Most Important 100 Economy MCQ's

1. With reference to the Palm oil sector of India, consider the following statements:

1. India is the largest importer of palm oil in Asia.
2. India's first palm waste-based power oil palm processing unit is located in Sikkim.
3. Indonesia and Malaysia are major import sources of palm oil for India.

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 only

Answer: A

- Currently, India produces about 40% of its domestic edible oil consumption requirement.
- India's annual imports of edible oil is around 15-16 million tonne (MT).
- Around half of it i.e. around 9MT is palm oil which is imported from Indonesia and Malaysia. **Hence, statement 3 is correct.**
- Major oil palm-growing states in India include Andhra Pradesh, Telangana, and Kerala, which account for 98% of total production. **Hence, statement 1 is correct.**
- India is the largest importer of palm oil in Asia, accounting for 15% of global imports, followed by China (9%), Pakistan (4%) and Bangladesh (2%).
- **"In 2022-23, total imports reached 16.5 million tons,". However, for 2023-24 a slight decline to approximately 16.0 million tons due to improved domestic availability and alternative vegetable oils availability.**
- **Palm oil** accounts for over 38% of India's total vegetable oil consumption, followed by soybean oil at 21%, mustard oil at 14%, and sunflower oil at 12%.
- **Indonesia and Malaysia together account for almost 90% of the global palm oil production.**
- India's first integrated Oil Palm Processing Unit started its commercial operations at Roing in lower Dibang Valley in Arunachal Pradesh.
- It will be a and a palm waste-based power plant.
- This factory marks the first Oil Palm factory in Arunachal Pradesh and India's first Oil Palm Factory under NMEO-OP. **Hence, statement 2 is incorrect.**

National Mission for Edible Oils - Oil Palm (NMEO-OP):

- Launched by the Government of India in August 2021, NMEO-OP targets a substantial increase in oil palm cultivation and crude palm oil production.
- Centrally Sponsored Scheme with a special focus on North east region and the Andaman and Nicobar Islands, with a focus on increasing the area and productivity of oilseeds and Oil Palm.

Targets:

- To increase the area of oil palm to 10 lakh hectares from 3.5 lakh ha during 2019-20 by 2025-26 (an additional 6.50 lakh ha).
- To increase the Crude Palm Oil production from 0.27 lakh tonnes during 2019-20 to 11.20 lakh tonnes by 2025-26.
- Increase consumer awareness to maintain a consumption level of 19.00 kg/person/annum till 2025-26.
- The State Department of Agriculture, State Department of Horticulture, Central University, ICAR-Institutions, CDDs, SAUs, KVKs, Central Agencies/Cooperatives, Oil palm processors/ Associations, DD Kisan, AIR, DD, TV channels will be the implementation stakeholders of the NMEO-Oil palm.
- **Features:** The salient features of NMEO-OP include assistance for planting material, inputs for intercropping upto gestation period of 4 years and for maintenance, establishment of seed gardens, nurseries, micro irrigation, bore well/pumpset/water harvesting structure, vermicompost units, solar pumps, harvesting tools, custom hiring centre cum harvester Groups, farmers and officers training, and for replanting of old oil palm gardens, etc.

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2. Which of the following released Green And Social Bond Impact Report 2023?

A. International Bank for Reconstruction and Development

B. International Financial Corporation

C. World Economic Forum

D. International Monetary Fund

Answer: B

- The Green and Social Bond Impact Report provides insights into how funds raised through green and social bonds are being used to address environmental and social challenges globally. These bonds are key tools for financing sustainable development projects.
- The International Finance Corporation (IFC), a member of the World Bank Group, released the Green and Social Bond Impact Report for Financial Year 2023.
- A social bond is a type of financial instrument issued by governments, international organisations, or corporations to raise funds for projects and initiatives that have a positive social impact on society.
- These bonds are designed to finance projects that address various social issues, such as healthcare, education, affordable housing, poverty alleviation, and environmental sustainability.
- These bonds help to improve efficiency of social program, strengthen collaborative approach, boost responsible social investing.
- On the other hand, a Green Bond is a type of fixed-income instrument that is

specifically earmarked to raise money for climate and environmental projects.

- Green bonds help to finance sustainable, climate-smart projects with a positive environmental impact, with the goal to speed the transition to a low-carbon economy.
- In FY23, IFC raised $2 billion through 20 green bonds in six currencies and $1.2 billion through 15 social bonds in five currencies.

International Finance Corporation (IFC):

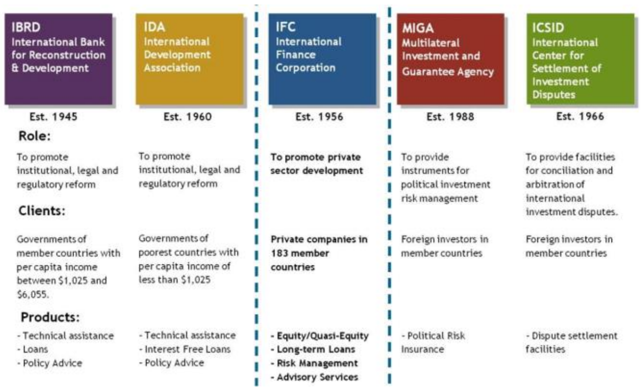
- The International Finance Corporation (IFC) is an international financial institution that offers investment, advisory, and asset management services to encourage private sector development in developing countries.
- It is a member of the World Bank Group and is headquartered in Washington, D.C., United States.
- It was established in 1956 as the private sector arm of the World Bank Group to advance economic development by investing in strictly for-profit and commercial projects that purport to reduce poverty and promote development.
- The IFC is owned and governed by its member countries, but has its own executive leadership and staff that conduct its normal business operations.
- It is a corporation whose shareholders are member governments that provide paid-in capital and which have the right to vote on its matters.

Functions (As Taken from IFC report):

- In March 2016, IFC issued a historic 15-year **Masala Bond,** creating an offshore rupee-market yield curve that stretches from three to fifteen years, deepening the market and making it more resilient
- **Masala bonds** meaning these are rupee-denominated bonds, through which Indian entities can raise money **from overseas markets in the rupee**, not foreign currency. A Masala bond is a Rupee bond but is repaid in dollar terms based on the extant conversion rate. Here, the objective is to shield issuers from currency risk and instead transfer the risk to investors buying these bonds
- It raised the equivalent of nearly $100 million through our onshore **Maharaja Bonds which were issued to Indian investors**
- **Also issued green masala bonds**
- India is IFC's single largest country exposure globally, IFC's largest advisory client and regional hub for South Asia.
- IFC's **advisory engagement in India** includes Gujarat Rooftop Solar PPP, Odisha Street-Lighting Program, Jharkhand Diagnostics PPP, and Bihar G2P Payments
- IFC is a pioneer in **putting together several innovative and industry-leading projects** in India (for example, Cairn, IDFC, Jet Airways, FINO, Bharti Airtel, HDFC, BILT, Power Grid, Azure, Green Infra, Technowind, Bandhan).

- In 2010, IFC made an equity investment of $4.5 million in **Aadhar Housing Finance Private Limited**, a joint venture of investee client Dewan Housing Finance Corporation and IFC. The financing enabled Aadhar to provide home loans to underserved low-income households.
- IFC has a leading **role in financing infrastructure projects in Indi**a and advising client governments on public-private partnerships. IFC's loan of $152 million to Gujarat Pipavav port, an all-weather port, is supporting expansion of its existing container and bulk cargo-handling facilities, **(Pipavav is the first private sector port in India)**

World Bank Group



- **Green Deposit**
  - These deposits are available in cumulative and non-cumulative formats and are denominated in Indian Rupees (INR) only. Proceeds from green deposits are earmarked for renewable energy, energy efficiency, clean transportation, sustainable water management, and green buildings.
- **Green Washing**
  - Greenwashing is essentially when a company or organisation spends more time and money on marketing themselves as being sustainable than on actually minimising their environmental impact. It's a deceitful advertising method to gain favour with consumers who choose to support businesses that care about bettering the planet.

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3. Which of the following statements is/are correct with respect to the Foreign Portfolio Investment (FPI)?

1. A non-resident Indian can be registered as a foreign portfolio investor in India.
2. The FPI route has been susceptible to round-tripping.

Select the correct code.

A. 1 only

B. 2 only

C. Both 1 and 2

D. None of the above

Answer: B

- According to the SEBI (Foreign Portfolio Investors) Regulations, 2019, a Non-Resident Indian (NRI) is not eligible to register as a Foreign Portfolio Investor (FPI). However, NRIs can invest in India through different routes, such as Non-Resident External (NRE) or Non-Resident Ordinary (NRO) accounts, but not as FPIs. **Hence, statement 1 is incorrect.**
- The FPI route is specifically meant for

institutions or entities like foreign mutual funds, pension funds, or asset management companies, among others.

