008) in India.
- Is **less than ten years old** from the date of incorporation/registration.
- It has **annual turnover** not exceeding **Rs 100 crore** in any preceding financial year.
- It **works towards innovation, development** or improvement of products or processes or services.
- It is a **scalable business model** with a high potential of employment generation or wealth creation.

India is currently the third-largest startup ecosystem in the world after USA and China.

3. With reference to the Minimum Alternate Tax, consider the following statements:

1. MAT credit is the difference between the tax the company pays under MAT and the regular tax.

2. The objective of introduction of MAT is to bring into the tax net "zero tax companies".
3. MAT credit can be carried forward only for a period of 5 years after which it will lapse.

Which of the statements given above is/are correct?

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

Answer : A

Explanation

- Minimum Alternate Tax is applied when the taxable income calculated according to the I-T Act provisions is found to be less than 15.5 per cent (plus surcharge and cess as applicable) of the book profit under the Companies Act, 2013.
- For example, a company with Rs 100 crore book profit is required to pay a minimum tax of Rs 15 crore (assuming 15 per cent MAT rate).
- If its normal tax liability after claiming deductions is Rs 10 crore (less than MAT), it is required to pay the remainder Rs 5 crore as MAT and use MAT credit equivalent to Rs 5 crore to pay tax in the future.
- MAT credit is the difference between the tax the company pays under MAT and the regular tax.
- It is allowed to be carried forward for a period of 15 financial years.
- MAT is similar to an advance tax.
- The concept of MAT credit was re-introduced in 2005 with a carry-forward mechanism of five years.

- This was subsequently increased to 10 years, and to 15 years in 2018.

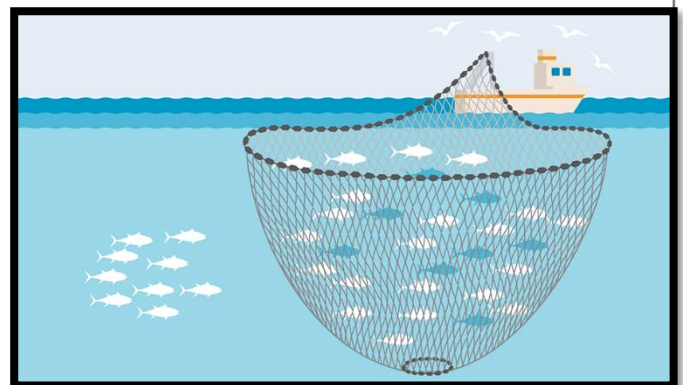
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- A. A new project on river restoration being carried out in France.
- B. Using a large vertical net to surround dense shoals of midwater fish in the open ocean.
- C. Providing substantive research grant to universities on based on scientific publications.
- D. None of the above

Answer : B

Explanation

- Purse seine fishing uses a **large vertical net to surround dense shoals of midwater fish** in the open ocean, and then **draws in the edges like tightening the cords** of a drawstring purse.
- It is mostly **practised on India's western coasts**.



5. Consider the following statements with respect to Ways and Means Advances.

1. The rate of interest on WMA is linked to the Repo Rate.
2. WMA limits of a state are based on three-year average of actual revenue and capital expenditure of the state.

Which of the above statements is/are correct?

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

Answer : C

Explanation

- To tide over temporary mismatches in the cash flow of receipts and payments, the Reserve Bank provides Ways and Means Advances/Overdraft to the State Governments.
- The WMA scheme for the State Governments has provision for **Special Drawing Facility (SDF)** and **Normal WMA**.

The SDF:

- It is extended against the collateral of the government securities held by the State Government.
- To encourage the State's participation to the Consolidated Sinking Fund and Guarantee Redemption Fund, incremental investments in these funds are also eligible to avail SDF.

Normal WMA:

- After the SDF limit is exhausted, the State Government is provided a normal WMA.
- The normal WMA limits are based on three-year average of actual revenue and capital expenditure of the state.

Overdraft:

- The withdrawal beyond the WMA limit is considered an overdraft.
- A State Government account can be in overdraft for a maximum 14 consecutive working days with a limit of 36 days in a quarter.
- The rate of interest on WMA is linked to the Repo Rate.

- **Surplus balances of State Governments are invested in Government of India 14-day Intermediate Treasury Bills** automatically in accordance with the instructions.

Scheme	Limit	Rate of Interest
SDF	If availed against net annual incremental investment in CSF and GRF	Repo rate minus 2 per cent
	If availed against investment in G-sec/ ATBs	Repo rate minus 1 per cent
WMA	If outstanding up to 3 months from the date of making the advance	Repo rate
	If outstanding beyond three months from the date of making the advance	Repo rate plus 1 per cent
OD	If availed up to 100 per cent of WMA limit	Repo rate plus 2 per cent
	If it exceeds 100 per cent of WMA limit	Repo rate plus 5 per cent

Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 26th January 2023

1. Consider the following statements with respect to Municipal Bonds.

1. These bonds is only available to institutional investors due to default risk associated with it.
2. General Obligation Bonds are issued for a specific purpose such as construction of a toll road or a toll bridge.

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.

2. Which of the following are allowed to issue Certificate of Deposit?

1. Scheduled Commercial Banks
2. Regional Rural Banks
3. Small Finance Banks
4. Cooperative Banks

Select the correct code:

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

3. With reference to the National Single Window System, consider the following statements:

1. It was launched in 2021 by the Ministry of Corporate Affairs.
2. It is a digital platform for guidance of investors to identify and to apply for

approvals as per their business requirements.

3. The portal is yet to host applications for approval from State Governments.

Which of the statements given above is/are correct?

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

4. Which one of the following statement is incorrect?

- A. A revenue deficit shows a shortage of funds with the government to maintain its day-to-day affairs.
- B. A shrinking primary deficit points to the recovering fiscal health of an economy.
- C. Primary deficit is arrived at by deducting interest payments on previous borrowings from the current year's fiscal deficit.
- D. None of the above.

5. A Market System that has only one buyer for a particular good or service, giving that buyer significant power in determining the price of the products produced is

- A. Oligopoly
- B. Monopsony
- C. Monopoly
- D. Monopolistic Competition

Answers with Explanations

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1. These bonds is only available to institutional investors due to default risk associated with it.

2. General Obligation Bonds are issued for a specific purpose such as construction of a toll road or a toll bridge.

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 : D

Explanation

- Municipal bonds are **fixed income instruments**, i.e. **debt securities** issued by the Government or semi-Government institutions who need funding for civic projects.
- There are two types of municipal bonds - **General Obligation Bonds** and **Revenue Bonds**.
 - **General Obligation Bonds** are issued for enhancing civic amenities such as water, sanitation, garbage disposal, etc.
 - **Revenue Bonds** are issued for a specific purpose such as construction of a toll road or a toll bridge.

Municipal bonds have been in the market since 1997.

- Bangalore Municipal Corporation is the first urban local body to issue municipal bonds in India.
- The Ahmedabad Municipal Corporation, in 1998, was the first to make a public offering.
- Indore recently became the first city to list municipal bonds on the National Stock Exchange (NSE) in 2018.

- SEBI circulated detailed guidelines for Urban Local Bodies (ULBs) in 2015 to raise funds by issuing municipal bonds.

Eligibility for issue:

- The municipality must not have a **negative net worth** in each of the three previous years.
- The issuer (municipal corporations) should get the **bonds rated by credit rating agencies**.
- There should be no default in any kind of loan in the past one year and it must maintain full collateral/asset cover to repay the principal amount.
- For revenue bond, the revenue generated from the project should be kept in a separate escrow account and financial institutions would monitor their accounts regularly.

2. Which of the following are allowed to issue Certificate of Deposit?

- 1. Scheduled Commercial Banks
- 2. Regional Rural Banks
- 3. Small Finance Banks
- 4. Cooperative Banks

Select the correct code:

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

Answer : A

Explanation

Reserve Bank of India (Certificate of Deposit) Directions, 2021

- Certificate of Deposits (CDs) may be issued by:
 - Scheduled Commercial Banks;
 - Regional Rural Banks; and

- Small Finance Banks.
- CDs shall be issued only in dematerialised form and held with a depository registered with Securities and Exchange Board of India.
- CDs shall be issued in minimum denomination of ₹5 lakh and in multiples of ₹5 lakh thereafter.
- The tenor of a CD at issuance shall not be less than seven days and shall not exceed one year.
- Banks are not allowed to grant loans against CDs, unless specifically permitted by the Reserve Bank.

3. With reference to the National Single Window System, consider the following statements:

1. It was launched in 2021 by the Ministry of Corporate Affairs.
2. It is a digital platform for guidance of investors to identify and to apply for approvals as per their business requirements.
3. The portal is yet to host applications for approval from State Governments.

Which of the statements given above is/are correct?

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

Answer : B

Explanation

- The National Single Window System (NSWS) is a digital platform for guidance of investors to identify and to apply for approvals as per their business requirements.
- The platform is built to serve as an advisory tool to identify approvals

based on user input and is to be used for guidance purpose only.

- The platform was soft launched in September 2021 by the Ministry of Commerce & Industry.
- The portal hosts applications for approvals from 26 Central Departments and 19 State Governments. These approvals can be applied through NSWS.

4. Which one of the following statement is incorrect?

- A. A revenue deficit shows a shortage of funds with the government to maintain its day-to-day affairs.
- B. A shrinking primary deficit points to the recovering fiscal health of an economy.
- C. Primary deficit is arrived at by deducting interest payments on previous borrowings from the current year's fiscal deficit.
- D. None of the above.

Answer : D

Explanation

1. Revenue Receipts	1633920
2. Tax Revenue (Net to Centre)	1426287
3. Non Tax Revenue	207633
4. Capital Receipts	1875916
5. Recovery of Loans	19729
6. Other Receipts	37897
7. Borrowings and Other Liabilities¹	1818291
8. Total Receipts (1+4)	3509836
9. Total Expenditure (10+13)	3509836
10. On Revenue Account of which	3083519
11. Interest Payments	679869
12. Grants in Aid for creation of capital assets	230865
13. On Capital Account²	426317
14. Effective Capital Expenditure (12+13)³	657182
15. Revenue Deficit (10-1)	1449599 (7.3)
16. Effective Revenue Deficit (15-12)	1218734 (6.2)
17. Fiscal Deficit [9-(1+5+6)]	1818291 (9.2)
18. Primary Deficit (17-11)	1138422 (5.8)

- A revenue deficit shows a shortage of funds with the government to maintain its day-to-day affairs. When total revenue expenditure exceeds total revenue receipts it leads to a revenue deficit.
- The Centre often resorts to borrowings and divestments to make up for this gap in revenue, alongside the introduction of new or increasing taxes.
- Meanwhile, the fiscal deficit is the negative balance that arises whenever the govt spends more money than it receives.
- A primary deficit shows the government's borrowings to meet interest payments. Therefore, a shrinking primary deficit points to the recovering fiscal health of an economy. Primary deficit is arrived at by deducting interest payments on previous borrowings from the current year's fiscal deficit.
- A single buyer dominates a monopsonized market while an individual seller controls a monopolized market.
- Monopsonists are common to areas where they supply most or all of the region's jobs.
- In a monopsony, a large buyer controls the market.
- Because of their unique position, monopsonies have a wealth of power.
- For example, being the primary or only supplier of jobs in an area, the monopsony has the power to set wages.
- In addition, they have bargaining power as they are able to negotiate prices and terms with their suppliers.

5. A Market System that has only one buyer for a particular good or service, giving that buyer significant power in determining the price of the products produced is

- A. Oligopoly
- B. Monopsony**
- C. Monopoly
- D. Monopolistic Competition

Answer : B

Explanation

- A monopsony is a market condition in which there is only one buyer, the monopsonist.
- Like a monopoly, a monopsony also has imperfect market conditions.
- The difference between a monopoly and monopsony is primarily in the difference between the controlling entities.

Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 01st February 2023

Questions from Crash Course

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

- Gross National Product of a nation includes the income earned by a resident from his/her foreign asset.
 - Gross National Income of a nation includes the income earned by foreigners located in the country.
- A. 1 Only
 B. 2 Only
 C. Both are Correct
 D. None is Correct

2. An economic finding that income ratios between high and low income countries are systematically exaggerated by GDP conversion at market exchange rates is known as:

- A. GDP Deflator
 B. Purchasing Power Parities
 C. Penn Effect
 D. Price Level Indexes

Questions from Test Series Foundation Test – 4 (Economy)

3. Consider the following statements with reference to the types of goods in an economy?

- An inferior good has a negative income elasticity of demand.
- Tea and Coffee are Substitute Goods.
- Giffen Goods are rare goods in which a price increase leads to an increase in demand.

Which of the statements given above is/are correct?

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

4. Consider the following pairs:

Term	Meaning
G-sec	tradeable instrument issued by RBI having a debt obligation
Treasury Bills (T-bills)	debt instruments which are issued for less than 365 days and are redeemed at face value
Inflation Indexed Bonds	bonds wherein both coupon flows and Principal amounts are protected against inflation
Recapitalization Bonds	Bonds re-issued by government to change the price of face value of bond

Which of the pairs given above is/are correctly matched?

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

UPSC Previous Year Question 2020

5. In the context of the Indian economy, non-financial debt includes which of the following?

1. Housing loans owed by households

2. Amounts outstanding on credit cards
3. Treasury bills

Select the correct answer using the code given below:

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

Answers with Explanations

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

Questions from Crash Course

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

1. Gross National Product of a nation includes the income earned by a resident from his/her foreign asset.
2. Gross National Income of a nation includes the income earned by foreigners located in the country.

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

Answer : A

Explanation

Income Earned by:	GDP	GNI	GNP
Residents in Country	C+I+G+X	C+I+G+X	C+I+G+X
Foreigners in Country	Includes	Includes If Spent in Country	Excludes All
Residents Out of Country	Excludes	Includes If Remitted Back	Includes All
Foreigners Out of Country	Excludes	Excludes	Excludes

2. An economic finding that income ratios between high and low income countries are systematically exaggerated by GDP conversion at market exchange rates is known as:

- A. GDP Deflator
- B. Purchasing Power Parities
- C. Penn Effect
- D. Price Level Indexes

Answer : C

Explanation

- Market exchange rate-converted GDP – that is, nominal GDP converted to a common currency using market exchange rates – can be highly misleading with regard to the relative size of economies.
- **Price levels are normally higher in high-income economies than they are in low-income economies;** as a result, differences in price levels between high-income economies and low-income economies are greater for non-traded items than they are for traded items.
- Before the addition of tariffs, subsidies, and trade costs, **the prices of traded items are basically determined globally by the law of one price, whereas the prices of non-traded items are determined by local circumstances,** in particular, by wages and salaries, which are generally higher in high-income economies.
- **If the larger differences in price level for non-traded items are not taken into account when converting GDP to a common currency, the size of high-income economies with high price levels will be overstated and the size of low-income economies with low price levels will be understated.**
- This is known as the **Penn effect**.

Questions from Test Series
Foundation Test - 4 (Economy)

3. Consider the following statements with reference to the types of goods in an economy?

1. An inferior good has a negative income elasticity of demand.
2. Tea and Coffee are Substitute Goods.
3. Giffen Goods are rare goods in which a price increase leads to an increase in demand.

Which of the statements given above is/are correct?

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

Answer : D

Explanation

- Goods are items and resources that meet people's needs and desires. A good can be a physical item, a service, or a combination of the two. Almost anything is good if it provides some sort of benefit to consumers.
- Since goods are diverse, they're categorized into distinct groups with unique characteristics that determine their value.

Inferior Goods

- Statement 1 is correct
- An inferior good is one in which an increase in income causes a decrease in demand. It has a negative elasticity of demand. For example, as your income grows, you buy less low-value bread and more high-quality, organic bread.

Substitute Goods

- Statement 2 is correct
- Substitute goods or competing goods are those which can be used in place of a commodity. Tea and coffee are substitute goods. If there is a rise in the prices of tea, the demand for coffee will

increase. Products that are alternatives, such as Pepsi and Coca-Cola.

Giffen Good

Statement 3 is correct

- A rare type of good in which a price increase leads to an increase in demand. Since you can't afford more expensive goods, the income effect of a price increase causes you to buy more of this cheap good. For example, if the price of wheat rises, a poor peasant may no longer be able to afford other alternatives, so they are compelled to purchase more wheat.

4. Consider the following pairs:

Term	Meaning
G-sec	tradeable instrument issued by RBI having a debt obligation
Treasury Bills (T-bills)	debt instruments which are issued for less than 365 days and are redeemed at face value
Inflation Indexed Bonds	bonds wherein both coupon flows and Principal amounts are protected against inflation
Recapitalization Bonds	Bonds re-issued by government to change the price of face value of bond

Which of the pairs given above is/are correctly matched?

- A. 1 and 4 only
- B. 2 and 3 only

- C. 1 and 2 only
- D. 3 and 4 only

Answer : B

Explanation

Pair 1 is incorrect

- Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation.
- Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more).
- In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).

Pair 2 is correct

- T-bills are money market short term debt instruments which are issued by the central government in three tenures mainly 91-day, 182-day and 364-day. These instruments are zero coupon bonds which pay no interest but are actually issued at a discount and redeemed at the face value at maturity

Pair 3 is correct

- Inflation Indexed Bonds (IIBs) are bonds wherein both coupon flows and Principal amounts are protected against inflation. The inflation index used in IIBs may be Whole Sale Price Index (WPI) or Consumer Price Index (CPI).

Pair 4 is incorrect

- Government is the majority shareholder in the public sector banks.

Therefore, it must provide equity capital if the banks are struggling. This injection of capital is also known as the recapitalisation of banks.

- Recapitalisation bonds can be issued either directly by the government or through a holding company.
- The annual interest on these bonds and the principal on redemption will be paid by the central government. These bonds can be sold off by the banks in the market when in need of capital.

UPSC Previous Year Question 2020

5. In the context of the Indian economy, non-financial debt includes which of the following?

1. Housing loans owed by households
2. Amounts outstanding on credit cards
3. Treasury bills

Select the correct answer using the code given below:

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

Answer : D

Explanation

Non Financial Debt

The debt held by governments, households, and companies not in the financial sector.

All the options are correct.

Pre-Mix – 5 MCQs for Prelims**Subject – Economy****Date – 20th 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.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

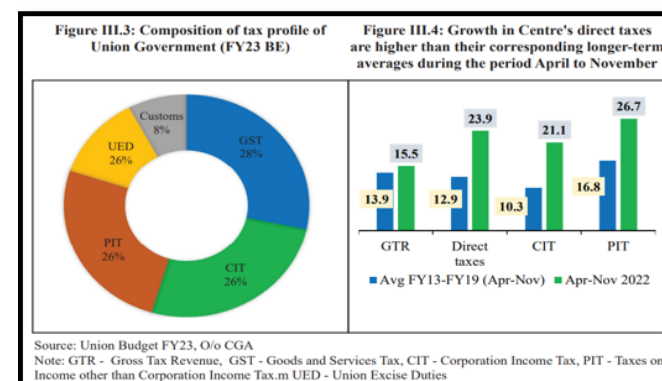
Explanation

- 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

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

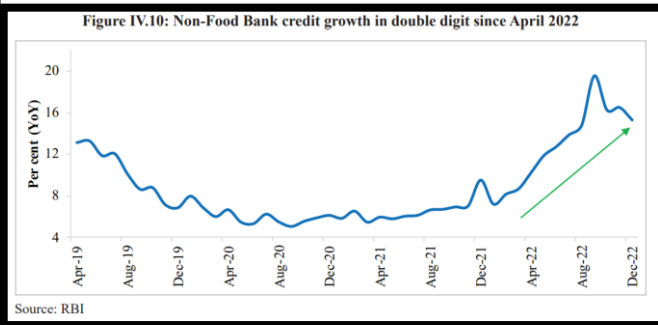


credit is generally used as a gauge of bank lending.

- 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:

- Under Ayushman Bharat Yojana, health coverage of ₹5 lakh per beneficiary family per annum is provided.
- 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.

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

Which of the statements given above is/are correct?

- 1 only
- 2 and 3 only
- 1 and 3 only
- 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?

- 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

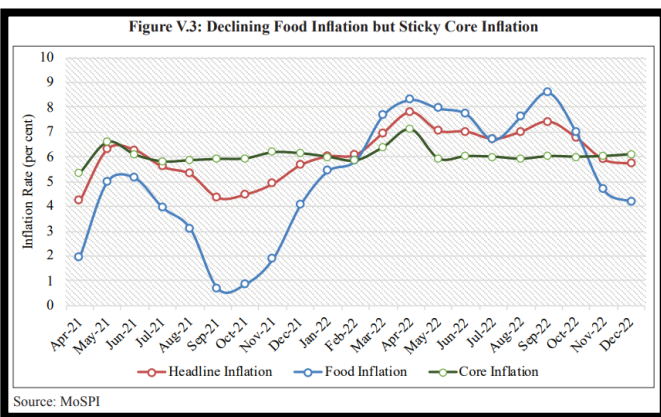


Table V.1: Average Annual Retail Inflation Based on CPI-C (per cent) (base: 2012=100)

Groups/Sub-groups	Weight	FY20	FY21	FY22	FY23*
Food & beverages	45.9	6.0	7.3	4.2	7.0
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

	Weight	FY20	FY21	FY22	FY23*
Sugar and confectionery	1.4	0.8	2.5	2.3	2.7
Spices	2.5	4.4	10.9	5.3	14.9
Pan, tobacco & intoxicants	2.4	4.2	9.9	4.5	2.0
Clothing & footwear	6.5	1.6	3.4	7.2	9.7
Housing	10.1	4.5	3.3	3.7	4.1
Fuel and light	6.8	1.3	2.7	11.3	10.5
Miscellaneous	28.3	4.4	6.6	6.7	6.3
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
Headline Inflation	100.0	4.8	6.2	5.5	6.8
Core Inflation	47.3	4.0	5.5	6.0	6.1
Food Inflation	39.1	6.7	7.7	3.8	7.0

Source: MoSPI.

Note: *April-December, CPI data for December 2022 are provisional

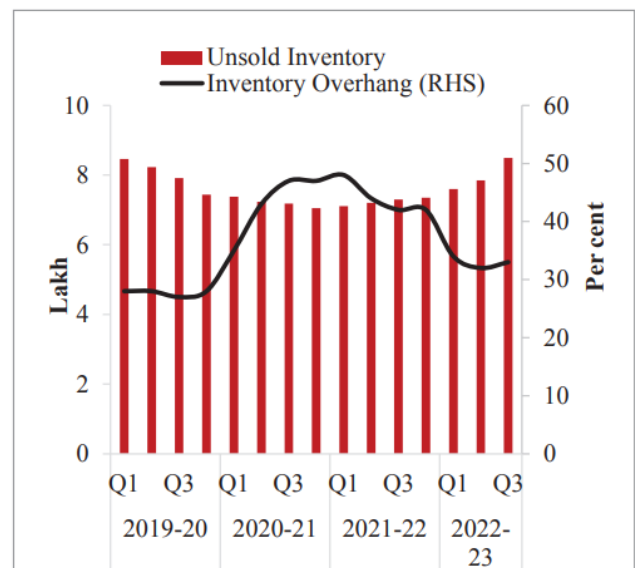
5. Which one of the following statement correctly defines Inventory Overhang?

- 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.

Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 25th February 2023

MCQs on Current Affairs

1. Which of the following statements is/are correct with respect to World Competitiveness Index, 2022?

1. India ranked first among Asian Economies.
2. 'Government Efficiency' is one of the parameter that is used to compute the index.

Select the correct code:

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

2. Consider the following statements with respect to Direct Seeding of Rice technique:

1. In DSR technique, time and water required for nursery preparation is reduced by half as compared to normal cultivation practice.
2. DSR technique should not be used in sandy and loamy sand soil.

Which of the above statements is/are incorrect?

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

3. Which one of the following statements is incorrect?

- A. Banks are required to include all 'Foreign Currency Non-Resident (Bank) [FCNR(B)]' deposits for computation of NDTL for maintenance of CRR and SLR.

B. ECBs are loans in India made by non-resident lenders in foreign currency to Indian borrowers.

C. Under Foreign Contribution (Regulation) Amendment Rules, 2022, non-resident relatives can send up to Rs 10 lakh annually to their relatives in India.

D. None of the above.

4. Recently launched "PARIMAN" portal is a system to

- A. Improve decentralized planning and management in NCR region.
- B. Be used as one stop solution for all the information on electric vehicles.
- C. Impart training and enhance knowledge and skills for capacity building.
- D. None of the above.

5. If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do?

1. Cut and optimize the Statutory Liquidity Ratio
2. Increase the Marginal Standing Facility Rate
3. Cut the Bank Rate and Repo Rate

Select the correct answer using the code given below:

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

Answers with Explanations

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

MCQs on Current Affairs

1. Which of the following statements is/are correct with respect to World Competitiveness Index, 2022?

1. India ranked first among Asian Economies.
2. 'Government Efficiency' is one of the parameter that is used to compute the index.

Select the correct code:

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

Answer : B

Explanation

Context

- India jumps 6 places to 37th rank on the recently released IMD's World Competitiveness Index, 2022.

Detailed Information

- Denmark, Switzerland and Singapore are ranked first, second and third respectively.
- Others in the top 10 include Sweden at the fourth position, followed by Hong Kong SAR (5th), the Netherlands (6th), Taiwan (7th), Finland (8th), Norway (9th) and the USA (10th).
- The top-performing Asian economies are Singapore (3rd), Hong Kong (5th), Taiwan (7th) and China (17th).
- The most important trends found to be impacting businesses in 2022 are inflationary pressures (50%), geopolitical conflicts (49%) and supply chain bottlenecks (48%) with COVID being the fourth (43%).

Performance of India

On 4 parameters, India performed as

- Economic performance: It improved from 37th in 2021 to 28th in 2022.
- Government efficiency: It improved from 46th in 2021 to 45th in 2022.
- Business efficiency: It improved from 32nd rank in 2021 to 23rd in 2022.
- Infrastructure: No change in this and India stays at 49.

2. Consider the following statements with respect to Direct Seeding of Rice technique:

1. In DSR technique, time and water required for nursery preparation is reduced by half as compared to normal cultivation practice.
2. DSR technique should not be used in sandy and loamy sand soil.

Which of the above statements is/are incorrect?

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

Answer : A

Explanation

What is Direct Seeding of Rice (DSR)

- While in normal transplanting paddy, farmers prepare nurseries where the paddy seeds are first sown and raised into young plants.
- The nursery seed bed is 5-10% of the area to be transplanted.
- On other hand, in DSR, the pre-germinated seeds are directly drilled into the field by a tractor-powered machine.
- Thus, in DSR, there is no nursery preparation or transplantation.
- Here, farmers have to only level their land and give one pre-sowing irrigation.

Significance of Direct Seeding of Rice

- DSR technique can help save 15% to 20% water or even upto 22% to 23%.
- With DSR, 15-18 irrigation rounds are required against 25 to 27 irrigation rounds in traditional method.
- As area under Paddy in Punjab is around 3 million hectares, DSR can save 8100 to 1,0800 billion litres water every year if entire rice crop is brought under the technique.
- DSR can solve labour shortage problem because it does not require a paddy nursery or transplantation of 30 days old paddy nursery into the main puddled field (as done in traditional method).
- It can help in ground water recharge as it prevent the development of hard crust just beneath the plough layer.
- It also matures 7-10 days earlier than puddle transplanted crop.
- DSR has one to two quintals per acre higher than puddled transplanted rice.

3. Which one of the following statements is incorrect?

- A. Banks are required to include all 'Foreign Currency Non-Resident (Bank) [FCNR(B)]' deposits for computation of NDTL for maintenance of CRR and SLR.
- B. ECBs are loans in India made by non-resident lenders in foreign currency to Indian borrowers.
- C. Under Foreign Contribution (Regulation) Amendment Rules, 2022, non-resident relatives can send up to Rs 10 lakh annually to their relatives in India.
- D. None of the above.

Answer : A

Explanation

Recently, the new rules – Foreign Contribution (Regulation) Amendment Rules, 2022, under the FCRA Act were notified by the ministry of home affairs (MHA) through a gazette notification.

- Detailed Information
- New rules allow relatives to send up to Rs 10 lakh annually to their relatives in India from an earlier limit of Rs. 1 lakh.
- They also allow more time (45 days instead of 30 days) to the organisations to inform the government about opening of bank accounts for utilization of funds received under 'registration' or 'prior permission' category.
- A provision where an organisation/individual receiving foreign funds had to declare such contributions every quarter on its official website has been done away with.
- It made five more offences under the FCRA "compoundable", taking total to 12, instead of directly prosecuting the organisations or individuals.

Exemption from Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) on Incremental FCNR(B) and NRE Term Deposits:

- At present, banks are required to include all 'Foreign Currency Non-Resident (Bank) [FCNR(B)]' and 'Non-Resident (External) Rupee (NRE)' deposits for computation of Net Demand and Time Liabilities (NDTL) for maintenance of CRR and SLR.
- RBI decided that from July 1, 2022, incremental FCNR(B) and NRE deposits will be exempt from the maintenance of CRR and SLR.
- Increase in Interest Rates on FCNR(B) and NRE Deposits:
- The RBI has allowed banks to give higher returns on foreign currency

deposits on which they will not have to maintain any reserves.