- Round-tripping refers to the practice where funds leave a country and return disguised as foreign investment, often to exploit tax benefits or hide the original source of funds.

FCNR(B) Accounts

- **Currency and Tenure:** Maintained in freely convertible foreign currencies such as US Dollar (USD), British Pound (GBP), Euro (EUR), Canadian Dollar (CAD), Australian Dollar (AUD), and Japanese Yen (JPY).
- Tenure ranges from 1 year to 5 years.
- Tax and Repatriation Benefits: Interest earned is tax-free in India.
- Principal and Funds can be transferred from an NRE account or directly remitted from an overseas account.
- Funds are converted into the desired currency at the prevailing exchange rate.
- terest are fully repatriable without any limit.

FDI

- It is the percentage which defines whether it is FDI or portfolio investment. If it is <10 percent in a listed company, then it is termed as portfolio investment.
- Once an FDI always an FDI (even if the holding comes down to <10 percent, it will not become FPI but will continue to be termed as FDI.)
- Cash is not a permissible mode of payment for making FDI.
- In partnership/proprietorship concerns in India, only NRIs/OCIs are allowed to invest on a non-repatriation basis (foreigners are not allowed).

FDI may be of two types:

- **Brownfield investment:** In this case, the entity or a government buys an existing plant or company or factory in order to launch a new production activity. Since the existing units are taken over, no new factory is set up under brownfield investment.
- **Greenfield investment:** It occurs when multinational corporations enter foreign countries to build new factories and/or stores. This is just opposite to brownfield investment.

FDI

An Indian company may receive FDI under the following two routes:

- Automatic Route: Under automatic route, FDI is allowed without prior approval of the government or RBI in activities/sectors as specified in the consolidated FDI policy issued by the Government of India from time to time.
- Government Route: Activities not covered under the automatic route require prior approval of the government. Foreign Investment Promotion Board (FIPB), which was the responsible agency to oversee this route, was abolished in 2017. This abolition has enabled to attract more

FDI in India by making the process simpler.

- An Indian company, having received FDI either under automatic route or under government route, is required to comply with the provisions of the FDI policy, including reporting of the FDI to RBI.

FPI

- It refers to purchase of an asset in the rest of the world without any control over the same (i.e., having less than 10 per cent share in a listed company). In the case of unlisted company, any quantum of investment is termed FDI.
- **Example of portfolio investment -**
    - Purchase of some shares of a foreign company by Reliance or even by an individual in the rest of the world. This investment instrument is more easily traded, and it does not represent a long-term interest; hence it is less permanent in nature.
    - Portfolio investment can be classified into two categories:
    - Foreign institutional investment (FII)
    - Investment through depository receipts (ADR/GDR/IDR)
- **Participatory notes (Status active)**

FII's

- It includes investment in the securities of any other nation's company by foreign individuals and foreign institutional investors. FII is mostly made in the financial markets.
- FII is short term in nature and is also known as 'hot money'.
- FIIs in India are regulated by the Securities and Exchange Board of India (SEBI).
- Foreign Institutional Investors can buy/sell securities on Indian stock exchanges, but they have to get registered with SEBI.
- Foreign institutional investor are allowed to invest in India's Primary and Secondary capital markets only through the country's portfolio investment scheme (PIS).

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4. How many of the following statements are correct with respect to PUSA-44 Variety?

1. PUSA-44 was developed by Indian Council of Agricultural Research (ICAR).
2. It is a high yielding and short maturity of rice.
3. Due to its high irrigation requirement, Punjab government has discouraged its cultivation.

Select the correct code.

A. Only 1

B. Only 2

C. Only 3

D. None of the above

Answer: B

- PUSA-44 was developed in 1993 by the Delhi-based Indian Council of Agricultural Research (ICAR). **Hence, statement 1 is correct.**

- Punjab farmers adopted it and after getting a high yield from the crops, they started increasing the area under PUSA-44 by multiplying the seed.
- By the end of 2010s, PUSA-44 paddy covered 70 to 80 per cent of the state's total area under paddy cultivation.
- Farmers claim that PUSA-44 yields nearly 34 to 40 quintals per acre, while other varieties' yield average is 28 to 30 quintals per acre.
- However, Punjab Agriculture Department discouraged its cultivation because
- Requires more water as it is a long duration variety: It takes around 160 days to mature. This is around 35 to 40 days more than other varieties, requiring 5-6 extra cycles of irrigation. **Hence, statement 2 is incorrect.**
- **Declining groundwater in the state**: With the availability of short-duration paddy varieties, the government aims to conserve one month of irrigation water by banning the variety. **Hence, statement 3 is correct.**
- **On 5th May 2025** Union Agriculture minister launched two new genome edited varieties with high yield and short duration named **DRR Dhan 100 (Kamala) and PUSA DST Rice 1**

ICAR

- The Indian Council of Agricultural Research (ICAR) has long been a beacon of agricultural research and innovation, playing a pivotal role in shaping India's agricultural sector.
- **Major Achievements in Crop Improvement:**
  - High-Yielding Varieties (HYVs)
  - Nutrient-Dense Crops
  - Short Duration and Hybrid Crops
- **ICAR's Drought-Resistant Crop Innovations:**
  - Drought-Tolerant Varieties
  - Bioengineering for Stress Resistance
  - Water Use Efficiency (WUE)
- **ICAR's Biotechnology Innovations:**
  - Genetically Modified (GM) Crops
  - CRISPR Technology for Crop Improvement:
  - 'Dark Zones' of ground water: As many as 102 of the state's 141 agricultural development blocks were declared 'dark zones', in which the rate of groundwater depletion exceeded the rate of recharge.
    - In these blocks, the water was available at depths of 200 to 300 feet or more – extractable only by using deep tube wells.
  - Variety also exacerbate stubble burning in the state: Due to its extended maturity period, PUSA-44 is harvested just before the sowing of wheat, typically at the end of October, while the ideal time for wheat sowing is November 1.

- Ideally, farmers need 20 to 25 days between paddy harvesting and wheat sowing to manage stubble disposal properly. This limited timeframe makes it challenging to manage stubble, leading farmers to opt for stubble burning.

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5. Asset Reconstruction Companies (ARCs) are the specialised agencies which facilitate bad loan resolution of banking system. Which one of the following statements is incorrect with respect to the same?

A. ARCs have to maintain capital adequacy ratio.

B. ARCs can invest in short-term instruments like certificates of deposit and commercial papers.

C. Large ARCs can act as resolution applicants.

D. None of the above

Answer: D

- Asset Reconstruction Companies (ARCs) are specialized financial entities created under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002.
- They acquire non-performing assets (NPAs) from banks and financial institutions, then restructure and resolve them to recover dues.
- ARCs are regulated by the Reserve Bank of India (RBI), which prescribes prudential norms, including the maintenance of a capital adequacy ratio (CAR).
- As per RBI guidelines, ARCs must maintain a minimum CAR of 15% of their risk-weighted assets. **Hence, statement A is correct.**
- ARCs are allowed to deploy surplus funds in liquid financial instruments like certificates of deposit (CDs) and commercial papers (CPs) to manage liquidity effectively. **Hence, statement B is correct.**
- ARCs are allowed to deploy funds in government securities and deposits with scheduled commercial banks, Small Industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD) or such other entities as specified by RBI.
- The Insolvency and Bankruptcy Code (IBC), 2016 allows ARCs to act as resolution applicants if they meet specific eligibility criteria. Large ARCs that satisfy these norms can submit resolution plans for distressed assets undergoing insolvency proceedings. **Hence, statement C is correct.**
- **Insolvency Resolution Flow:**
  - Company Defaults on Loan
  - CIRP Initiated by NCLT
  - Resolution Professional (RP) Appointed
  - RP Invites Resolution Plans
  - Resolution Applicants Submit Plans

- Committee of Creditors (CoC) Evaluates Plans
- CoC Approves with 66% Majority
- NCLT Gives Final Approval
- Resolution Applicant Takes Over & Revives Company

Commercial paper:

- Commercial paper is a money-market security issues by large corporations to obtain funds to meet short-term obligations and is backed only by an issuing bank or company promise to pay the face amount on the maturity date specified on the note.
- Is an unsecured, short-term instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on commercial paper rarely range any longer than 270 days. Commercial paper is usually issued at a discount from face value and reflects prevailing market interest rates

Certificate of Deposit(CD):

- Certificate of Deposit (CD) refers to a money market instrument, which is negotiable and equivalent to a promissory note.
- It is either issued in demat form or in the form of a usance promissory note.
- This instrument is issue in lieu of the funds deposited at a bank for a specified time period.
- These are similar to savings accounts and virtually risk free.