- This will attract more forex reserves into Indian banks.

4. Recently launched “PARIMAN” portal is a system to

- Improve decentralized planning and management in NCR region.**
- Be used as one stop solution for all the information on electric vehicles.
- Impart training and enhance knowledge and skills for capacity building.
- None of the above.

Answer : A

Explanation

- Geo-Portal for NCR known as ‘PARIMAN’ was launched on 31.08.2021 and now in 2022, it has been opened to the public.
- For the purpose of effective utilization of Remote Sensing and GIS technology, a web geo-portal was developed in 2021 through National Informatics Centre (NIC) for use by NCR Participating states and the Office of NCRPB.
- This Geo-Portal will help to improve decentralized planning and management in NCR region.
- The portal contains data with respect to various sectors like Land Use, Transport, Industries, Water, Power, Health, Shelter, Heritage & Tourism, Disaster Management, etc.
- The Geo-Portal can be accessed through the NCRPB website <https://ncrpb.nic.in/> and also through the weblink <https://ncrpbgis.nic.in>

5. If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do?

- Cut and optimize the Statutory Liquidity Ratio
- Increase the Marginal Standing Facility Rate
- Cut the Bank Rate and Repo Rate

Select the correct answer using the code given below:

- 1 and 2 only
- 2 only**
- 1 and 3 only
- 1, 2 and 3

Answer : B

Explanation

- Expansionary Monetary Policy: Lower interest rates decrease the cost of borrowing money, which encourages consumers to increase spending on goods and services and businesses to invest in new equipment.

Tool	Contractionary	Expansionary
CRR	Increase	Decrease
Repo Rate	Increase	Decrease
SLR	Increase	Decrease
MSFR	Increase	Decrease

Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 27th February 2023

MCQs from CRASH Course

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

1. Inflation can erode the value of the money owed by the debtor.
2. Drop in consumer spending can lead to disinflation.

Select the correct code:

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

2. Consider the following statements with respect to CPI for Industrial workers CPI(IW):

1. It is released by National Statistical Organisation.
2. The CPI-IW is based on the old series with the base year 1960.
3. It is released monthly.

Which of the above statements is/are correct?

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

3. The provisions of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) is applicable to which of the following?

1. Small Finance Banks
2. Local Area Banks
3. Regional Rural Banks
4. Primary (Urban) Co-operative Banks

Select the correct code:

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

4. Which one of the following statements is incorrect?

- A. Urban Cooperative Bank can be placed under SAF when its Net NPAs exceed 6% of its net advances.
- B. Co-operative banks can raise equity or unsecured debt capital from the public subject to prior RBI approval.
- C. PACS are outside the purview of the Banking Regulation Act, 1949 and hence not regulated by the Reserve Bank of India.
- D. None of the above.

5. Consider the following statements:

1. Coal sector was nationalized by the Government of India under Indira Gandhi.
2. Now, coal blocks are allocated on lottery basis
3. Till recently, India imported coal to meet the shortages of domestic supply, but now India is self-sufficient in coal production.

Which of the statements given above is/are correct?

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

Answers with Explanations

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

MCQs from CRASH Course

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

1. Inflation can erode the value of the money owed by the debtor.
2. Drop in consumer spending can lead to disinflation.

Select the correct code:

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

Answer: C

Explanation

- A little inflation **encourages you to buy sooner** - and that boosts economic growth.
- **Anyone with a mortgage or a loan** benefits from inflation, as it has the effect of eroding debt.
- In a world of **zero inflation some companies might be forced to cut wages**.
- It keeps the **interest rates positive**.
- **The government has a huge debt**, which is getting bigger thanks to a deficit. It would love to see that eroded by inflation, which in turn would see its own income rise.
- As long as there's a good dose of inflation in the system, **tax revenue should go up**, even if the economy is stagnant.

2. Consider the following statements with respect to CPI for Industrial workers CPI(IW):

1. It is released by National Statistical Organisation.
2. The CPI-IW is based on the old series with the base year 1960.
3. It is released monthly.

Which of the above statements is/are correct?

- E. 1 and 2 only
- F. 2 only
- G. 1 and 3 only
- H. 3 only

Answer: D

Explanation

All-India Average Consumer Price Index Numbers for Industrial Workers
(Base 2016=100)

Item	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	June 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022
General Index	125.1	125.0	126.0	127.7	129.0	129.2	129.9	130.2	131.3	132.5	132.5	132.3

Various CPIs compiled in India are:

- CPI for Industrial workers CPI(IW)
- CPI for Agricultural Labourers CPI(AL) & CPI Rural Labourers CPI (RL)
- CPI (Urban)
- CPI (Rural)

Labour Bureau (Occupation specific & Place Specific):

- CPI (IW) + CPI (AL & RL)

National Statistical Organisation

- CPI(Urban) and CPI(Rural)

3. The provisions of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) is applicable to which of the following?

1. Small Finance Banks
2. Local Area Banks
3. Regional Rural Banks
4. Primary (Urban) Co-operative Banks

Select the correct code:

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

Answer: D

Explanation

The provisions of **Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)** shall apply to all

- Scheduled Commercial Banks (SCBs) (including Regional Rural Banks)
- Small Finance Banks (SFBs)
- Payments Banks
- Local Area Banks (LABs)
- Primary (Urban) Co-operative Banks (UCBs)
- State Co-operative Banks (StCBs) and
- District Central Co-operative Banks (DCCBs) unless stated to the contrary.

4. Which one of the following statements is incorrect?

- A. Urban Cooperative Bank can be placed under SAF when its Net NPAs exceed 6% of its net advances.
- B. Co-operative banks can raise equity or unsecured debt capital from the public subject to prior RBI approval.
- C. PACS are outside the purview of the Banking Regulation Act, 1949 and hence not regulated by the Reserve Bank of India.
- D. None of the above.

Answer: D

Explanation

Cooperative Banks Regulation

The amended Act applies some of these provisions to them, making their regulation under the Act similar to that of commercial banks:

- The Act seeks to extend RBI regulation of co-operative banks with respect to management, capital, audit and winding up.
- Co-operative banks may raise equity or unsecured debt capital from the public subject to prior RBI approval.

- RBI may prescribe conditions on and qualifications for employment of Chairman of co-operative banks.
- RBI may remove a Chairman not meeting 'fit and proper' criteria and appoint a suitable person. It may issue directions to reconstitute the Board of Directors in order to ensure sufficient number of qualified members.
- RBI may supersede the Board of Directors of a co-operative bank after consultation with the state government.
- The act allows RBI to undertake reconstruction or amalgamation of a bank without imposing a moratorium.

SUPERVISORY ACTION FRAMEWORK FOR PRIMARY (URBAN) CO-OPERATIVE BANKS (UCBS)

- Reserve Bank **monitors asset quality, profitability and capital/net worth of UCBs** for deciding the severity of stress in them and whether they need to be put under the SAF.

1. Asset quality:

- A UCB may be placed under SAF when its Net NPAs exceed **6% of its net advances**.

2. Profitability:

- A UCB may be placed under SAF when it incurs **losses for two consecutive financial years** or has accumulated losses on its balance sheet.

3. Capital to Risk-weighted Asset's ratio (CRAR):

- A UCB may be placed under SAF when its **CRAR falls below 9%**.

5. Consider the following statements:

1. Coal sector was nationalized by the Government of India under Indira Gandhi.
2. Now, coal blocks are allocated on lottery basis

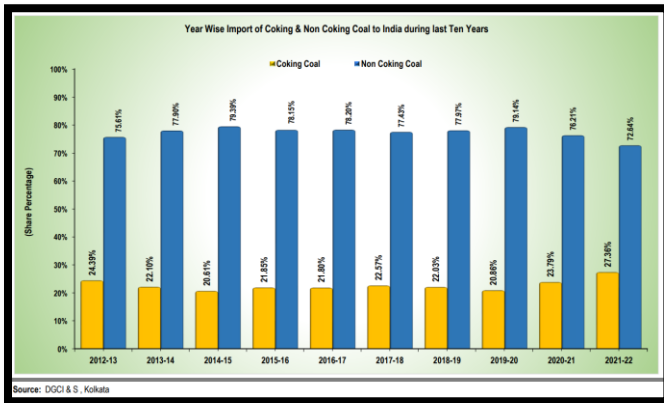
3. Till recently, India imported coal to meet the shortages of domestic supply, but now India is self-sufficient in coal production.

Which of the statements given above is/are correct?

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

Answer: A

Explanation



Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 06th March 2023

MCQs from CRASH Course and Current Affairs

1. Which of the following factors impact Rupee-Dollar exchange rate?

1. Inflation
2. Political instability on economy
3. Current Account Deficit
4. External Debt

Select the correct code:

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

2. Consider the following statements :

1. Due to strengthening of dollar, many countries bought gold in 2022.
2. SDR can be exchanged among IMF members for dollar.
3. American Depository Receipts are denominated in dollar and used to invest in US companies.

Which of the above statements is/are incorrect?

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

3. Which one if the following statements is incorrect with respect to Palm Oil?

- A. India, Pakistan and other Asian countries have formed Asian Palm Oil Alliance.
- B. India is 2nd largest importer of Palm oil in Asia.
- C. Most of Palm Oil imported in India is from Indonesia and Malaysia.

D. None of the above.

4. Which one of the following statements correctly defines “Market-Based Economic Dispatch (MBED)” mechanism?

- A. Method of allocating price or cost differences to one or more markets.
- B. Data mining technique that is used to uncover purchase patterns in any retail setting.
- C. Mechanism for centralised scheduling of power dispatches, both inter-state and intra-state.
- D. Method of determining the value of an asset based on the selling price of similar assets.

5. Consider the following statements:

1. Reduced need to hold foreign exchange reserves.
2. Complete capital account convertibility.

Which of the statements given above is/are consequences of Internationalisation of Rupee?

- 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.

1. Which of the following factors impact Rupee-Dollar exchange rate?

1. Inflation
2. Political instability on economy
3. Current Account Deficit
4. External Debt

Select the correct code:

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

D. 1, 2, 3 and 4

Answer: D

Explanation

- The US dollar is one of the standard currencies accepted around the world for the trading of commodities. Currency exchange rates also affect foreign exchange trading or forex trading.
- The global foreign exchange market is huge and highly liquid, with large-scale transactions taking place on a daily basis.
- Currency exchange rates always involve two currencies (could be any countries) at a time, one being exchanged for the other. For example, the rupee-dollar exchange rate is represented as USD/INR.

Factors influencing the rupee-dollar exchange rate?

- Inflation
- Interest rates
- Impact of political instability on economy
- Public debt
- Current account deficit

2. Consider the following statements :

1. Due to strengthening of dollar, many countries bought gold in 2022.
2. SDR can be exchanged among IMF members for dollar.
3. American Depository Receipts are denominated in dollar and used to invest in US companies.

Which of the above statements is/are incorrect?

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

D. 3 only

Answer: D

Explanation

Gold Buying Spree Of Central Banks

- Dollar strengthening against almost all currencies.
- Most countries want to diversify their reserves away from the dollar.
- Gold is considered a safe haven and a natural hedge in uncertain times.

A Depository receipt is a negotiable a financial instrument issued by a bank which represents, foreign company's publicly traded securities.

- American Depository Receipts (ADR) - In the case of ADR, it is issued by the US bank that represents securities of a foreign company trading in the US stock market.
 - ADR is denominated US\$, and through this the US investors can invest in non-US companies.
 - ADRs can be transferred without any stamp duty.

3. Which one if the following statements is incorrect with respect to Palm Oil?

- A. India, Pakistan and other Asian countries have formed Asian Palm Oil Alliance.
- B. India is 2nd largest importer of Palm oil in Asia.
- C. Most of Palm Oil imported in India is from Indonesia and Malaysia.
- D. None of the above

Answer: B

Explanation

Background Information on Palm Oil

- Palm oil is the world's most widely used vegetable oil with its global production in the year 2020 being over 73 million tonnes (MT).

- It is used as cooking oil, and in everything from cosmetics, detergents, plastics, processed foods, cakes, chocolates, spreads, soaps, shampoo, and cleaning products to biofuel.
- The use of crude palm oil in making biodiesel is being branded as 'green diesel'.
- The oil palm industry has come under criticism for what are reportedly unsustainable production practices leading to deforestation, and exploitative labour practices carried forward from the colonial era.
- However, palm oil is preferred by many as it is inexpensive; oil palms produce more oil per hectare than some other vegetable oil plants like soybean.
- Indonesia and Malaysia together account for almost 90% of the global palm oil production.
- Indonesia producing the largest quantity at over 45 million tonnes in 2021.

4. Which one of the following statements correctly defines "Market-Based Economic Dispatch (MBED)" mechanism?

- A. Method of allocating price or cost differences to one or more markets.
- B. Data mining technique that is used to uncover purchase patterns in any retail setting.
- C. Mechanism for centralised scheduling of power dispatches, both inter-state and intra-state.
- D. Method of determining the value of an asset based on the selling price of similar assets.

Answer: C

Explanation

Recently, there has been a tussle between centre and states over establishing a

centralised market for electricity which is being called as Market-Based Economic Dispatch (MBED) mechanism.

Detailed Information on MBED mechanism:

- Union government is planning to end the existing decentralised, voluntary pool-based electricity market.
- It aims to bring in a radically different mandatory pool model on a pan-India basis - called as Market-Based Economic Dispatch (MBED) mechanism.
- Under it, centre envisages centralised scheduling for dispatching the entire annual electricity consumption of around 1,400 billion units.
- This new model proposes a centralised scheduling of power dispatches, both inter-state and intra-state.
- MBED model will put in place a central market operator to dispatch the inter-state as well as intra-state generation plants.
- Centre says it will ensure that the cheapest electricity generating resources across the country are supplied to meet the overall system demand.
- Centre's argument is that the current model of states doing scheduling is suboptimal.
- An algorithm developed by the National Load Dispatch Centre (NLDC) called the Security Constrained Economic Dispatch (SCED) is being cited as a solution.
- SCED is aimed at assisting regulators in making informed calls on scheduling decisions on a nationwide basis.
- Centre says policy is in line with the Centre's 'One Nation, One Grid, One Frequency, One Price' formula.

5. Consider the following statements:

1. Reduced need to hold foreign exchange reserves.
2. Complete capital account convertibility.

Which of the statements given above is/are consequences of Internationalisation of Rupee?

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

Answer: C

Explanation

Internationalisation of Rupee

Context

- Reserve Bank of India (RBI) deputy governor recently said that there **are many advantages and disadvantages to internationalisation of the rupee.**

Detailed Information

- **Internationalisation of the rupee** is a process that involves **increasing use of the local currency in cross-border transactions.**
- It involves **promoting the rupee for import and export trade** and then other current account transactions followed by its use in capital account transactions.
- In simple terms, Rupee will be an international currency **if non-residents are willing and able to trade in it** and invest in rupee-denominated assets.
- Currently, **dollar accounts for 88% of international trade**, but the Rupee accounts for **less than 1.7% of global trade.**

Advantages of Internationalisation of Rupee

- **Reduce dependence on Dollar:** Due to strengthening of Dollar in recent times, Rupee has depreciated to an all-time low.
- **Appreciate currency value:** It will improve the **demand for the rupee** in international trade and thus lead to appreciation of its value.
- **Reduce the volatility in exchange rate volatility:** it would, not be dependent on other currencies like Dollar or Euro.
- **Reduce need to hold foreign exchange reserves:** As India's currency would have global standing, India won't need to store Dollars.
- **Circumvent the sanctions imposed by the West:** India can diversify its trade basket by circumventing the west's sanctions.
- **Improve its standing as a global economic power** and increase India's bargaining power.

Disadvantages of Internationalization of Rupee

- **Higher influence of international economic events:** present monetary policy may become redundant due to higher external influences.
- **Dangers of Hot Money:** Internationalisation would require allowing of the complete capital account convertibility. This would expand the **risk of outflow of capital as happened in East Asian Crisis of 1997.**

Pre-Mix – 5 MCQs for Prelims**Subject – Economy****Date – 13th March 2023****IDEA****MCQs from Test Series**

1. Consider the following statements with reference to Intellectual Property Rights (IPR):

1. The importance of IPR was first recognized in the Paris Convention and Berne Convention
2. IPRs have been outlined in Article 27 of the Universal Declaration of Human Rights.
3. WTO governs IPR through Trade-Related Aspects of the Intellectual Property Rights (TRIPS)

How many statements given above is/are correct?

- A. Only one statement
- B. Only two statements
- C. All three statements
- D. None of the three statements

2. Which of the following are the benefits of currency-swap?

1. Hedge exposure to exchange-rate risk.
2. Used to predict the direction of a currency.
3. Increase the cost of borrowing in a foreign currency.

Select the correct answer using the code given below:

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

3. Factor cost in the case of calculation of GDP/National income includes:

1. Salaries
2. Cost of renting machinery
3. Profit margins of entrepreneurs

4. Transfer Payments
5. Indirect taxes
6. Government subsidies

Select the correct code:

- A. 1, 2 and 3 only
- B. 1, 2, 3 and 6 only
- C. 3, 4, 5 and 6 only
- D. 1, 2, 3, 4 and 6 only

4. Consider the following statements:

1. One Rupee notes is not a legal tender as it is issued by Government of India.
2. All the Scheduled languages under schedule 8 of the Indian Constitution appear on the banknotes.
3. Two or more banknotes can have a same serial number.

Which of the statements given above is/are correct?

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

5. Consider the following statements, with reference to the Off-budget Liabilities:

1. These are the loans not directly taken by the central government from the market.
2. These are not included in the fiscal deficit of the government.

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

Answers with Explanations

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

IDEA

MCQs from Test Series

1. Consider the following statements with reference to Intellectual Property Rights (IPR):

1. The importance of IPR was first recognized in the Paris Convention and Berne Convention
2. IPRs have been outlined in Article 27 of the Universal Declaration of Human Rights.
3. WTO governs IPR through Trade-Related Aspects of the Intellectual Property Rights (TRIPS)

How many statements given above is/are correct?

- A. Only one statement
- B. Only two statements
- C. All three statements
- D. None of the three statements

Answer: C

Explanation

Intellectual property rights can be defined as the rights given to people over the creations of their minds.

They usually give the creator an exclusive right over the use of his/her creations for a certain period of time.

Paris Convention

- The Paris Convention, adopted in 1883, applies to industrial property in the widest sense, including patents, trademarks, industrial designs, utility models, service marks, trade names, geographical indications and the repression of unfair competition.
- This international agreement was the first major step taken to help creators ensure that their intellectual works were protected in other countries.

Berne Convention

- The need for a uniform system led to the formation of the Berne Convention for the preservation of Literary and Artistic Works.
- The Berne Convention is the primeval international treaty in the field of copyright. It is open to all states. Adopted on September 9, 1886, at Berne and entered into force on December 4, 1887.
- **Article 27(2) of the Universal Declaration of Human Rights** (UDHR) states: 'Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he [or she] is the author'.
- The **TRIPS Agreement** is a minimum standards agreement, which allows Members to provide more extensive protection of intellectual property if they so wish.
- Members are left free to determine the appropriate method of implementing the provisions of the Agreement within their own legal system and practice.

2. Which of the following are the benefits of currency-swap?

1. Hedge exposure to exchange-rate risk.
2. Used to predict the direction of a currency.
3. Increase the cost of borrowing in a foreign currency.

Select the correct answer using the code given below:

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

Answer: A

Explanation

- A currency swap is a transaction in which two parties exchange an equivalent amount

of money with each other but in different currencies. The parties are essentially loaning each other money and will repay the amounts at a specified date and exchange rate.

The purpose could be:

- to hedge exposure to exchange-rate risk,
- to speculate on the direction of a currency, or
- to reduce the cost of borrowing in a foreign currency.
- The parties involved in currency swaps are usually financial institutions, trading on their own or on behalf of a non-financial corporation.

3. Factor cost in the case of calculation of GDP/National income includes:

1. Salaries
2. Cost of renting machinery
3. Profit margins of entrepreneurs
4. Transfer Payments
5. Indirect taxes
6. Government subsidies

Select the correct code:

- A. 1, 2 and 3 only
- B. 1, 2, 3 and 6 only
- C. 3, 4, 5 and 6 only
- D. 1, 2, 3, 4 and 6 only

Answer: B

Explanation

- Gross Domestic Product (GDP) by income method is sum total of factor incomes/cost.
- While measuring GDP, we must include only those income flows that originate with the production of goods and services within the particular time period.
- Factor cost (FC)- It refers to the cost of factors of production that is incurred by a firm when producing goods and services.

- Factor Cost = Market Price - Net Indirect Taxes
 - where Net Indirect Taxes = Indirect Taxes - Subsidies

Components of FC are:

- paying the salaries and wages,
- cost of renting machinery and obtaining capital,
- interest of land
- profit margins to entrepreneur.
- The FC does not include indirect taxes like GST that are paid to the government since payment of taxes is not directly related to the production process, but subsidies received are included in the FC as these are direct inputs into the production.
- Transfer payments are not included under Factor Income because it is not connected with any productive activity and there is no value addition.
- Factor income is an earned income, i.e. it is an earning concept. As against, Transfer income is an unearned income, it is only received but not earned by the recipient.

4. Consider the following statements:

1. One Rupee notes is not a legal tender as it is issued by Government of India.
2. All the Scheduled languages under schedule 8 of the Indian Constitution appear on the banknotes.
3. Two or more banknotes can have a same serial number.

Which of the statements given above is/are correct?

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

Answer: C

Explanation

- Legal Tender is a **coin or a banknote** that is legally tenderable for discharge of debt or obligation.
- The coins issued by **Government of India under Section 6 of The Coinage Act, 2011**, shall be legal tender in payment or on account provided that a coin has not been defaced and has not lost weight so as to be less than such weight as may be prescribed in its case.
- **Coin of any denomination not lower than one rupee** shall be legal tender for **any sum not exceeding one thousand rupees**.
- Fifty paise (half rupee) coin shall be legal tender for any sum not exceeding ten rupees.
- While **anyone cannot be forced to accept coins beyond the limits mentioned above**, voluntarily accepting coins for amounts exceeding the limits mentioned above is not prohibited.
- Every banknote issued by Reserve Bank of India (₹2, ₹5, ₹10, ₹20, ₹50, ₹100, ₹200, ₹500 and ₹2000), unless withdrawn from circulation, **shall be legal tender at any place in India in payment or on account for the amount** expressed therein, and shall be guaranteed by the Central Government.
- **₹1 notes issued by Government of India** are also Legal Tender.
- It is **possible to have two or more banknotes with the same serial number**, but they would either have a **different Inset Letter or year of printing or signature of a different Governor of RBI**.
- An Inset Letter is an alphabet printed on the Number Panel of the banknote.
- There can be **notes without any inset letter also**.

5. Consider the following statements, with reference to the Off-budget Liabilities:

1. These are the loans not directly taken by the central government from the market.
2. These are not included in the fiscal deficit of the government.

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

Answer: C

Off-budget Liabilities

- These liabilities arise not because of borrowing or use of public money by the Government. These are loans that are taken not by the Centre directly. These are the loans taken by the PSUs or other institutions on the directions of the central government.
- These are money liable to be paid by the Government to various entities as a policy matter.
- Such borrowings are a way for the Centre to finance its expenditures while keeping the debt off the books – so that it is not counted in the calculation of fiscal deficit.
- For example - the Government does not allow Oil Marketing Enterprises to raise prices when the price of crude oil rises. To bear the losses by these Oil Marketing Enterprises, the Government issues interest bearing bonds.
- These are not considered in the calculation of deficits in the budget even though they are borrowed expenditure.
- CAG report of 2019 pointed out that this route of financing puts major

sources of funds outside the control of Parliament.

How are off-budget borrowings raised?

- **Issuance of Bonds:** The government can ask an implementing agency to raise the required funds from the market through loans or by issuing bonds.
- **Utilizing savings:** For example, the food subsidy is one of the major expenditures of the Centre. In the Budget presentation for 2020-21, the government paid only half the amount budgeted for the food subsidy bill to the Food Corporation of India. The shortfall was met through a loan from the National Small Savings Fund.
- **Borrowing:** Other PSUs have also borrowed for the government. For instance, public sector oil marketing companies were asked to pay for subsidized gas cylinders for PM Ujjwala Yojana beneficiaries in the past.
- **Bank sources:** Public sector banks are also used to fund off-budget expenses. For example, loans from PSU banks were used to make up for the shortfall in the release of fertilizer subsidy.

Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 20th March 2023

1. Which one of the following statements correctly describes “Reverse Currency War”?

- A. Policy of official currency devaluation aimed at improving each nation's foreign trade competitiveness at the expense of other nations.
- B. A situation where Central Banks deliberately pursues policies to strengthen the values of their currencies.
- C. When a country will incur losses due to adverse exchange rate movements by entering into and settling a transaction in a foreign currency.
- D. None of the above

2. Which of the following is/are correct India Innovation Index ?

- 1. It is released by NITI Aayog and Institute for Competitiveness.
- 2. Indicators like ‘Knowledge diffusion’ and ‘Governance’ are used while computing the index.
- 3. India’s GERD per capita lower than China but higher than South Africa.

Select the correct answer using the code given below:

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

3. Consider the following statements with respect to Digital Lending Rules followed in India.

- 1. Lending Service Providers (LSPs) are the entities which are regulated by the RBI and are allowed to carry out lending business.
- 2. Under first loss default guarantee agreements, fintech promises to

compensate the partners up to a pre-decided percentage in case customers fail to repay the loans.

Which of the above statements is/are correct?

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

4. Which one of the following statements is incorrect with respect to Central Bank Digital Currency?

- A. Digital Rupee is considered as a legal tender in India.
- B. Wholesale CBDC is restricted for access to select financial institutions only.
- C. In a token-based CBDC, the person receiving a token will verify that his ownership of the token is genuine.
- D. None of the above

5. Consider the following statements, with reference to the AT-1 Bonds:

- 1. These bonds are perpetual in nature.
- 2. SEBI had ruled that AT1 bonds should be sold only in minimum ticket sizes of ₹1 crore and above, to institutional investors.

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

Answers with Explanations

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

1. Which one of the following statements correctly describes “Reverse Currency War”?

- A. Policy of official currency devaluation aimed at improving each nation's foreign

trade competitiveness at the expense of other nations.

- B. A situation where Central Banks deliberately pursues policies to strengthen the values of their currencies.
- C. When a country will incur losses due to adverse exchange rate movements by entering into and settling a transaction in a foreign currency.
- D. None of the above

Answer: B

Explanation

Reverse Currency War

What happens during Currency War?

- In the past the US has often accused other countries of manipulating their currency (and keeping its weaker against the dollar) just to enjoy a trade surplus against the US.
- Weakness of country's local currency against the dollar makes their exports more competitive.

Click [here](#) for A Few Minutes Series Video.

2. Which of the following is/are correct India Innovation Index ?

1. It is released by NITI Aayog and Institute for Competitiveness.
2. Indicators like 'Knowledge diffusion' and 'Governance' are used while computing the index.
3. India's GERD per capita lower than China but higher than South Africa.

Select the correct answer using the code given below:

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

Answer: A

Explanation

India Innovation Index 2021

- Prepared by NITI Aayog and the Institute for Competitiveness, the India Innovation Index is a comprehensive tool for the evaluation and development of the country's innovation ecosystem.
- It ranks the states and the union territories on their innovation performance to build healthy competition amongst them.



Major States		
States	III 2021	Rank
Karnataka	18.01	1
Telangana	17.66	2
Haryana	16.35	3
Maharashtra	16.06	4
Tamil Nadu	15.69	5
Punjab	15.35	6
Uttar Pradesh	14.22	7
Kerala	13.67	8
Andhra Pradesh	13.32	9
Jharkhand	13.10	10
West Bengal	12.98	11
Rajasthan	12.88	12
Madhya Pradesh	12.74	13
Gujarat	12.41	14
Bihar	11.58	15
Odisha	11.42	16
Chhattisgarh	10.97	17

Table 2 GERD per capita (in current PPP\$) (2018)

Country	GERD per capita (2018)	Country	GERD per capita (2018)
Belgium	1438.17	Mexico	63.82
Brazil	173.37	Russian Federation	284.80
China	325.82	South Africa*	105.69
Germany	1701.47	United Kingdom of Great Britain and Northern Ireland	791.43
India	43.41	United States of America	1777.93
Indonesia	26.34		
Israel	2108.20		
Italy	593.90		
Malaysia	293.39		

Click [here](#) for A Few Minutes Series Video.

3. Consider the following statements with respect to Digital Lending Rules followed in India.

1. Lending Service Providers (LSPs) are the entities which are regulated by the RBI and are allowed to carry out lending business.
2. Under first loss default guarantee agreements, fintech promises to compensate the partners up to a pre-decided percentage in case customers fail to repay the loans.

Which of the above statements is/are correct?

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

Answer: B

Explanation

- Reserve Bank of India (RBI) issued the 'Guidelines on Digital Lending' to banks and non-banking financial companies (NBFCs), which disburse loans through digital lending platforms.
- Lending Service Providers (LSPs) operate in collaboration with Non-Banking Financial Companies (NBFCs) who disburse credit to customers using the former's platform.
- All loan disbursements and repayments are to be executed between the bank accounts of the borrower and the entity. This eliminates

the presence of a nodal pass-through or pool account of the LSP.