Who can Issue a Certificate of Deposit?

- All scheduled commercial banks excluding Regional Rural Banks (RRBs) and Local Area Banks (LABs)
- **Minimum amount** for Certificate of Deposit has been fixed at Rs. 1 Lakh, to be accepted from a single subscriber Larger amounts have to be in the multiples of Rs. 1 Lakh.
- **Their maturity period** is between seven days to one year for commercial banks. For Financial Institutions, the maturity is not less than a year and not more than three years.
- The CDs are issued at a **discount on face value**. Return on them is difference between the issue value and face value.
- **If CD has been issued in physical form** (as usance promissory notes), they can be **freely transferred** by endorsement and delivery. If they have been released in Demat form, they can be transferred as per the procedure applicable to other demat securities.

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6. Consider the following statements.

1. Food price increases have a greater impact on overall inflation in urban areas compared to rural areas.
2. Vegetables constitute the largest component of the Consumer Food Price Index.

Which of the above statements is/are correct?

A. 1 only

B. 2 only

C. Both 1 and 2

D. Neither 1 nor 2

Answer: D

- Food prices have a greater weight in the Consumer Price Index for Rural Areas (CPI-Rural) compared to the Consumer Price Index for Urban Areas (CPI-Urban).
- This is because rural populations spend a larger proportion of their income on food compared to urban populations, who typically allocate more to housing, transport, and discretionary spending.
- Consequently, food price increases tend to have a greater impact on overall inflation in rural areas than in urban areas. . **Hence, statement 1 is incorrect.**
- The Consumer Food Price Index (CFPI) measures the price changes of food items. Key components include cereals, pulses, vegetables, milk and milk products, meat, fish, eggs, oils, fats, and others.

TABLE 1: How food inflation hits rural India more than urban areas

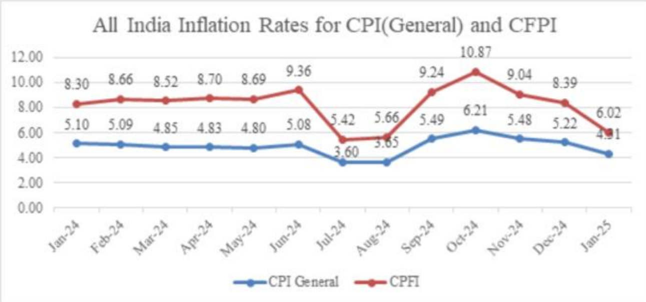
Month	Rural		Urban	
	Weight	Inflation	Weight	Inflation
General Index	100.00	5.87	100.00	5.05
Food and beverages	**54.18**	8.25	**36.29**	8.55
Food	47.25	9.08	29.62	9.56
Non-alcoholic beverages	1.37	2.33	1.13	3.03
Prepared meals, snacks, sweets, etc.	5.56	2.95	5.54	4.29
Pan, tobacco and intoxicants	3.26	2.32	1.36	2.94
Clothing and footwear	7.36	2.54	5.57	2.92
Housing	0.00		21.67	2.78
Fuel & light	7.94	-0.33	5.58	-3.25
Miscellaneous	27.26	4.07	29.53	4.09
Household goods and services	3.75	2.15	3.87	3.09
Health	6.83	3.94	4.81	4.38
Transport and communication	7.60	2.92	9.73	2.54
Recreation and amusement	1.37	2.22	2.04	2.45
Education	3.46	3.62	5.62	3.94
Personal care and effects	4.25	8.81	3.47	9.30

Source: CMIE's Economic Outlook

- Among these, cereals and products typically constitute the largest component of the CFPI due to their significant share in the average Indian diet. While vegetables are an important component, they do not outweigh cereals in terms of weightage. . **Hence, statement 2 is incorrect.**

CFPI

- The Consumer Food Price Index (CFPI) is a measure of change in retail prices of food items consumed by the population. It is a specific measure of inflation that focuses exclusively on the price changes of food items in a consumer's basket of goods and services.
- The CFPI is a **sub-component of the broader Consumer Price Index (CPI)** and is used by the Reserve Bank of India (RBI) to track inflation.
- The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MOSPI) started releasing CFPI for three categories - rural, urban and combined - separately on an all-India basis with effect from May 2014.
- Methodology: Like the Consumer Price Index (CPI), the CFPI is also calculated monthly and the methodology remains the same as the CPI.
- The base year presently used is 2012.
- The CSO has revised the CPI and CFPI Base Year from 2010 to 2012 in January 2015.



All India year-on-year inflation rates (%) based on CPI (General) and CFPI: January 2025 over January 2024

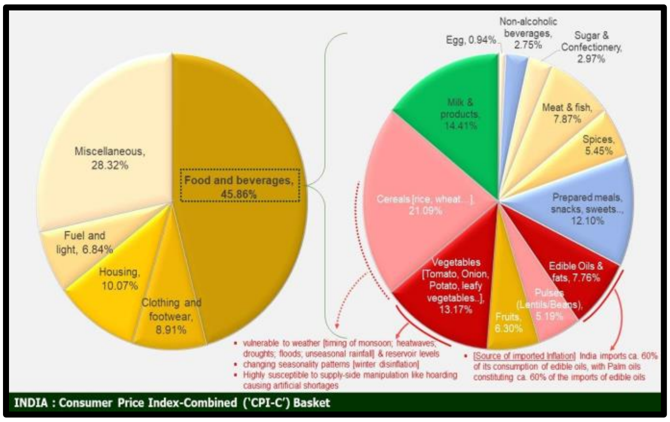
		January 2025 (Prov.)			December 2024 (Final)			January 2024		
		Rural	Urban	Combd.	Rural	Urban	Combd.	Rural	Urban	Combd.
Inflation	CPI (General)	4.64	3.87	4.31	5.76	4.58	5.22	5.34	4.92	5.10
	CFPI	6.31	5.53	6.02	8.65	7.9	8.39	7.91	9.02	8.30
Index	CPI (General)	196.0	190.6	193.5	198.4	192.0	195.4	187.3	183.5	185.5
	CFPI	198.8	204.1	200.7	204.7	210.3	206.7	187.0	193.4	189.3

Notes: Prov. – Provisional, Combd. – Combined

III. Monthly changes in the General Indices and CFPIs are given below:

Monthly changes (%) in All India CPI (General) and CFPI: January 2025 over December 2024

Indices	January 2025 (Prov.)			December 2024 (Final)			Monthly change (%)		
	Rural	Urban	Combd.	Rural	Urban	Combd.	Rural	Urban	Combd.
CPI (General)	196.0	190.6	193.5	198.4	192.0	195.4	-1.21	-0.73	-0.97
CFPI	198.8	204.1	200.7	204.7	210.3	206.7	-2.88	-2.95	-2.90



7. The recent inclusion of Indian Bonds in the JP Morgan Emerging Market Index is expected to have significant implications for the Indian bond market. How many of the following factors could be impacted by this development?

1. Yield of Indian government securities
2. Government's borrowing costs
3. Interest rates on loans offered by Indian Banks
4. Strengthening of the Indian Rupee

Select the correct code.

A. Only 1

B. Only 2

C. Only 3

D. All 4

Answer: D

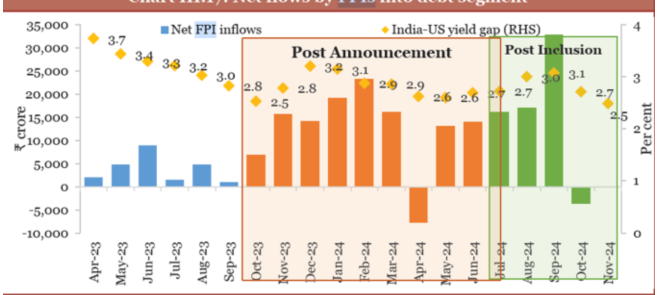
- The inclusion of Indian bonds in the JP Morgan Emerging Market Bond Index is a significant milestone for India's bond market. It could impact multiple factors due to increased foreign investment inflows.
- Inclusion in the index will attract significant foreign portfolio investments (FPI) in Indian government bonds. Increased demand for these securities will push up their prices.
- Yield and price of bonds have an inverse relationship. As demand increases, bond prices rise, and yields decrease. **Hence, option 1 is correct.**
- A reduction in the yield of G-Secs directly reduces the interest rate the government pays on its borrowings. This makes it cheaper for the government to raise funds.
    - o Enhanced demand from international investors also reflects better creditworthiness and stability, further lowering borrowing costs. **Hence, option 2 is correct.**
- Lower yields on G-Secs could lead to a reduction in the risk-free rate, which is

a component in determining interest rates across the economy.

- With increased foreign inflows, liquidity in the financial system may improve, prompting banks to reduce their lending rates.
- However, the extent of this impact depends on how much of this liquidity filters into the banking sector. **Hence, option 3 is correct.**

- Inclusion in the index will bring large foreign capital inflows, increasing the supply of dollars in the Indian forex market.
  - This increased demand for the rupee will likely strengthen its value against the dollar, barring significant external shocks. **Hence, option 4 is correct.**

Chart III.17: Net flows by FPIs into debt segment



Source: SEBI

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8. Consider the following statements with respect to India-Mauritius Tax Treaty.

1. Revised tax agreement in 2016 allowed India to tax capital gains from transactions in shares routed through Mauritius.
2. Principal Purpose Test aims to deny tax treaty benefits to arrangements designed primarily to avoid taxes.

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

- The India-Mauritius Tax Treaty was revised in 2016 to curb misuse of the treaty for tax avoidance.
- Previously, Mauritius was a popular route for investments into India due to a capital gains tax exemption. Investors could claim tax benefits under the treaty, avoiding taxes on capital gains in both countries.
- The 2016 amendment introduced a "source-based taxation rule", allowing India to tax capital gains arising from transactions in shares acquired by a Mauritian resident on or after April 1, 2017. This ended the exclusive benefit previously enjoyed by Mauritius-based investors. **Hence, statement 1 is correct.**
- The Principal Purpose Test (PPT) is a mechanism under Base Erosion and Profit Shifting (BEPS) Action Plan 6, endorsed by the OECD and adopted in India's tax treaties.
- It aims to deny tax treaty benefits if the primary purpose of an arrangement is to avoid taxes, rather than genuine business or economic activities.
- The PPT ensures that entities cannot exploit tax treaties solely for tax advantages, even if they technically meet other treaty requirements.
- This provision has been included in

several of India's revised tax treaties, including the India-Mauritius Treaty. **Hence, statement 2 is correct.**

Global Minimum Tax

- EU members have agreed to implement a minimum tax rate of 15% on big businesses in accordance with Pillar 2 of the global tax agreement framed by the Organisation for Economic Cooperation and Development (OECD).
- It is a global deal to ensure big companies pay a minimum tax rate of 15% which makes it harder for them to avoid taxation. It has been agreed by 136 countries.


Pillar One

- **Will cover** top 100 global companies
- **Re-allocation of an additional share** of profit to the market jurisdictions
- **'Amount A' would apply to firms** with over €20 billion in revenues and a profit margin above 10%
- **A portion of their profits would be taxed in jurisdictions** where they have sales
- **Between 20-30% of profits** above a 10% margin may be taxed
- **Review of €20 billion threshold** to €10 billion after 7 years
- **India and other developing countries** were pitching for a threshold of €1 billion

Pillar Two

- **Minimum global tax of 15%** and subject to tax rules
- **The effective tax rate should be at least 15%,** else additional taxes would be owed in a company's home jurisdiction

9 countries do not sign the deal proposal including Ireland, Estonia and Hungary

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9. Which of the following best illustrates the concept of opportunity cost?

A. A factory manager decides to increase production of cars instead of trucks, resulting in fewer trucks being produced.

B. A farmer uses a new irrigation system to increase crop yield, leading to higher profits.

C. A government builds a new airport to boost tourism, but the project takes longer than expected to complete.

D. A student pays for a degree by working part-time to cover tuition fees.

Answer: A

- Opportunity cost is the value of the next best alternative foregone when making a choice. It represents the trade-off involved in choosing one option over another.
- Option A illustrates opportunity cost because the factory manager chooses to produce more cars, which comes at the cost of producing fewer trucks. The foregone production of trucks is the opportunity cost of increasing car production. **Hence, statement A is correct.**

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10. Consider the following statements.

1. A declining primary deficit indicates improving fiscal health.
2. The primary deficit is calculated by subtracting interest payments on past debt from the current fiscal deficit.

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: D

- Primary deficit refers to the fiscal deficit excluding interest payments on past debt. **Hence, statement 2 is correct.**
- **Primary deficit = Fiscal deficit – Interest payments**
- **Fiscal deficit = (Total expenditure – Total income of the government)**
- A declining primary deficit means the government is reducing its borrowing requirements (other than for interest

payments). This indicates that:

- The government's non-interest spending is under control.
- Revenues are increasing or expenditures (excluding interest) are decreasing.
- It reflects improving fiscal health as the government is relying less on borrowing to finance its operations. **Hence, statement 1 is correct.**

---

11. How many of the following are Indo-Pacific Economic Framework (IPEF) members?

1. China
2. Brunei
3. Fiji
4. India
5. Japan
6. Myanmar

Select the correct code.

A. Only 3

B. Only 4

C. Only 5

D. All 6

Answer: B

- The Indo-Pacific Economic Framework (IPEF) was launched in May 2022 by the United States. It is a regional economic initiative aimed at strengthening trade, economic cooperation, and sustainability in the Indo-Pacific region. The framework focuses on four pillars:
    - Trade
    - Supply chains
    - Clean energy and decarbonization
    - Tax and anti-corruption
- As of now, there are 14 member countries in the IPEF:
    - Australia, Brunei, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Vietnam and USA.
- **China and Myanmar are not part of the IPEF. Hence, option B is correct.**

IPEF:

- The Indo-Pacific Economic Framework (IPEF) was launched jointly by the US and other partner countries of the Indo-Pacific region in 2022.
- The 14 IPEF partners represent 40 percent of the global GDP and 28 percent of global goods and services trade.
- It seeks to strengthen economic partnerships among participating countries with the objective of enhancing resilience, sustainability, inclusiveness, economic growth, fairness, and competitiveness in the

region.

- The IPEF is not a Free Trade Agreement(FTA) but allows members to negotiate the parts they want to. The negotiations will be along four main pillars:
    - Supply-chain resilience
    - Clean energy, decarbonization & infrastructure
    - Taxation & anti-corruption
    - Fair & resilient trade.

How does the IPEF differ from other trade deals?

- **Non-binding:** Unlike trade deals such as free trade agreements (FTAs), the IPEF is a non-binding framework for economic cooperation and connectivity in the Indo-Pacific region.
- **Inclusive:** The IPEF includes countries from across the Indo-Pacific region, including India, Japan, Australia, and the United States. This makes it a more inclusive initiative than some other trade deals.
- **Comprehensive:** The four pillars of IPEF make it a more comprehensive initiative that addresses a broader range of issues than some other trade deals.
- **Focus on Non-tariff mechanisms:** The IPEF does not include discussions on tariff reductions or increasing market access, which are typically the focus of traditional trade deals.
- **Flexible:** The IPEF provides flexibility to participants, allowing them to choose which areas they want to participate in rather than being bound by all aspects of the agreement.
- **Focus on infrastructure and investment:** The IPEF focuses on promoting infrastructure development, investment, and connectivity in the region. It aims to support sustainable, transparent, and high-quality infrastructure projects..

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12. Which of the following are the components of the Secondary market?

1. Convertible Bonds
2. Qualified Institutional Placement
3. Mutual Funds
4. Options Trading
5. Rights Issue

Select the correct code

A. 1 and 2 only

B. 2, 3 and 4 only

C. 1, 2 and 4 only

D. 1, 3 and 4 only

Answer: D

- The secondary market refers to a marketplace where previously issued securities and financial instruments such as stocks, bonds, options, and mutual funds are bought and sold among investors. It is distinct from the primary market, where securities are issued directly by companies to investors.
- Convertible bonds are a type of corporate bond that can be converted into a predetermined number of company shares.

- While convertible bonds are issued in the primary market, they can be traded in the secondary market after issuance. **Hence, option 1 is correct.**
- Qualified Institutional Placement (QIP) is a way for listed companies to raise capital by issuing securities (shares or bonds) directly to qualified institutional buyers (QIBs).
- QIP is a primary market activity because it involves issuing new securities directly to institutional buyers. **Hence, option 2 is incorrect.**
- Mutual funds pool money from multiple investors to invest in securities like stocks and bonds. Investors trade units of mutual funds through stock exchanges or fund houses.
- Mutual fund units can be traded on the secondary market (e.g., ETFs or close-ended funds). **Hence, option 3 is correct.**
- Options are financial derivatives that give the buyer the right (but not the obligation) to buy or sell an asset at a specific price on or before a specific date.
- Options are traded in the secondary market through derivative exchanges. **Hence, option 4 is correct.**
- Rights Issue: A rights issue allows existing shareholders to purchase additional shares directly from the company at a discounted price.
- A rights issue is a primary market activity because it involves issuing new shares directly to shareholders. **Hence, option 5 is incorrect.**

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13. Which one of the following statements is incorrect with respect to the provisions of the Indian Patents Act 1970?