- Lenders must inform the borrower about all the fees, charges, and the annual percentage rate (APR) in a standardised format.

Click [here](#) for A Few Minutes Series Video.

4. Which one of the following statements is incorrect with respect to Central Bank Digital Currency?

- A. Digital Rupee is considered as a legal tender in India.
- B. Wholesale CBDC is restricted for access to select financial institutions only.
- C. In a token-based CBDC, the person receiving a token will verify that his ownership of the token is genuine.
- D. None of the above

Answer: D

Explanation

Type of CBDC to be issued

(CBDC-R)

- Potentially available for use by all
- Electronic version of cash primarily meant for retail transactions.
- It can provide access to safe money for payment and settlement as it is a direct liability of the Central Bank.

(CBDC-W)

- Restricted access to select financial institutions
- Intended for the settlement of interbank transfers and related wholesale transactions
- Potential to transform the settlement systems for financial transactions and make them more efficient and secure.

Forms of CBDC

- CBDC can be structured as 'token-based' or 'account-based'.
- A token-based CBDC is a bearer-

instrument like banknotes, meaning whosoever holds the tokens at a given point in time would be presumed to own them.

- In a token-based CBDC, the person receiving a token will verify that his ownership of the token is genuine
- An account-based system would require maintenance of record of balances and transactions of all holders of the CBDC and indicate the ownership of the monetary balances.
- In an account-based CBDC, an intermediary verifies the identity of an account holder.

Click [here](#) for A Few Minutes Series Video.

5. Consider the following statements, with reference to the AT-1 Bonds:

1. These bonds are perpetual in nature.
2. SEBI had ruled that AT1 bonds should be sold only in minimum ticket sizes of ₹1 crore and above, to institutional investors.

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

Answer: C

Explanation

AT 1 Bonds

- To shore up their Tier 1 capital, banks were allowed to raise a special class of bonds known as AT1 bonds from investors.
- AT1 bonds, like other bonds, pay regular interest. But they do not have a maturity date, as they are a permanent

part of the bank's capital, akin to equity.

- In practice, however, banks do offer a call option on these bonds after five years, when they may or may not redeem them.
- If the RBI believes that the bank is becoming short of capital or unviable to operate, it can direct the principal on these bonds to be written off too.

Click [here](#) for A Few Minutes Series Video.

Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 27th March 2023

IDEA

MCQs from Paid Courses

1. Which one of the following statements correctly describes “Revenue Neutral Rate”?

- A. A mechanism and supervisory arrangement to monitor and increase the tax coverage.
- B. It is a neutral which will be used to identify, classify and define services under the GST.
- C. A rate of tax that allows the Government to receive the same amount of money despite changes in the tax laws.
- D. None of the above

2. Which one of the following statements is correct with respect to Apparel Export Promotion Council (AEPC)?

- A. It functions under the Ministry of Commerce and Industry.
- B. Its chairman is appointed by the Prime Minister on the recommendations of the apparel industry to the Government.
- C. It provides assistance to Indian exporters as well as importers/international buyers who choose India as their preferred sourcing destination for garments.
- D. None of the above

3. Arrange the following in the increasing order of their contribution in deficit financing in India.

- 1. Market Borrowings
- 2. External Debt
- 3. State Provident Funds
- 4. Securities against Small Savings

Select the correct code:

- A. 2-3-1-4
- B. 3-2-4-1
- C. 2-3-4-1

D. 3-2-1-4

4. Which one of the following statements is/are correct with respect to Online Bond Platform Providers?

- 1. Their operations are outside Sebi's regulatory purview.
- 2. OBBP are fintech companies or are backed by stock brokers.
- 3. They offer debt securities to non-institutional investors.

Select the correct code:

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

5. In the context of the participatory notes in the Indian economy, consider the following statements:

- 1. Participatory note is a derivative instrument issued in foreign jurisdictions.
- 2. This instrument was introduced to curb the menace of black money.
- 3. They are regulated by the RBI.

Which of the statements given above is/are correct?

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

Answers with Explanations

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

1. Which one of the following statements correctly describes “Revenue Neutral Rate”?

- A. A mechanism and supervisory arrangement to monitor and increase the tax coverage.
- B. It is a neutral which will be used to identify, classify and define services under the GST.

- C. A rate of tax that allows the Government to receive the same amount of money despite changes in the tax laws.
- D. None of the above

Answer: C

Source: Crash Course 2023

Explanation

Revenue Neutral Rate

- The focus under GST is to arrive at such rates which would **not decrease the current revenue generation** of the central and State Governments.
- Revenue Neutral Rate (RNR) is a structure of **different rates established to match the current revenue generation** with the revenue under GST.
- RNR calculation must include the cascading effect on certain goods having no excise or sales tax implications.
 - For example - Wheat would get costlier due to the **RNR fixed for diesel** being higher than the current tax rate even though wheat does not have any excise or sales tax implications.

2. Which one of the following statements is correct with respect to Apparel Export Promotion Council (AEPC)?

- A. It functions under the Ministry of Commerce and Industry.
- B. Its chairman is appointed by the Prime Minister on the recommendations of the apparel industry to the Government.
- C. It provides assistance to Indian exporters as well as importers/international buyers who choose India as their preferred sourcing destination for garments.
- D. None of the above

Answer: C

Source: Pre Test Series 2023

Explanation

Apparel Export Promotion Council (AEPC)

- APEC was incorporated in 1978.
- It is an official body of apparel exporters in India that provides assistance to Indian exporters as well as importers/international buyers who choose India as their preferred sourcing destination for garments.
- It functions under the Ministry of Textiles.
- AEPC is today a powerful body for the promotion and facilitation of garment manufacturing and their exports.
- For Indian exporters, AEPC is quite literally a one-stop shop for information advise technical guidance workforce and market intelligence.
- The Chairman of the Council is elected by the executive committee of the Council. The executive committee includes persons from the both the Government and the Industry.
- AEPC is registered Companies' Act 1956 and has two categories of Members: Member Exporter and Registered Exporter.
- Any applicant, firm or society and/or Statutory Organization who is an exporter of garments whether manufacturer exporter or merchant exporter in the export and aims and objective of the council shall be eligible to be registered as a Registered Exporter of the Council.

3. Arrange the following in the increasing order of their contribution in deficit financing in India.

1. Market Borrowings
2. External Debt
3. State Provident Funds
4. Securities against Small Savings

Select the correct code:

- A. 2-3-1-4
- B. 3-2-4-1
- C. 2-3-4-1
- D. 3-2-1-4

Answer: B

Source: Crash Course 2023

Explanation

वित्तीय राजकोषीय घाटे के स्रोत Sources of Financial Fiscal Deficit

(₹ करोड़) (In ₹ crore)

		2021-2022 वास्तविक Actuals	2022-2023 बजट Budget Estimates	2022-2023 संशोधित अनुमान Revised Estimates	2023-2024 बजट अनुमान Budget Estimates
1. ऋण प्राप्तियाँ (निवल)	1. Debt Receipts (Net)	1581978	1660444	1758561	1798603
2. बाजार उधार (सरकारी प्रतिभूति + राजकोषीय ऋण)	2. Market Borrowings (G-sec + T Bills)	814567	1158719	1195866	1230911
3. अल्प बचतों की तुलना में प्रतिभूतियाँ	3. Securities against Small Savings	551269	425449	438919	471317
4. राज्य भविष्य निधियाँ	4. State Provident Funds	10317	20000	20000	20000
5. अन्य प्राप्तियाँ (आंतरिक ऋण निधि और लोक लेखा)	5. Other Receipts (Internal Debts and Public Account)	169677	37025	79902	54258
6. विदेशी ऋण	6. External Debt	36147	19251	23874	22118
7 नकद शेष में आहरण द्वारा कमी	7. Draw Down of Cash Balance	2543	752	-3241	-11787
कुल जोड़	Grand Total	1584519	1661196	1755319	1786816

4. Which one of the following statements is/are correct with respect to Online Bond Platform Providers?

1. Their operations are outside Sebi's regulatory purview.
2. OBBP are fintech companies or are backed by stock brokers.
3. They offer debt securities to non-institutional investors.

Select the correct code:

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

Answer: B

Source: Current Affairs 2023

Explanation

- **Online Bond Platform:** As per SEBI, Online Bond Platform is an **electronic system other than a recognised stock exchange** or an electronic book providing platform, on which **debt securities are listed or proposed to be listed** are offered and transacted.

- **Online Bond Platform Providers (OBPPs)** are companies incorporated in India.
- They offer **government securities, high-quality corporate bonds, instruments with AA and lower ratings, market-linked debentures**, and even perpetual bonds.
- As per the framework, obtaining **registration as a stock broker in the debt segment** of a stock exchange, an entity would have to apply to SEBI to act as an OBPP.
- In its application, the entity will have to provide the **detailed of roles and obligations, technology, operating framework**, Know Your Client (KYC) documents etc.
- The entity would have to **ensure compliance with the minimum disclosure requirements**.

5. In the context of the participatory notes in the Indian economy, consider the following statements:

1. Participatory note is a derivative instrument issued in foreign jurisdictions.
2. This instrument was introduced to curb the menace of black money.
3. They are regulated by the RBI.

Which of the statements given above is/are correct?

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

Answer: A

Source: Crash Course (Quiz) 2023

Explanation

- A Participatory Note (PN or P-Note) in the Indian context, in essence, is a derivative instrument issued in foreign jurisdictions, by a SEBI registered FII, against Indian securities the Indian security instrument

may be equity, debt, derivatives or may even be an index.

- PNs are also known as Overseas Derivative Instruments, Equity Linked Notes, Capped Return Notes, and Participating Return Notes.
- It is considered a highly 'safe and lucrative route' to invest the 'unaccounted', 'even illegal' money into the Indian security market for huge profits (during the booming period).
- Experts even imagined that it may be allowing the 'black money' of India (stashed away from India through 'hawala' kind of illegal channels and deposited in the tax havens of the world in 'Swiss Bank' kind of financial institutions) to get invested back in the market.
- PNs are market instruments that are created and traded overseas. Hence, Indian regulators cannot ban the issue of PNs.
- However, they can be regulated, as SEBI does when a PN is traded on an overseas exchange, the regulator in that jurisdiction would be the authority to regulate that trade.

Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 03rd April 2023

Source: Crash Course 2023

Eco Survey

1. Which one of the following statements is incorrect?

- A. Internal debt of GOI has steadily increased in the last 5 years.
- B. Capital expenditure as a percentage of GDP has steadily increased in the last 5 years.
- C. In FY23, Corporate tax has the highest weightage in Gross Tax Revenue.
- D. None of the above

Source: Crash Course (Quiz) 2023

2. Which of the following could lead to inflation in the Indian economy?

- 1. Declining global inflation
- 2. Hike in interest rates in the economy
- 3. Decline in the value of money

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. 1, 2 and 3

Source: Crash Course (Quiz) 2023

3. Which one of the following statements is correct?

- A. Debenture holders have the right to vote.
- B. Debentures carry a charge on the company's assets.
- C. Debentures are generally transferable and debenture holders can sell them on stock exchanges at any price.
- D. A debenture can be redeemed at any period.

Source: Eco Survey 2023

4. Arrange the following sectors in increasing order of their share in FDI inflows?

- 1. Computer software and Hardware
- 2. Trading
- 3. Drugs and Pharma
- 4. Automobile

Select the correct code:

- A. 3-4-1-2
- B. 4-3-1-2
- C. 4-3-2-1
- D. 3-4-2-1

Source: Crash Course 2023

5. With reference to the Sovereign Gold Bond Scheme, consider the following statements:

- 1. The RBI will issue Sovereign Gold Bonds on behalf of the Government of India.
- 2. The motive of the scheme was to increase the demand for physical gold.
- 3. The bonds are restricted for sale to resident individuals, Hindu Undivided Families (HUFs), trusts universities and charitable institutions.

Which of the statements given above is/are correct?

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

Answers with Explanations

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

Source: Crash Course 2023

Eco Survey

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- B. Capital expenditure as a percentage of GDP has steadily increased in the last 5 years.
- C. In FY23, Corporate tax has the highest weightage in Gross Tax Revenue.
- D. None of the above

Answer: C

Explanation

Fiscal Developments: Revenue Relish

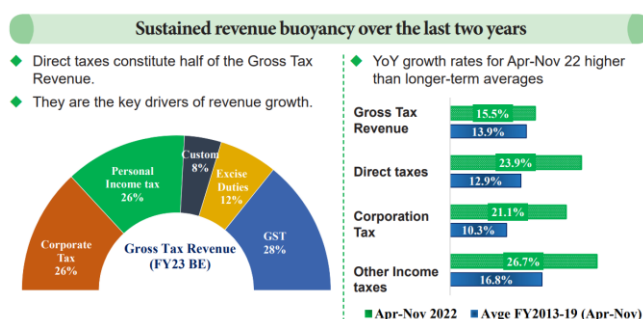
Table III.9: Debt Position of Union Government (in ₹ lakh crore)

Components	FY16	FY17	FY18	FY19	FY20	FY21	FY22 PA
	1	2	3	4	5	6	7
A. Public Debt (A1+A2)	57.11	61.50	68.45	75.49	85.65	105.23	121.21
A1. Internal Debt (a+b)	53.05	57.42	64.01	70.75	80.20	99.08	114.62
a. Marketable Securities	47.28	50.49	55.10	59.69	65.60	78.59	88.17
b. Non-marketable Securities	5.77	6.93	8.91	11.06	14.60	20.49	26.45
A2. External Debt	4.07	4.08	4.45	4.74	5.44	6.15	6.59

Table2: Union Government's Fiscal Parameters (Per cent of GDP)

	FY18	FY19	FY20	FY21	FY22 PA	FY23 BE
Revenue Receipts	8.4	8.2	8.4	8.3	9.2	8.5
Gross Tax Revenue	11.2	11.0	10.0	10.2	11.4	10.7
Net tax revenue	7.3	7.0	6.8	7.2	7.7	7.5
Non-tax revenue	1.1	1.2	1.6	1.0	1.5	1.0
Non-debt capital receipts	0.7	0.6	0.3	0.3	0.2	0.3
Non-debt receipts	9.1	8.8	8.7	8.5	9.3	8.9
Total Expenditure	12.5	12.3	13.4	17.7	16.0	15.3
Revenue Expenditure	11.0	10.6	11.7	15.6	13.5	12.4
Capital Expenditure	1.5	1.6	1.7	2.2	2.5	2.9
Fiscal Deficit	3.5	3.4	4.7	9.2	6.7	6.4
Revenue Deficit	2.6	2.4	3.3	7.3	4.4	3.8
Primary Deficit	0.4	0.4	1.6	5.7	3.3	2.8

Source: Union Budget documents, O/o CGA



Source: Crash Course (Quiz) 2023

2. Which of the following could lead to inflation in the Indian economy?

1. Declining global inflation
2. Hike in interest rates in the economy
3. Decline in the value of money

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. 1, 2 and 3

Answer: B

Explanation

- Inflation is the rate at which prices increase over a given period. Typically, in India, the inflation rate is calculated on a year-on-year basis.
- In other words, if the inflation rate for a particular month is 10 percent, it means that the prices in that month were 10 percent more than the prices in the same month a year earlier.
- When prices increase globally, it will lead to higher imported inflation. In other words, everything that India and Indians import will become costlier leading to an increase in inflation.
- In general, when interest rates are low, the economy grows, and inflation increases. Conversely, when interest rates are high, the economy slows and inflation decreases. A country's central bank typically hikes the interest rates in the economy to contain inflation.
- By doing so, it incentivises people to spend less and save more because saving becomes more profitable as interest rates go up. As more and more people choose to save, money is sucked out of the market and the inflation rate moderates.
- A devaluation of currency leads to a decline in the value of a currency making exports

more competitive and imports are more expensive.