A. The term of every patent granted is 20 years from the application filing date.

B. An invention must have an industrial application to get patented.

C. A new method of agriculture practice can be patented.

D. Indian patent is effective only within India's territory.

Answer: C

- A Patent is a statutory right for an invention granted for a limited period of time to the patentee by the Government, in exchange of full disclosure of his invention for excluding others, from making, using, selling, importing the patented product or process for producing that product for those purposes without his consent.
- The term of every patent granted is 20 years from the date of filing of application. However, for application filed under national phase under Patent Cooperation Treaty (PCT), the term of the patent will be 20 years from the international filing date accorded under PCT. **Hence, statement A is correct.**
- The patent system in India is governed by the Patents Act, 1970 (No.39 of 1970) as amended by the Patents (Amendment) Act, 2005 and the Patents Rules, 2003.

- The Patent Rules are regularly amended in consonance with the changing environment, most recent being in 2024.
- Patent protection is a territorial right and therefore it is effective only within the territory of India.
- There is no concept of global/world patent. **Hence, statement D is correct.**
- However, filing an application in India enables the applicant to file a corresponding application for same invention in convention countries or under PCT, within or before expiry of twelve months from the filing date in India.
- Patents should be obtained in each country where the applicant requires protection of his invention.
- For an invention to qualify for a patent under the Indian Patents Act, 1970, it must meet certain criteria:
- Novelty: It must be new.
- Inventive Step: It should not be obvious to someone skilled in the field.
- Industrial Applicability: It must be capable of being used in an industry or have practical utility. **Hence, statement B is correct.**
- Section 3 of the Indian Patents Act specifies certain exclusions from patentability. Under Section 3(h):
- "A method of agriculture or horticulture" is not patentable. **Hence, statement C is incorrect.**

Patents

- Increase in Patents: India now ranks 6th globally in terms of patent applications, with 64,480 patent filings in 2023.
- Patent applications grew from 42,951 (2013-14) to 92,168 (2023-24), with grants rising due to backlog clearance.
- In 2013-14, 25.5% of patent applications were from Indian residents, which increased to 56% in 2023-24.
- Earlier, patent filings were dominated by foreign multinational corporations, but Indian applicants are now filing more patents.
- However, in 2024-25, 78,264 patent applications and 26,083 grants indicate a lower approval rate.
- **Trademarks:** According to the World Intellectual Property Organization (WIPO) 2024 report, India ranked 4th globally in trademark filings after the US, China, and Russia.
- Trademark applications in India have **indeed grown significantly from around 2 lakh in 2016-17** to approximately 4.8 lakh in 2023-24. However, the rate of increase has slowed.
- **Industrial Design:** 36.4% increase in industrial design applications, driven by textiles, tools & machines, and health sectors.
- **Manpower:** The patent office workforce increased from 272 in 2014-15 to 956 currently, but still lags behind China (13,704) and the US (8,132).

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14. Consider the following statements.

Statement I: The Reserve Bank of India incentivises banks to increase the flow of priority sector credit to districts with lower credit flow.

Statement II: Banks can co-lend with non-banking financial companies to fulfil their PSL obligations.

Which one of the following is correct in respect of the above statements?

A. Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.

B. Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.

C. Statement – I is correct but Statement – II is incorrect

D. Statement – I is incorrect but Statement -II is correct

Answer: B

- The Reserve Bank of India (RBI) incentivizes banks to increase the flow of priority sector credit to districts with lower credit flow.
- The RBI has a mechanism under the Priority Sector Lending (PSL) guidelines to promote equitable credit distribution across districts. The RBI identifies districts with lower credit flow (known as low-credit districts) and incentivizes banks to increase lending in these areas.
- Under the Co-Lending Model (CLM) introduced by the RBI, banks are allowed to co-lend with NBFCs to extend credit to priority sectors.
- This partnership helps banks leverage the outreach of NBFCs while complying with PSL requirements. The model ensures greater financial inclusion in underserved and unserved areas.
- Although both statements are correct, co-lending with NBFCs is not directly linked to incentivizing banks to lend in low-credit districts. The co-lending mechanism is broader and not specifically targeted at such districts.
- Hence, Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.

ECONOMY – BANKING

DIFFICULTY LEVEL - EASY

15. Project Nexus, an initiative of the Bank for International Settlements (BIS), aims to:

A. Develop a new global cryptocurrency

B. Improve cross-border payments by connecting domestic instant payment systems

C. Create a centralized global banking system

D. Regulate decentralized finance (DeFi) platforms

Answer: B

- Project Nexus is conceptualised by the Innovation Hub of the Bank for International Settlements (BIS).
- It seeks to enhance cross-border payments by connecting multiple domestic instant payment systems (IPS) globally. **Hence, statement B is correct.**
- It is the first BIS Innovation Hub project in the payments area to move

towards live implementation.

- Project Nexus aims to connect the FPSs of four Association of Southeast Asian Nations (ASEAN) — Malaysia, Philippines, Singapore, and Thailand; and India, who would be the founding members and first mover countries of this platform.
- The platform is expected to go live by 2026.

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16. With reference to the Onion production in India, consider the following statements:

1. The National Agricultural Cooperative Marketing Federation of India (NAFED) procures onions to maintain buffer stocks.
2. The kharif season yields a higher onion production than the rabi season.
3. Madhya Pradesh is the leading state in terms of total onion production.

Which of the statements given above is/are correct?

A. 1 and 3 only

B. 1 only

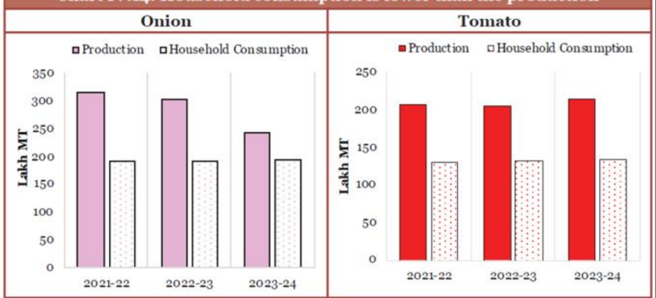
C. 2 and 3 only

D. 1 and 2 only

Answer: B

- India is one of the largest producers of onions in the world, and several states in the country are known for their onion production.
- Maharashtra is one of the biggest onion-producing states in India. The major onion-producing districts in Maharashtra include Nashik, Ahmednagar, Pune, Solapur, and Aurangabad. **Hence, statement 3 is incorrect.**
- Onion is produced in three seasons i.e. rabi, kharif and late kharif in our country. about 60% production comes from rabi crop while kharif and late kharif crops contribute 20% each. **Hence, statement 2 is incorrect.**
- In an unprecedented move the Government raised the quantum of onion buffer to 5.00 lakh metric tonne in 2023, after achieving the initial procurement target of 3.00 lakh metric tonne.
- In this regard, the Department of Consumer Affairs has directed NCCF and NAFED to procure 1.00 lakh tonne each to achieve the additional procurement target alongside calibrated disposal of the procured stocks in major consumption centres. **Hence, statement 1 is correct.**

Chart IV.14: Household consumption is lower than the production

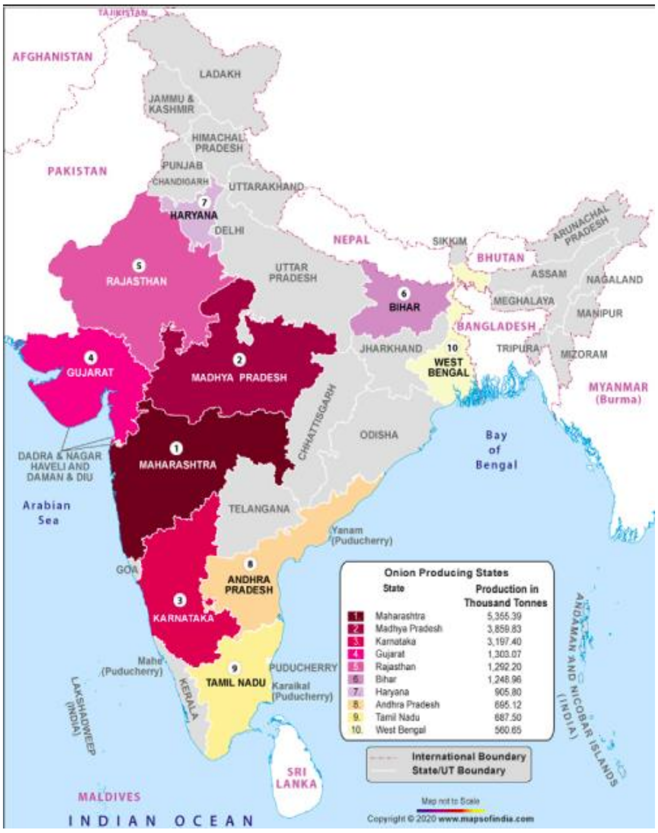


Source: Horticulture Statistics Unit, Economics, Statistics & Evaluation Division, M/o A&FW, HCS, 2022-23, MoSPI, Population Projections for India and States 2011 – 2036, Ministry of Health & Family Welfare
Note: Annual Household Consumption is calculated from the Report of HCS, 2022-23 of MoSPI

Table IV.1: Onion and tomato crop calendar

Vegetable	Share in Production	Season	Transplanting	Harvesting Period
Onion	30%	Kharif	Jul-Aug	Oct-Dec
		Late Kharif	Oct-Nov	Jan-Mar
	70%	**Rabi**	**Dec-Jan**	**End of Mar to May**
Tomato	33%	Kharif	May-Jul	Jul- Sept
	67%	**Rabi**	**Oct-Nov, Jan-Feb**	**Dec-Jun**

Source: PIB releases, Ministry of Consumer Affairs, Food & Public Distribution[11]



17. Which of the following best describes the impact of "Greenium" on the issuer of a green bond?

A. Increased borrowing costs.

B. Lower borrowing costs.

C. No significant impact on borrowing costs.

D. Increased risk of default.

Answer: B

- Greenium is a term derived from "Green Premium" and refers to the phenomenon where green bonds (bonds issued to fund environmentally sustainable projects) have a lower yield compared to conventional bonds. This results in lower borrowing costs for the issuer. **Hence option B is correct.**
- The demand for green bonds often exceeds supply due to investors' growing preference for environmentally friendly investments. This higher demand leads to lower yields, creating the greenium effect.

18. Which of the following statements is/are correct with respect to the Double Taxation Avoidance Agreement (DTAA)?

1. Section 90 of the Income Tax Act of India provides tax relief as per the provisions of DTAAs.
2. A DTAA cannot be implemented unless it is officially notified under Section 90 of the Income Tax Act, 1961.

Select the correct code.

A. 1 only

B. 2 only

C. Both 1 and 2

D. None of the above

Answer: C

- Double Taxation Avoidance Agreements (DTAA) is a treaty signed between two or more countries and is applicable in cases where a taxpayer residing in one country has to earn his/her income from another country.
  - The DTAA agreements cover a range of income such as income from employment, business profits, dividends, interest, royalties, capital gains, among others.
  - DTAA, signed by India with different countries, fixes a specific rate at which tax has to be deducted on income paid to residents of that country.

- Section 90 of the Income Tax Act prescribes tax relief under the Double Taxation Avoidance Agreement (DTAA). **Hence, statement 1 is correct.**
- It ensures that no company or individual pays income tax twice while working in a foreign country or for a foreign company.

- The Supreme Court has recently ruled that a Double Taxation Avoidance Agreement (DTAA) cannot be enforced unless it is notified under Section 90 of the Income Tax Act. **Hence, statement 2 is correct.**

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19. To be considered "money," a commodity must possess which of the following characteristics:

1. Facilitates the exchange of goods and services.
2. Serves as a standardized unit for measuring and expressing prices.
3. Is readily divisible into smaller units.
4. Possesses value beyond its use as currency.

How many of these characteristics are essential for something to be recognized as money?

A. Only 1

B. Only 2

C. Only 3

D. All 4

Answer: C

- Money is defined as any item or verifiable record accepted as payment for goods and services and repayment of debts. To function effectively as money, a commodity must possess several key characteristics.
- Characteristics of Money
    - Facilitates the Exchange of Goods and Services: This is the primary function of money. It acts as a medium of exchange, overcoming the inefficiencies of a barter system. **Hence, option 1 is correct.**
        - Without this characteristic, a commodity cannot serve as money.
    - Serves as a Standardized Unit for Measuring and Expressing Prices: Money acts as a unit of account, allowing the value of goods and services to be expressed in standardized terms (e.g., dollars, rupees).
        - This characteristic ensures ease in comparing prices and making economic decisions. **Hence, option 2 is correct.**
    - Is Readily Divisible into Smaller Units: Divisibility allows money to be used for transactions of varying sizes.
        - Without divisibility, money would struggle to function as an effective medium of exchange. **Hence, option 3 is correct.**
    - Possesses Value Beyond Its Use as Currency: This refers to intrinsic value, where the commodity has value independent of its role as money (e.g., gold or silver in the past).
    - **Seigniorage** is the difference between the value of currency/money and the cost of

producing it. It is essentially the profit earned by the government by printing currency.

- In modern times, fiat money (e.g., paper currency) does not possess intrinsic value, yet it functions effectively as money due to government backing. Not essential for something to be considered money. **Hence, option 4 is incorrect.**

---

20. Which one of the following statements is incorrect?

A. When dollar strengthens, central banks can buy gold to diversify their forex.

B. SDR can be exchanged among IMF members for dollar.

C. American Depository Receipts are denominated in dollar and used to invest in US companies.

D. None of the above

Answer: C

- Central banks can purchase gold to diversify their reserves and reduce dependency on the US dollar.
- This strategy is often employed to hedge against currency depreciation and geopolitical risks. **Hence, statement A is correct.**
- However, the decision to buy gold is influenced by various factors, including economic conditions, currency strength, and geopolitical considerations.
- The relationship between the dollar's strength and gold purchases isn't straightforward; central banks may buy gold regardless of the dollar's performance to achieve diversification and stability in their reserves.
- Special Drawing Rights (SDRs) are an international reserve asset created by the IMF to supplement its member countries' official reserves.
- SDRs can be exchanged among IMF member countries for freely usable currencies like the dollar, euro, yen, etc. **Hence, statement B is correct.**
- American Depository Receipts (ADRs) are financial instruments that allow investors to invest in non-US companies that are listed on US stock exchanges.
- ADRs are denominated in US dollars, and they represent shares of foreign companies. **Hence, statement C is incorrect.**
- For example, an investor in the US can use ADRs to invest in a foreign company like Tata Motors or Alibaba.

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21. Consider the following statements.

1. India was the first developing country to implement DFQF market access for LDCs in 2008.
2. The decision to grant DFQF access to LDCs was initially made at the WTO Hong Kong Ministerial Meeting in 2005.

Which of the above statements is/are correct with respect to Duty-Free Quota-Free (DFQF) scheme for Least Developed Countries (LDCs)?

A. 1 only

B. 2 only

C. Both 1 and 2

D. Neither 1 nor 2

Answer: C

- The Duty-Free Quota-Free (DFQF) scheme is a trade initiative aimed at helping Least Developed Countries (LDCs) access foreign markets.
- LDCs can export certain goods to participating countries without facing any customs duties (taxes) or quotas (restrictions on quantity).
- The decision to provide duty free quota free (DFQF) access for LDCs was first taken at the WTO Hong Kong Ministerial Meeting in 2005. **Hence, statement 2 is correct.**
- This scheme helps LDCs become more competitive in the global market by lowering the cost of exporting their goods.
- Developed and developing countries can choose to participate in the DFQF scheme and offer duty-free quota-free access to their markets for LDC products.
- India offers a DFQF scheme, allowing LDCs to export most products to India without duties or quotas.
- India became the first developing country to extend this facility to LDCs in 2008, providing market access on 85 per cent of India's total tariff lines to better integrate LDCs into the global trading system and improve their trading opportunities. **Hence, statement 1 is correct.**

22. How many of the following statements is/are included in Revenue Receipts of Budget?

1. Recoveries of Loans & Advances from Foreign Governments.
2. Grants from Asian Development Bank
3. Dividends from Public Sector Enterprises
4. Surplus transfer of Reserve Bank of India
5. Disinvestment Receipts

Select the correct code.