- Generally, a devaluation is likely to contribute to inflationary pressures because of higher import prices and rising demand for exports.

Source: Crash Course (Quiz) 2023

3. Which one of the following statements is correct?

- Debenture holders have the right to vote.
- Debentures carry a charge on the company's assets.
- Debentures are generally transferable and debenture holders can sell them on stock exchanges at any price.
- A debenture can be redeemed at any period.

Answer: C

Explanation

- Debentures are debt instruments used by companies and the government to issue loans.
- Debentures are issued to raise capital to meet the expenses of an upcoming project or to pay for a planned expansion in business.

Features of Debentures:

- A debenture is redeemed after a fixed period.
- Debentures may be either secured or unsecured.
- Debenture holders do not have any voting rights.
- The interest on debentures is always payable at a fixed rate. Further, the company has to pay interest regardless of whether it makes profits or not.
- The company may either repay the debt or even convert the debenture into shares or other debentures.
- Debentures may or may not carry a charge on the company's assets.

- Debentures are generally transferable. Debenture-holders can sell them on stock exchanges at any price.

Source: Eco Survey 2023

4. Arrange the following sectors in increasing order of their share in FDI inflows?

- Computer software and Hardware
- Trading
- Drugs and Pharma
- Automobile

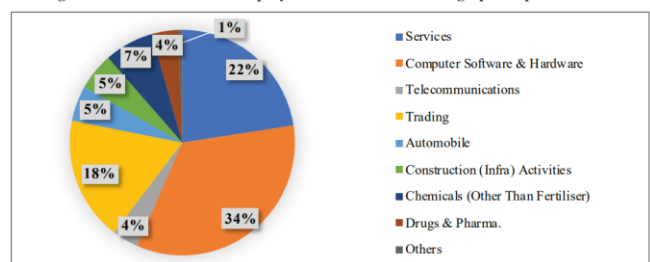
Select the correct code:

- 3-4-1-2
- 4-3-1-2
- 4-3-2-1
- 3-4-2-1

Answer: D

Explanation

Figure IX.8: Sector-wise FDI Equity Inflows in 2022-23 during April-September 2022



Source: DPIIT data

Source: Crash Course 2023

5. With reference to the Sovereign Gold Bond Scheme, consider the following statements:

- The RBI will issue Sovereign Gold Bonds on behalf of the Government of India.
- The motive of the scheme was to increase the demand for physical gold.
- The bonds are restricted for sale to resident individuals, Hindu Undivided Families (HUFs), trusts universities and charitable institutions.

Which of the statements given above is/are correct?

- 1 only

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

Answer: B

Explanation

- The Gold Bonds are issued as Government of India Stock under the Government Securities (GS) Act, 2006.
- **Statement 1 is correct:** These are issued by the Reserve Bank of India (RBI) on behalf of the Government of India.
- Bonds are sold through Commercial banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange, either directly or through agents.
- **Statement 2 is not correct:** The SGB scheme was launched in November 2015 to reduce the demand for physical gold and shift a part of the domestic savings - used for the purchase of gold - into financial saving
- Statement 3 is correct: The bonds are restricted for sale to resident individuals, Hindu Undivided Families (HUFs), trusts, universities and charitable institutions.
- Bonds can be used as collateral for loans.
- The capital gains tax arising on redemption of SGB to an individual has been exempted.
 - Redemption is the act of an issuer repurchasing a bond at or before maturity.

Pre-Mix – 5 MCQs for Prelims

Subject – Economy

Date – 10th 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?

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

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)
A. Equity	350	1,81,532	448	1,14,361
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. Debt	871	3,71,590	967	3,91,997
Public	20	9,132	22	6,624
Private Placement	851	3,62,458	945	3,85,373
Total (A+B)	1,221	5,53,122	1,415	5,06,358

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.

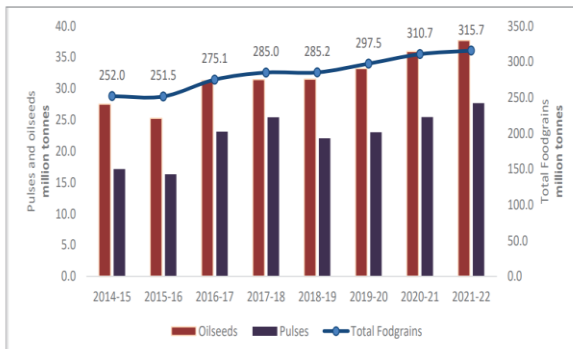
Which of the statements given above is/are correct?

- 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.

Pre-Mix - 15 MCQs for Prelims**Subject - Economy****Date - 17th April 2023****1. With reference to the Indian Economy, consider the following statements:**

1. Repo rate provides overnight liquidity to banks against the collateral of the government securities.
2. Repo rate serves as a key benchmark for the lenders to in turn price the loans they offer to their borrowers.
3. When the repo rate is increased, banks may find an incentive to sell securities back to the government in return for cash.

Which of the statements given above is/are correct?

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

2. In the context of the surety bond, consider the following statements:

1. Surety bonds are mainly aimed at infrastructure development, mainly to reduce indirect cost for suppliers.
2. Surety bond is provided by the insurance company on behalf of the contractor to the entity which is awarding the project.
3. Surety bonds protect the beneficiary against acts or events that impair the underlying obligations of the principal.

Which of the statements given above is/are correct?

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

D. 1, 2 and 3

3. With reference to the Scheduled Banks in India, consider the following statements:

1. Scheduled Banks included in the Second Schedule of The Banking Regulation Act, 1949.
2. Scheduled Banks becomes eligible for debts/loans at the bank rate from the RBI.
3. Airtel Payments Bank is the Scheduled Bank and can provide ATM and debit cards.

Which of the statements given above is/are correct?

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

4. With reference to Outright Open Market Operations (OMO), consider the following statements:

1. Outright OMO are conducted with a promise to buy/sell the securities at a later stage.
2. In the repurchase agreement the central bank buys the security, the agreement of purchase also has specifications about date and price of the resale of this security.
3. Outright OMO are directed at influencing enduring liquidity, the LAF OMO operations target the temporary liquidity in the system.

Which of the statements given above is/are correct?

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

D. 1, 2 and 3

5. What do you understand about the term 'Beveridge curve'?

- A. It states that the lower tax rates boost economic growth and high tax revenue.
- B. It displays how household expenditure on a particular good or service varies with change in household income.
- C. It shows the relationship between economic growth and inequality.
- D. It shows the relationship between the unemployment rate and the job vacancy rate

6. 'Accommodative' monetary policy stance of the RBI means:

- A. Interest rate can only move upward
- B. Interest rate may move downward anytime
- C. Interest rate may move either way - upward or downward
- D. RBI purchases longer term securities from the open market

7. Factor cost in the case of calculation of GDP/National income includes

- 1. Salaries
- 2. Cost of renting machinery
- 3. Profit margins of entrepreneurs
- 4. Transfer Payments
- 5. Indirect taxes
- 6. Government subsidies

Select the correct code

- A. 1, 2 and 3 only
- B. 1, 2, 3 and 6 only
- C. 3, 4, 5 and 6 only
- D. 1, 2, 3, 4 and 6 only

8. Which of the following is not a Public Good?

- A. Education

- B. Electricity
- C. Infrastructure
- D. Lighthouses

9. Consider the following statements regarding to the commercial paper:

- 1. Commercial Paper (CP) is a secured capital market instrument.
- 2. They can be issued only by the all-India financial institutions.
- 3. CP can be issued for maturities maximum of up to one year from the date of the issue.

Which of the statements given above is/are not correct

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

10. With reference to the Offline Small-value e-Payments, consider the following statements:

- 1. It allows offline payments upto Rs. 2 lakh per transaction, subject to an overall limit of Rs 5 lakh.
- 2. It can be carried out face-to-face (proximity mode) using any channel/ instrument like cards, wallets and mobile devices.
- 3. The transactions are offline, alerts (by way of SMS and / or e-mail) will be received by the customer after a time lag.

Which of the statements given above is/are correct?

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

11. With reference to the 'AT-1 Bonds' sometimes mentioned in the news, consider the following statements:

- 1. AT-1 bonds issued to shore up their core capital base to meet the Basel-III norms.

2. AT-1 bonds offer higher returns to investors and compared with other debt products, these instruments have lower risk as well.
3. Investors can return AT-1 bonds to the issuing bank and get the money.

Which of the statements given above is/are correct?

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

12. Consider the following statements:

1. Budget financial year 2023-24 envisaged a lower collection of non-tax revenue receipts during the current year relative to Financial year 2021-22.
2. Union Government capital expenditure continuously increasing to GDP ratio in five year.
3. The capital expenditure by the Centre has steadily increased since four years.

Which of the statements given above is/are correct

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

13. With reference to the 'SWIFT' sometimes mentioned in the news, consider the following statements:

1. Each participant on the platform is assigned a unique eight-digit SWIFT code.
2. SWIFT is a platform that sends messages and can also hold any securities and currency.
3. SWIFT is owned and controlled by the G20 central banks.

Which of the statements given above is/are correct?

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

14. With reference to direct and indirect taxes in India, consider the following statements:

1. The direct tax, the burden can't be shifted by the taxpayer to someone else.
2. Inheritance tax and gift tax are type of indirect tax.
3. The redistribution function of the government budget is achieved through progressive income taxation.

Which of the statements given above is/are correct?

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

15. Consider the following statements regarding to Nidhi Companies:

1. Nidhi companies are a type of non-bank lenders that raise funds exclusively from their members.
2. They are regulated by the Reserve Bank of India for operational matters and deployment of funds.
3. Only individual members are allowed in Nidhi companies, and it cannot give loans to companies.

Which of the statements given above is/are correct?

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

Answers with Explanations

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

1. With reference to the Indian Economy, consider the following statements:

1. Repo rate provides overnight liquidity to banks against the collateral of the government securities.
2. Repo rate serves as a key benchmark for the lenders to in turn price the loans they offer to their borrowers.
3. When the repo rate is increased, banks may find an incentive to sell securities back to the government in return for cash.

Which of the statements given above is/are correct?

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

Answer: C

- Repo Rate is the rate at which the Reserve Bank of India (RBI) lends money to commercial banks or financial institutions in India against government securities.
- The central bank in India i.e. the Reserve Bank of India (RBI) uses repo rate to regulate liquidity in the economy. In banking, repo rate is related to 'repurchase option' or 'repurchase agreement'.
- When there is a shortage of funds, commercial banks borrow money from the central bank which is repaid according to the repo rate applicable. The central bank provides these short terms loans against securities such as treasury bills or government bonds.

- This monetary policy is used by the central bank to control inflation or increase the liquidity of banks. The government increases the repo rate when they need to control prices and restrict borrowings.
- On the other hand, the repo rate is decreased when there is a need to infuse more money into the market and support economic growth. An increase in repo rate means commercial banks have to pay more interest for the money lent to them and therefore, a change in repo rate eventually affects public borrowings such as home loan, EMIs, etc.
- A decrease in repo rates encourages banks to sell securities back to the government in return for cash. This increases the money supply available to the general economy. Conversely, by increasing repo rates, central banks can effectively decrease the money supply by discouraging banks from reselling these securities.

2. In the context of the surety bond, consider the following statements:

1. Surety bonds are mainly aimed at infrastructure development, mainly to reduce indirect cost for suppliers.
2. Surety bond is provided by the insurance company on behalf of the contractor to the entity which is awarding the project.
3. Surety bonds protect the beneficiary against acts or events that impair the underlying obligations of the principal.

Which of the statements given above is/are correct?

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

D. 1, 2 and 3

Answer: D

- The surety bond is a legally binding contract entered into by three parties: the principal, the obligee and the surety.
- The obligee, usually a government entity, requires the principal, typically a business owner or contractor, to obtain a surety bond as a guarantee against future work performance.
- Surety bonds are mainly aimed at infrastructure development, mainly to reduce indirect cost for suppliers and work-contractors thereby diversifying their options and acting as a substitute for bank guarantee.
- Surety bond is provided by the insurance company on behalf of the contractor to the entity which is awarding the project.
- Surety bonds protect the beneficiary against acts or events that impair the underlying obligations of the principal.
- They guarantee the performance of a variety of obligations, from construction or service contracts to licensing and commercial undertakings.

3. With reference to the Scheduled Banks in India, consider the following statements:

1. Scheduled Banks included in the Second Schedule of The Banking Regulation Act, 1949.
2. Scheduled Banks becomes eligible for debts/loans at the bank rate from the RBI.
3. Airtel Payments Bank is the Scheduled Bank and can provide ATM and debit cards.

Which of the statements given above is/are correct?

A. 1 and 2 only

B. 2 and 3 only

C. 1 and 3 only

D. 1, 2 and 3

Answer: B

- Statement 1 is not correct: Scheduled Banks in India refer to those banks which have been included in the Second Schedule of Reserve Bank of India Act, 1934. The bank's paid-up capital and raised funds must be at least Rs 5 lakh to qualify as a scheduled bank.
- They must, however, meet certain requirements, such as maintaining an average daily CRR (Cash Reserve Ratio) balance with the central bank at the rates set by it.
- Scheduled banks are banks have certain privileges and benefits, such as:
 - The ability to obtain a refinancing facility from the central bank.
 - Access to currency storage facilities.
 - Membership in the clearinghouse is automatic.
- Payments bank:- The Reserve Bank of India (RBI) has announced the inclusion of Airtel Payments Bank Ltd. in the Second Schedule to the Reserve Bank of India Act, 1934. Payments banks can provide ATM and debit cards, as well as online and mobile banking.
- Payment banks were established to promote financial inclusion by offering; 'modest savings accounts and payments/remittance services to migratory labour workforce, low-income households, small enterprises, other unorganised sector entities, and other users.'

- These banks can accept a restricted deposit, which is now capped at Rs 200,000 per person but could be raised in the future. These banks are unable to provide loans or credit cards. Banks of this type can handle both current and savings accounts

4. With reference to Outright Open Market Operations (OMO), consider the following statements:

1. Outright OMO are conducted with a promise to buy/sell the securities at a later stage.
2. In the repurchase agreement the central bank buys the security, the agreement of purchase also has specifications about date and price of the resale of this security.
3. Outright OMO are directed at influencing enduring liquidity, the LAF OMO operations target the temporary liquidity in the system.

Which of the statements given above is/are correct?

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

Answer: C

- The RBI is authorised to deal in Government securities under Section 17(8) of the Reserve Bank of India Act, 1934 through open market operations. There are two types of open market operations: outright and repo.

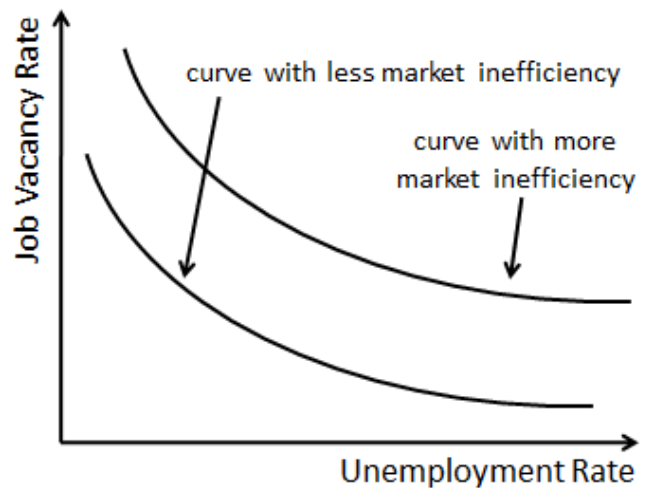
- Statement 1 is not correct: Outright open market operations: They are permanent in nature: when the central bank buys these securities (thus injecting money into the system), it is without any promise to sell them later.
- Similarly, when the central bank sells these securities (thus withdrawing money from the system), it is without any promise to buy them later. As a result, the injection/absorption of money is of permanent nature.
- Statement 2 is correct: Repo open market operations: When the central bank buys the security, the agreement of purchase also has specifications about date and price of the resale of this security. This type of agreement is called a repurchase agreement or repo. The interest rate at which the money is lent in this way is called the repo rate.
- Similarly, instead of an outright sale of securities the central bank may sell the securities through an agreement which has a specification about the date and price at which it will be repurchased.
- This type of agreement is called a reverse repurchase agreement or reverse repo. The rate at which the money is withdrawn in this manner is called the reverse repo rate.
- Statement 3 is correct: Open market operations via Repo and Reverse Repo operations are conducted under Liquidity Adjustment Facility. While the outright OMO are directed at influencing enduring (long term) liquidity, the LAF OMO operations target the temporary liquidity in the system.

5. What do you understand about the term 'Beveridge curve'?

- A. It states that the lower tax rates boost economic growth and high tax revenue.
- B. It displays how household expenditure on a particular good or service varies with change in household income.
- C. It shows the relationship between economic growth and inequality.
- D. It shows the relationship between the unemployment rate and the job vacancy rate

Answer: D

- A Beveridge curve, or UV curve, is a graphical representation of the relationship between unemployment and the job vacancy rate, the number of unfilled jobs expressed as a proportion of the labour force.
- It typically has vacancies on the vertical axis and unemployment on the horizontal. The curve, named after William Beveridge, is hyperbolic-shaped and slopes downward, as a higher rate of unemployment normally occurs with a lower rate of vacancies.
- If it moves outward over time, a given level of vacancies would be associated with higher and higher levels of unemployment, which would imply decreasing efficiency in the labour market.
- Inefficient labour markets are caused by mismatches between available jobs and the unemployed and an immobile labour force.



6. 'Accommodative' monetary policy stance of the RBI means:

- A. Interest rate can only move upward
- B. Interest rate may move downward anytime
- C. Interest rate may move either way - upward or downward
- D. RBI purchases longer term securities from the open market

Answer: B

- An accommodative stance indicates a willingness on the part of the central bank to expand money supply and cut interest rates. The MPC fixes the benchmark interest rate or the base or reference rate that is used to set other interest rates in India.

Monetary Policy stances of the RBI

RBI generally provides three main types of forward guidance/policy stance to markets:

- Accommodative (in other words, the central bank is telling the market to expect a rate cut anytime i.e. interest rates may decrease to inject more funds in to financial system .. therefore known as expansionary stance), Option B is correct.

- Tight/Calibrated (to indicate an impending rate hikes i.e. interest rates can move only upward), Option A is incorrect.
- Neutral (means anything can happen anytime i.e. interest rates may move either way - upward or downward). Option C is incorrect.
- Quantitative Easing (QE): It is a policy under which the RBI purchases longer-term securities from the open market and injects money in the economy, thereby increasing the money supply to encourage lending and investment and ultimately promote economic growth.
 - It is the last resort which is used by RBI to stimulate spending in an economy when interest rates fail to work. Option D is incorrect.

7. Factor cost in the case of calculation of GDP/National income includes

1. Salaries
2. Cost of renting machinery
3. Profit margins of entrepreneurs
4. Transfer Payments
5. Indirect taxes
6. Government subsidies

Select the correct code

- A. 1, 2 and 3 only
- B. 1, 2, 3 and 6 only
- C. 3, 4, 5 and 6 only
- D. 1, 2, 3, 4 and 6 only

Answer: B

- Factor cost (FC)- It refers to the cost of factors of production that is incurred by a firm when producing goods and services.

- Factor Cost = Market Price - Net Indirect Taxes where Net Indirect Taxes = Indirect Taxes - Subsidies
- Components of FC are:
 - paying the salaries and wages,
 - cost of renting machinery and obtaining capital,
 - interest of land
 - profit margins to entrepreneur.
- The FC does not include indirect taxes like GST that are paid to the government since payment of taxes is not directly related to the production process, but subsidies received are included in the FC as these are direct inputs into the production.
- Transfer payments are not included under Factor Income because it is not connected with any productive activity and there is no value addition.
- Factor income is an earned income, i.e. it is an earning concept. As against, Transfer income is an unearned income, it is only received but not earned by the recipient.

8. Which of the following is not a Public Good?

- A. Education
- B. Electricity
- C. Infrastructure
- D. Lighthouses

Answer: B

What are Public Goods?

- Public good is a term in economics which refers to the good (commodity) that is available for use for everybody and one person's usage of it does not diminish or exhaust its availability to others.

- It is considered non-excludable and non-rivalrous. Public goods are provided as a whole to the society by the government and the consumption of these goods by an individual doesn't reduce its availability or doesn't exclude others from consuming it. Therefore, public goods are non-rivalry and non-excludability.
- Examples of public goods are education, infrastructure, lighthouses, flood control systems, knowledge, fresh air, national security, official statistics, etc.
- The public good is different from the common good in that common good, though non-excludable, tends to be semi-rivalrous in nature. Examples of common goods would be timber, coal, etc. Public goods are useful for the population as a whole.

9. Consider the following statements regarding to the commercial paper:

1. Commercial Paper (CP) is a secured capital market instrument.
2. They can be issued only by the all-India financial institutions.
3. CP can be issued for maturities maximum of up to one year from the date of the issue.

Which of the statements given above is/are not correct

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

Answer: B

- Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note.

- Corporates, primary dealers (PDs), and the all-India financial institutions (FIs) that have been permitted to raise short-term resources under the umbrella limit fixed by the Reserve Bank of India are eligible to issue CP.
- CP can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of the issue.
- Corporates that enjoy a high rating can diversify their sources of short term borrowings using CPs. Investors get an additional instrument. It is typically issued by large banks or corporations to cover short-term receivables and meet short-term financial obligations, such as funding for a new project.
- They can be issued in denominations of ₹ 5 lakh or multiples thereof.

10. With reference to the Offline Small-value e-Payments, consider the following statements:

1. It allows offline payments upto Rs. 2 lakh per transaction, subject to an overall limit of Rs 5 lakh.
2. It can be carried out face-to-face (proximity mode) using any channel/ instrument like cards, wallets and mobile devices.
3. The transactions are offline, alerts (by way of SMS and / or e-mail) will be received by the customer after a time lag.

Which of the statements given above is/are correct?

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

Answer: C

- The Reserve Bank of India (RBI) has come out with the framework for facilitating small-value digital payments in offline mode.

- It promotes digital payments in semi-urban and rural areas, this framework allows offline payments upto Rs. 200 per transaction, subject to an overall limit of Rs 2,000.
- An offline digital payment doesn't require Internet or telecom connectivity. Under the new framework, offline payments can be carried out face-to-face (proximity mode) using any channel/ instrument like cards, wallets and mobile devices.
- Such transactions wouldn't require an Additional Factor of Authentication. Since the transactions are offline, alerts (by way of SMS and / or e-mail) will be received by the customer after a time lag.
- The RBI said the framework took effect 'immediately'. It also said that authorised Payment System Operators (PSOs) and Payment System Participants (PSPs) looking to facilitate small value offline digital payments have to comply with the new guidelines.
- **Significance:-** Today, the active base of digital payment users is around 120 to 150 million customers but we need it.

11. With reference to the 'AT-1 Bonds' sometimes mentioned in the news, consider the following statements:

1. AT-1 bonds issued to shore up their core capital base to meet the Basel-III norms.
2. AT-1 bonds offer higher returns to investors and compared with other debt products, these instruments have lower risk as well.
3. Investors can return AT-1 bonds to the issuing bank and get the money.

Which of the statements given above is/are correct?

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

Answer: A

- AT-1 bonds are a type of unsecured, perpetual bonds that banks issue to shore up their core capital base to meet the Basel-III norms.
- There are two routes through which these bonds can be acquired.
 - Initial private placement offers of AT-1 bonds by banks seeking to raise money.
 - Secondary market buys of already-traded AT-1 bonds.
- Statement 2 is not correct: Returns and Risk:- These bonds offer higher returns to investors but compared with other debt products, these instruments carry a higher risk as well. AT1 bonds are subordinate to all other debt and only senior to common equity.
- Mutual funds (MFs) are among the largest investors in AT1 Bonds. These bonds have a call option, which can be used by the banks to buy these bonds back from investors.
- Investors cannot return these bonds to the issuing bank and get the money. This means there is no put option available to its holders. Banks issuing AT-1 bonds can skip interest payouts for a particular year or even reduce the bond's face value, provided their capital ratios fall below certain threshold levels.
- If the RBI feels that a bank is on the brink of collapse and needs a rescue, it can simply ask the bank to cancel its outstanding AT-1 bonds without consulting its investors.

12. Consider the following statements:

1. Budget financial year 2023-24 envisaged a lower collection of non-tax revenue receipts during the current year relative to Financial year 2021-22.
2. Union Government capital expenditure continuously increasing to GDP ratio in five year.
3. The capital expenditure by the Centre has steadily increased since four years.

Which of the statements given above is/are correct

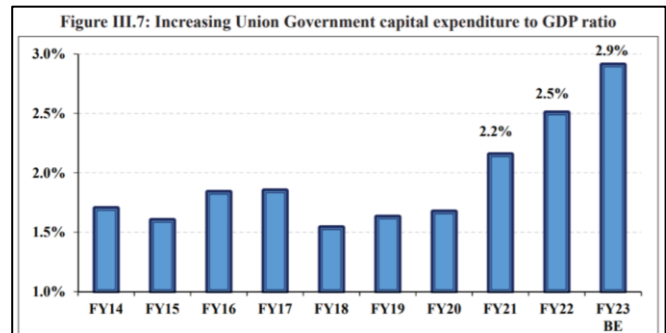
- A. 1 only
- B. 2 only
- C. 1 and 2 only
- D. 1, 2 and 3

Answer: D

- The non-tax revenue to the Centre mainly includes interest receipts on loans to States and Union Territories, dividends and profits from Public Sector Enterprises and the Reserve Bank of India, and external grants and receipts for services the Union Government provides. Budget FY23 envisaged a lower collection of non-tax revenue receipts during the current year relative to FY22 (around 22.5 per cent lower than FY22 PA).
- Of the budgeted amount, 73.5 per cent has been collected up to November 2022.

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



13. With reference to the 'SWIFT' sometimes mentioned in the news, consider the following statements:

1. Each participant on the platform is assigned a unique eight-digit SWIFT code.
2. SWIFT is a platform that sends messages and can also hold any securities and currency.
3. SWIFT is owned and controlled by the G20 central banks.

Which of the statements given above is/are correct?

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

Answer: A

- SWIFT is a messaging network used by banks and financial institutions globally for quick and faultless exchange of information pertaining to financial transactions. The network connects more than 11,000 banking and securities organisations in over 200 countries and territories. Headquartered in Brussels, Belgium.

- Statement 1 is correct: Each participant on the platform is assigned a unique eight-digit SWIFT code or a bank identification code(BIC). (If a person, say, in India with a SBI account wants to send money to someone with an HSBC account in London, the payee would have to submit to his bank the London-based beneficiary's account number along with the eight-digit SWIFT code of the latter's bank. Citibank would then send a SWIFT message to HSBC. Once that is received and approved, the money would be credited to the required account).
- SWIFT is merely a platform that sends messages and does not hold any securities or money. It facilitates standardised and reliable communication to facilitate the transaction.
- SWIFT is owned and controlled by its shareholders (financial institutions) representing approximately 3,500 firms from across the world. SWIFT is overseen by the G-10 central banks (Belgium, Canada, France, Germany, Italy, Japan, The Netherlands, United Kingdom, United States, Switzerland, and Sweden) as well as the European Central Bank (ECB), with its lead overseer being the National Bank of Belgium.
- **If a country is excluded from SWIFT, its foreign funding would take a hit, making it entirely reliant on domestic investors. This is particularly troublesome when institutional investors are constantly seeking new markets in newer territories.**

14. With reference to direct and indirect taxes in India, consider the following statements:

1. The direct tax, the burden can't be shifted by the taxpayer to someone else.
2. Inheritance tax and gift tax are type of indirect tax.

3. The redistribution function of the government budget is achieved through progressive income taxation.

Which of the statements given above is/are correct?

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

Answer: A

- Direct tax is charged on income, salary or profits of an individual or corporates. In the case of direct tax, the burden can't be shifted by the taxpayer to someone else.
- Statement 2 is not correct: These are largely taxes on income or wealth. Income-tax, corporate tax, property tax, inheritance tax and gift tax are examples of direct tax.
- The Central Board of Direct Taxes deals with matters related to levying and collecting Direct Taxes and formulation of various policies related to direct taxes.
- Indirect tax is a levy where the incidence and impact of taxation do not fall on the same entity. The burden of tax can be shifted by the taxpayer to someone else.
- Indirect tax has the effect to raising prices of products on which they are imposed.
- Customs duty, import duty, central excise, service tax and value added tax are examples of indirect tax. The government sector affects the personal disposable income of households by making transfers and collecting taxes.
- It is through this that the government can change the distribution of income and bring about a distribution that is considered 'fair' by society.