A. Only 2

B. Only 3

C. Only 4

D. All 5

Answer: B

- Revenue Receipts are the earnings of the government that do not create liabilities or reduce assets. They consist of two major components:
- Tax Revenue: Income from taxes like income tax, corporate tax, GST, etc.
- Non-Tax Revenue: Income from sources other than taxes, such as dividends, interest receipts, and profits from government enterprises.
- Non-Revenue Receipts (Capital Receipts), on the other hand, include borrowings, disinvestment, and recovery of loans.
- Recovery of loans involves the repayment of loans previously disbursed by the government to foreign governments or domestic entities.
- This is classified under Capital

Receipts because it reduces the government's assets (loans given out). **Hence, option 1 is incorrect.**

- Grants are non-repayable funds or financial assistance provided to the government. Such grants are considered Revenue Receipts, as they do not create liabilities or reduce assets. **Hence, option 2 is correct.**
- Dividends received from PSEs represent the share of profit the government earns from its investments in these enterprises. Dividends are part of Non-Tax Revenue and are included in Revenue Receipts. **Hence, option 3 is correct.**
- The surplus transfer from RBI refers to the profits earned by the central bank, which are transferred to the government. This is categorized as Non-Tax Revenue and forms a part of Revenue Receipts. **Hence, option 4 is correct.**
- Disinvestment refers to the sale of the government's stake in Public Sector Enterprises or assets. Disinvestment receipts are classified under Capital Receipts, as they involve a reduction in the government's assets. **Hence, option 5 is incorrect.**

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23. Consider the following statements with respect to Central Bank Digital Currency (CBDC).

1. Retail CBDCs can be used by individuals to perform transactions by scanning UPI QR codes at merchant outlets.
2. Wholesale CBDCs have the potential to significantly reduce reliance on the US dollar in international transactions.

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

- CBDC refers to a digital form of fiat currency issued and regulated by a central bank. It exists in two forms:
  - Retail CBDC: Used by individuals for everyday transactions.
  - Wholesale CBDC: Used by financial institutions for large-value settlements, particularly interbank transactions.
- Retail CBDC is designed for the general public and can be used for retail transactions, including payments at merchant outlets.
- Integration with existing infrastructure such as UPI QR codes facilitates seamless usage. For instance, the Reserve Bank of India (RBI) has proposed interoperability between e₹ (Digital Rupee) and existing payment systems like UPI to promote wider adoption. **Hence, statement 1 is correct.**
- Wholesale CBDCs are used for interbank settlements and cross-border payments, offering faster, cost-effective alternatives to traditional correspondent banking systems.

- CBDCs can reduce reliance on the US dollar by facilitating direct settlement in local or partner currencies, bypassing the need for an intermediary currency like the USD. **Hence, statement 2 is correct.**

---

24. The "degree of openness" of an economy primarily refers to:

A. The level of government intervention in the economy.

B. The extent of international trade (imports and exports) relative to the size of the economy.

C. The flexibility of labor markets within the country.

D. The level of technological advancement in the country.

Answer: B

- The degree of openness of an economy refers to its integration with the global economy.
- It measures how much a country engages in international trade (exports and imports) relative to its economic size (GDP). **Hence, statement B is correct.**
- A high degree of openness indicates a significant reliance on global markets for trade and economic activities, while a low degree indicates a more closed or self-reliant economy.

IMF

- International Monetary Fund (IMF) came up in 1944.
- Board of Governors of the IMF consists of one Governor and one Alternate Governor from each member country.
- For India, Finance Minister is the Ex-officio Governor
- The RBI Governor is the Alternate Governor on the Board.
- The day-to-day management of the IMF is carried out by the Managing Director who is Chairman of the Board of Executive Directors.
- India is represented at the IMF by an Executive Director, who also represents three other countries in India's constituency, viz., Bangladesh, Sri Lanka and Bhutan.

What are IMF quotas?

- Quotas are the building blocks of the IMF's financial and governance structure.
- An individual member country's quota broadly reflects its relative position in the world economy.
- Quotas are denominated in Special Drawing Rights (SDRs), the IMF's unit of account.
- Quotas are assigned by IMF according to –
    - The relative size of its GDP (50%)
    - Openness (30%)
    - Economic variability (15%)
    - International reserves (5%)

---

25. Consider the following statements.

1. A zero-coupon bond purchased at a price exceeding its face value will result in a negative yield.
2. A negative yield bond signifies a scenario where the borrower receives payment from the lender.

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: D

- A zero-coupon bond does not pay periodic interest (coupon). Instead, it is sold at a discount to its face value and redeemed at par upon maturity.
- The yield on a zero-coupon bond depends on the difference between the purchase price and the face value, along with the time to maturity.
- If a zero-coupon bond is purchased at a price exceeding its face value, the investor will effectively incur a loss because the amount paid upfront (purchase price) is higher than the amount received at maturity (face value). **Hence, statement 1 is correct.**
- This scenario leads to a negative yield, as the return is negative over the bond's holding period.
- A bond has a negative yield when the total return for the investor (lender) is negative over the holding period. This can happen if:
    - The bond price is higher than its redemption value.
    - The cost of holding the bond outweighs its returns.
- In such cases, investors essentially pay the borrower (issuer) to hold the bond. A negative yield bond signifies a scenario where the borrower benefits at the expense of the lender. **Hence, statement 2 is correct.**

---

26. How many of the following factors can contribute to an improvement in a country's trade balance?

1. Imposing import tariffs.
2. Negotiating free trade agreements with other nations.
3. Implementing import substitution policies.
4. Utilizing currency management strategies.

Select the correct code.

A. Only 1

B. Only 2

C. Only 3

D. All 4

Answer: D

- The trade balance is the difference between a country's exports and imports.
    - Surplus: Exports > Imports.
    - Deficit: Imports > Exports.
- Improving the trade balance typically means reducing the trade deficit or increasing the surplus.
    - Import tariffs are taxes imposed on imported goods, making them more expensive compared to domestically produced

goods.

- By discouraging imports due to higher costs, tariffs can reduce the volume of imported goods. This leads to a lower import bill, which can improve the trade balance. **Hence, option 1 is correct.**

- FTAs remove or reduce tariffs and other trade barriers between member nations, promoting easier trade.
    - While FTAs can increase trade flows overall, their impact on the trade balance depends on whether exports or imports grow more.
    - If the FTA results in higher exports relative to imports, it can improve the trade balance. **Hence, option 2 is correct.**
- Import substitution involves producing goods domestically that would otherwise be imported, reducing dependency on foreign products.
    - Reduces imports by promoting local production, improving the trade balance. **Hence, option 3 is correct.**
- Currency management involves strategies like devaluing the domestic currency to make exports cheaper and imports more expensive.
    - A weaker domestic currency can boost exports by making them more competitive internationally, while reducing imports by making them costlier. **Hence, option 4 is correct.**

---

27. Which of the following statements is/are correct with respect to Offshore Areas Minerals (Development and Regulation) Amendment Act, 2023?

1. The Act allows the administering authority to grant production leases in reserved areas to government companies.
2. The Act provides license holders with the option to pay an equivalent amount to the Offshore Areas Mineral Trust instead of paying royalties to the government.

Select the correct code.

A. 1 only

B. 2 only

C. Both 1 and 2

D. None of the above

Answer: A

- The Offshore Areas Mineral (Development and Regulation) (OAMDR) Act has recently been amended w.e.f. 17.08.2023 which introduced transparent and non-discretionary auction process as the method of allocation of operating rights in the offshore areas.

	Offshore Areas Mineral (Development and Regulation) Act, 2002	Offshore Areas Mineral (Development and Regulation) Amendment Act, 2023

License	Different licenses for reconnaissance, exploration, and production.	Composite license for granting rights for exploration as well as production.
Auction Process	Provides for the grant of concessions through administrative allocation.	Provides two types of operating rights to the private sector by competitive bidding, viz. production lease, and composite license.
Validity	Production lease is granted for a period of up to 30 years, further renewed for up to 20 years.	Production lease under a composite license will be valid for 50 years.
Mining in reserved areas	Allows the government to reserve offshore areas that are not held under any operating right.	Allows the administering authority to grant a composite license or production lease to the government or a government company.

From the table, statement 1 is correct.

- The amended act sets up the Offshore Areas Mineral Trust. Concession holders will be required to pay an amount to the Trust in addition to any royalty. **Hence, statement 2 is incorrect.**
- The funds will be used for specified purposes including: (i) exploration in offshore areas, (ii) research and studies about the mitigation of adverse effects of offshore mining on the ecology, and (iii) relief upon the occurrence of a disaster.

---

28. Which of the following is not a push factor for migration?

A. Lack of job opportunities in the origin country

B. Political instability in the origin country

C. Higher wages and better living standards in the destination country

D. Natural disasters in the origin country

Answer: C

- Migration refers to the movement of individuals or groups from one place to another, often driven by a combination of push factors and pull factors:
- Push Factors: Conditions that compel individuals to leave their place of origin. These are typically negative or undesirable circumstances like:
    - Lack of employment opportunities.
    - Political instability or persecution.
    - Natural disasters.
    - Poverty or poor living conditions.
- Pull Factors: Conditions that attract individuals to a new destination. These

are typically positive features like:

- Higher wages.
- Better living standards. **Hence, option C is the correct answer.**
- Availability of education and healthcare.
- Political stability and safety.