- This is the redistribution function. The redistribution objective is sought to be achieved through progressive income taxation, in which higher the income, higher is the tax rate.

- Only individual members are allowed in Nidhi companies, and it cannot give loans to companies.

15. Consider the following statements regarding to Nidhi Companies:

1. Nidhi companies are a type of non-bank lenders that raise funds exclusively from their members.
2. They are regulated by the Reserve Bank of India for operational matters and deployment of funds.
3. Only individual members are allowed in Nidhi companies, and it cannot give loans to companies.

Which of the statements given above is/are correct?

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

Answer: D

- Nidhi companies are a type of non-bank lenders that raise funds exclusively from their members and give loans to them to improve their governance and protect the public interest.
- They are regulated by the Reserve Bank of India (RBI) for deposit-taking and by the Department of Company Affairs (DCA) for operational matters and deployment of funds.
- To become a Nidhi company, the entity has to first register as a public limited company which has more disclosure requirements than a private limited company.

Pre-Mix – 5 MCQs for Prelims**Subject – Economy****Date – 25th April 2023**

1) With reference to the Indian Economy, consider the following statements:

1. Growth-Interest Rate differential was positive in every year in last 5 years.
2. Interest payments constitute the highest percentage of government expenditure.

Which of the statements given above is/are incorrect?

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

2) In the context of agricultural credit initiatives, consider the following statements:

1. Under Priority Sector Lending, foreign banks operating in India are not required to lend to agriculture sector.
2. There is an increasing trend in institutional credit to agriculture sector in last 5 years.
3. KCC can be availed for consumption requirements of farmer household.

Which of the statements given above is/are correct?

- A. 1 and 2 only

B. 1 and 3 only

C. 2 and 3 only

D. 1, 2 and 3

3) Which one of the following statements is incorrect with respect to MSMEs?

- A. Share of MSMEs in Indian exports is increasing steadily in last 5 years.
- B. Investment limit for Micro Enterprises is less than 1 crore INR.
- C. The GST paid by the MSMEs in FY22 has crossed the pre-pandemic level in FY20.
- D. None of the above

4) With reference to external sector of India, consider the following statements:

1. India's share in World Commercial Services Exports has increased in 2021 as compared to 2020.
2. Net Income in Current Account balance is negative for India in past 3 years.
3. India has a positive Net International Investment Position.

Which of the statements given above is/are correct?

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

5) Which one of the following statements correctly describes the term "Flipping" with respect to StartUp Sector?

- A. It is a strategy which allows the founder to transfer ownership and make money to pay back investors.
- B. Process of transferring the entire ownership of an Indian company to an overseas entity.
- C. It is a short-term loan that helps a startup access money in between rounds of funding.
- D. None of the above

Answers with Explanations

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

1) With reference to the Indian Economy, consider the following statements:

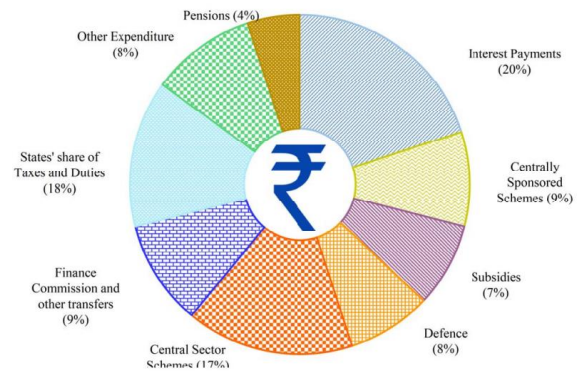
1. Growth-Interest Rate differential was positive in every year in last 5 years.
2. Interest payments constitute the highest percentage of government expenditure.

Which of the statements given above is/are incorrect?

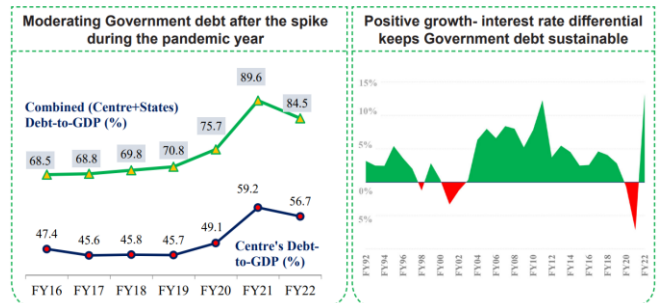
- A. 1 only
- B. 2 only
- C. Both 1 and 2
- D. None of the above

Answer: A

Rupee Goes To



Government debt sustainability is not a concern



2) In the context of agricultural credit initiatives, consider the following statements:

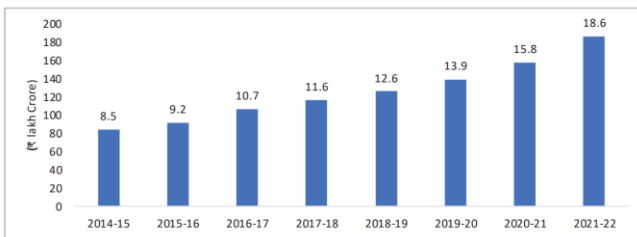
1. Under Priority Sector Lending, foreign banks operating in India are not required to lend to agriculture sector.
2. There is an increasing trend in institutional credit to agriculture sector in last 5 years.
3. KCC can be availed for consumption requirements of farmer household.

Which of the statements given above is/are correct?

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

Answer: C

Figure VIII.6: Continued Increase in Institutional Credit to Agriculture Sector (₹ lakh crore)



Source: Based on data from DAFW and Agricultural Statistics at a Glance 2021.

Categories	Domestic commercial banks (excl. RRBs & SFBs) & foreign banks with 20 branches and above	Foreign banks with less than 20 branches	Regional Rural Banks	Small Finance Banks
Total Priority Sector	40 per cent of ANBC as computed in para 6 below or CEODE whichever is higher	40 per cent of ANBC as computed in para 6 below or CEODE whichever is higher; out of which up to 32% can be in the form of lending to Exports and Social Infrastructure and not less than 8% can be to any other priority sector	75 per cent of ANBC as computed in para 6 below or CEODE whichever is higher. However, below or CEODE of which up to 32% can be in the form of lending to Exports and Social Infrastructure and not less than 8% can be to any other priority sector	75 per cent of ANBC as computed in para 6 below or CEODE whichever is higher
Agriculture	18 per cent of ANBC or CEODE, whichever is higher; out of which a target of 10 percent* is prescribed for Small and Marginal Farmers (SMFs)	Not applicable	18 per cent ANBC or CEODE, whichever is higher; out of which a target of 10 percent* is prescribed for SMFs	18 per cent of ANBC or CEODE, whichever is higher; out of which a target of 10 percent* is prescribed for SMFs
Micro Enterprises	7.5 per cent of ANBC or CEODE, whichever is higher	Not applicable	7.5 per cent of ANBC or CEODE, whichever is higher	7.5 per cent of ANBC or CEODE, whichever is higher
Advances to Weaker Sections	12 percent* of ANBC or CEODE, whichever is higher	Not applicable	15 per cent of ANBC or CEODE, whichever is higher	12 percent* of ANBC or CEODE, whichever is higher

3) Which one of the following statements is incorrect with respect to MSMEs?

- A. Share of MSMEs in Indian exports is increasing steadily in last 5 years.
- B. Investment limit for Micro Enterprises is less than 1 crore INR.
- C. The GST paid by the MSMEs in FY22 has crossed the pre-pandemic level in FY20.
- D. None of the above

Answer: A

MSME Performance

Figure IX.9a: MSME share in exports

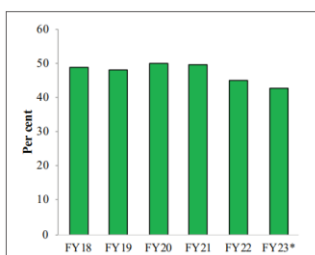
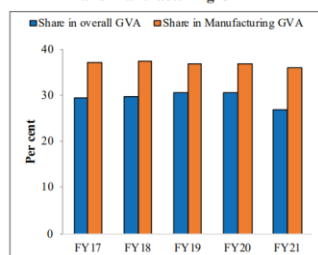


Figure IX.9b: MSME Share in overall GVA and Manufacturing GVA



Source: MoSPI, Directorate General of Commercial Intelligence and Statistics (DGCI&S)
Note: *Data for FY23 is until Aug 2022

Figure IX.10: GST paid by MSMEs in FY22 crossed the pre-pandemic level

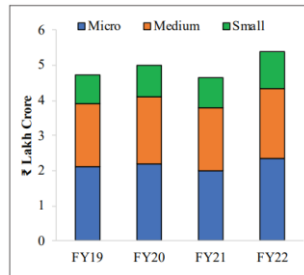
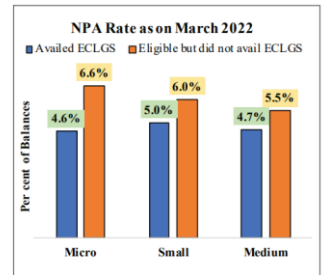


Figure IX.11: ECLGS aided MSMEs in improving their asset quality



Earlier and Revised Definition of MSMEs

Earlier MSME Classification

Criteria: Investment in Plant & Machinery or Equipment

Classification	Micro	Small	Medium
Manufacturing Enterprises	Investment < ₹ 25 lac	Investment < ₹ 5 cr.	Investment < ₹ 10 cr.
Services Enterprise	Investment < ₹ 10 lac	Investment < ₹ 2 cr.	Investment < ₹ 5 cr.

Revised MSME Classification

Composite Criteria: Investment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing & Services	Investment < ₹ 1 cr. & Turnover < ₹ 5 cr	Investment < ₹ 10 cr. & Turnover < ₹ 50 cr.	Investment < ₹ 20 cr. & Turnover < ₹ 100 cr.

www.taxguru.in

Source: Ministry of Finance

4) With reference to external sector of India, consider the following statements:

- India's share in World Commercial Services Exports has increased in 2021 as compared to 2020.
- Net Income in Current Account balance is negative for India in past 3 years.
- India has a positive Net International Investment Position.

Which of the statements given above is/are correct?

- A. 1 and 3 only
- B. 2 only

C. 2 and 3 only

D. 1, 2 and 3

Answer: B

Table XI.1: Key aspects of India's trade (Calendar year-wise)

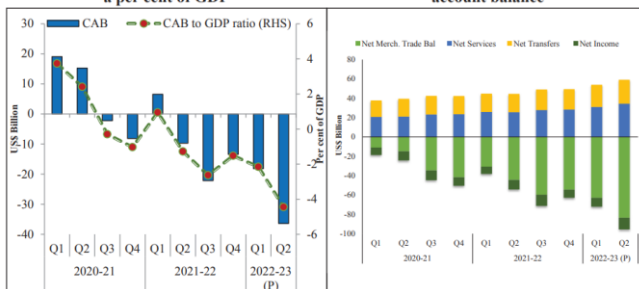
	2019	2020	2021
Export performance (in per cent)			
Share in World Merchandise Exports	1.7	1.6	1.8
Share in World Commercial Services Exports	3.5	4.0	4.0
Share in World Merchandise Plus Services Exports	2.1	2.1	2.2
Import Performance (in per cent)			
Share in World Merchandise Imports	2.5	2.1	2.5
Share in World Commercial Services Imports	3.0	3.2	3.5
Share in World Merchandise Plus Services Imports	2.6	2.3	2.7
India's rank in world trade			
Merchandise Exports	18	21	
Merchandise Imports	10	14	
Services Exports	8	7	
Services Imports	10	10	

Source: DGFT, Monthly Foreign Trade Statistics, November 2022 (based on data till October 2022)

- Net Income is the income received by the country's residents minus income paid to foreigners.
- If the income received by a country's individuals, businesses, and government from foreigners are more than the income paid out, then net income is positive. If it is less, then it contributes to a deficit.

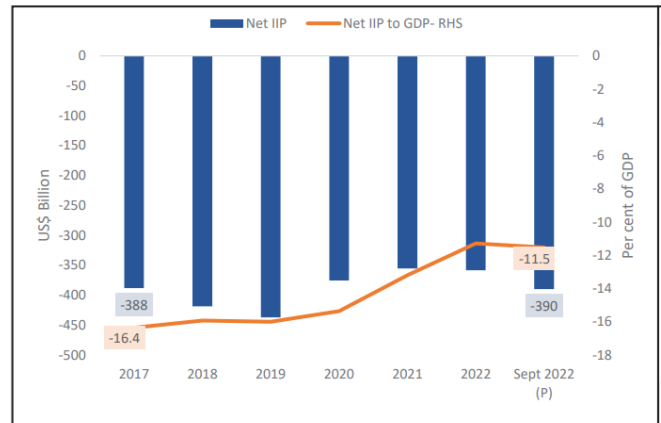
XI.7: Current Account Balance (CAB): Magnitude and Composition

a. Current account balance and as a per cent of GDP



Source: RBI P: provisional

a. Net IIP and as percentage to GDP



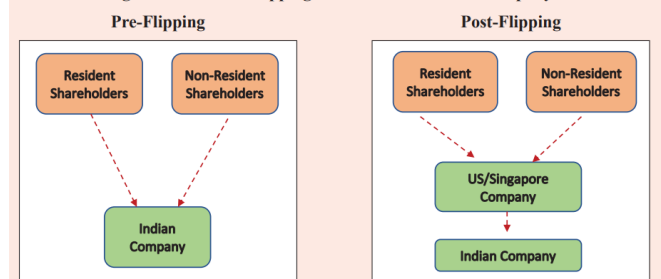
Source: RBI; P: Provisional

5) Which one of the following statements correctly describes the term "Flipping" with respect to StartUp Sector?

- It is a strategy which allows the founder to transfer ownership and make money to pay back investors.
- Process of transferring the entire ownership of an Indian company to an overseas entity.
- It is a short-term loan that helps a startup access money in between rounds of funding.
- None of the above

Answer: B

Figure B: Effect of Flipping on the structure of the company



WHAT'S FLIPPING?

It refers to Indian startups housing their shareholding, intellectual property (IP) and other assets in a firm abroad, and relegating the local entity to a subsidiary



HARM IT MAY CAUSE...

- Loss of tax for the government
- Loss of IP and overall wealth creation for India



LIKELY SOLUTION...

Investors suggest a easier & simpler regulatory environment in India will resolve the issue



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