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29. Consider the following statements.

Statement I: The value of currency notes and coins is derived from the guarantee provided by the issuing authority.

Statement II: Currency notes and coins do not possess intrinsic value.

Which one of the following is correct in respect of the above statements?

A. Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.

B. Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.

C. Statement – I is correct but Statement – II is incorrect

D. Statement – I is incorrect but Statement -II is correct

Answer: A

- The value of currency notes and coins is not based on their intrinsic value (like gold or silver coins in the past) but on the guarantee provided by the issuing authority.
- In India, currency notes are issued by the Reserve Bank of India (RBI), and the guarantee is provided under the authority of the Indian government. Coins, however, are issued directly by the Government of India.
- Intrinsic value refers to the material worth of an object, such as the value of gold or silver in coins.
- Modern currency notes are made of paper or polymer, and their material cost is negligible compared to their face value. Similarly, coins are made of inexpensive metals with minimal intrinsic value compared to their denominated worth.
- Statement I explains the basis of currency value as the guarantee by the issuing authority.
- Statement II elaborates that since currency notes and coins lack intrinsic value, their value must come from the guarantee provided by the authority.
- This establishes a cause-and-effect relationship where Statement II explains Statement I.
- Hence, Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.

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30. What is the primary objective of implementing the "Time of Day (ToD) Tariff"?

A. To encourage higher electricity usage during peak hours.

B. To equalize electricity rates across all time periods.

C. To manage electricity demand by incentivizing off-peak usage.

D. To increase revenue for electricity distribution companies only.

Answer: C

- The Time of Day (ToD) Tariff is a pricing mechanism where electricity rates vary depending on the time of day. Typically, electricity is costlier during peak demand hours and cheaper during off-peak hours.
- This tariff structure is designed to manage electricity demand by encouraging consumers to shift their usage from peak hours to off-peak hours.
- How It Works:
  - Peak Hours: Electricity is more expensive because demand is high.
  - Off-Peak Hours: Electricity is cheaper to encourage consumption when demand is low.
- By spreading demand more evenly, it helps optimize the load on the grid and reduces strain on power generation and distribution infrastructure.
- **The Time of Day (ToD)** tariff by the distribution licensees to its consumers is as approved by the Appropriate Commission for that particular category of consumer. In most of the States the ToD tariff is applicable for Commercial and Industrial consumers. In some of the States ToD Tariff is applicable for other e.g. domestic and agricultural consumers also.
- Ministry of Power has issued the Electricity (Rights of Consumers) Amendment Rules, 2023 wherein the rule for Time of Day (ToD) Tariff has also been specified. The main features of these Rules are:
  - ToD tariff for Commercial and Industrial consumers having maximum demand more than 10kW shall be made effective from a date not later than 1st April, 2024 and for other consumers except agricultural consumers, the ToD tariff shall be made effective not later than 1st April, 2025.
  - ToD tariff shall be made effective immediately after installation of smart meters for the consumers.
  - ToD tariff, during the peak period of the day, for Commercial and Industrial consumers shall not be less than 1.20 times the normal tariff and for other consumers it shall not be less than 1.10 times the normal tariff.
  - Tariff for solar hours, of the day, to be specified by the State Commission shall be at least twenty percent (20%) less than the normal tariff for that category of consumers.
  - ToD tariff shall be applicable on energy charge component of the normal tariff.

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31. With reference to different types of economic planning, consider the following statements:

1. Imperative planning is primarily followed in command economies where the state, has full control over economic decisions.
2. Indicative planning is commonly used in democratic and liberal states, where planning provides only a framework for the economy.
3. Normative planning is based on the value system of society and was first advocated in India in the Economic Survey 2010–11.

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: C

- **Statement 1 is correct:** Imperative Planning Followed by command economies. Such planning models set very specific goals for each sector of economy.
- Also known as directive/Target Planning.
- All economic decisions in hands of state.

Features

- Quantitative targets of growth and development
- State control of resources.
- Negligent role of market, no independent price mechanism.
- No/negligent private participation in Economy.
- Ex- centrally Planned Economy -> USSR, China etc.
- **Statement 2 is correct:** Indicative Planning
- Used by democratic, liberal states.
- Main idea behind this model is planning is required only to provide a framework to economy.
- Also called Basic structure planning.
- **Statement 3 is correct:** Normative Planning
- One major classification of planning, which has been in news for the past few years, is done on the basis of 'value system' of the society—systems andnormative planning.
- The normative approach of planning is value-based.
- This process of planning remains in conformity to the value system of the target population—having quite diversified approach to development.
- The Economic Survey 2010–11 is the first document of the Government of India which advocates the need for a normative approach to planning in India.

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32. With reference to Special Drawing Rights (SDRs), consider the following statements:

1. SDRs are a form of international currency issued by the International Monetary Fund (IMF).
2. The value of SDRs is determined based on a basket of major international currencies.

3. SDRs can only be held by IMF member countries and prescribed holders, not by private entities.
4. India holds more than 5% of the total SDR allocation made by the IMF.

Which of the statements given above is/are correct?

A. 1 and 2 only

B. 2 and 3 only

C. 1, 3, and 4 only

D. 2, 3, and 4 only

Answer: B

- **Statement 1 is incorrect:** SDRs are not a currency but an international reserve asset created by the IMF to supplement member countries' official reserves.
- **Statement 2 is correct:** The value of SDRs is based on a basket of major currencies (USD, EUR, CNY, JPY, and GBP), reviewed every five years.
- **Statement 3 is correct:** Private entities cannot hold SDRs; they can only be held by IMF member countries and prescribed holders like certain international organizations.
- **Statement 4 is incorrect:** As of August 2021, India holds around 2.75% of the total SDR allocation, which is less than 5%

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33. Choose the incorrect options:

Concept	Definition
1. NEER	An increase in NEER indicates an appreciation of the local currency against the weighted basket of currencies of its trading partners.
2. REER	The REER, defined as a weighted average of nominal exchange rates adjusted for relative price differential between the domestic and foreign countries.
3. Depreciation	In foreign exchange market, it is a situation when domestic currency loses its value in front of a foreign currency if it is market- driven (floating exchange rate system).

Options:

A. 1 and 3

B. 1 and 2

C. 2 and 3

D. 1, 2 and 3

Answer: D

NEER

- Nominal Effective Exchange Rate (NEER) of the rupee is a weighted average of exchange rates of the currencies of India's major trading partners.
- NEER is a measure of the value of a currency against a weighted average of several foreign currencies.
- An increase in NEER indicates an appreciation of the local currency against the weighted basket of currencies of its trading partners.

REER

- When the weight of inflation is adjusted with NEER, we get Real Effective Exchange Rate (REER) of the rupee.
- The REER, defined as a weighted average of nominal exchange rates adjusted for relative price differential between the domestic and foreign countries.

Depreciation

- In foreign exchange market, it is a situation when domestic currency loses its value in front of a foreign currency if it is market-driven (floating exchange rate system).

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34. Consider the following statements regarding Foreign Direct Investment (FDI) in India:

1. Any foreign investment of 10% or more in a listed company or any percentage in an unlisted entity is classified as FDI, as per the Mayaram panel recommendations.
2. Once an investment is classified as FDI, it will continue to remain FDI even if the stake falls below 10% in a listed company.

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

FDI

- 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.
- As per the Mayaram panel's recommendations, any foreign investment of 10% or more in a listed company or any investment in an unlisted company is classified as FDI.**Hence,statement 1 is correct**
- If an investment is initially classified as FDI, it will continue to be considered as FDI even if the holding falls below 10% in a listed company; it will not be reclassified as Foreign Portfolio Investment (FPI).**Hence,statement 2 is correct**
- Further, any investment in an unlisted entity (even if it is only 1 or 2 percent of paid-up capital) is treated as FDI.
- It is the percentage which defines whether it is FDI or portfolio investment. If it is <10 percent in a listed company, then it is termed as portfolio investment.
- Once an FDI always an FDI (even if the holding comes down to <10 percent, it will not become FPI but will continue to be termed as FDI.)
- Cash is not a permissible mode of payment for making FDI.
- In partnership/proprietorship concerns in India, only NRIs/OCIs are allowed to invest on a non-repatriation basis (foreigners are not allowed).
- **FDI may be of two types:**
    - Brownfield investment: In this case, the entity or a government buys an existing plant or company or factory in order to launch a new production

activity. Since the existing units are taken over, no new factory is set up under brownfield investment.

- Greenfield investment: It occurs when multinational corporations enter foreign countries to build new factories and/or stores. This is just opposite to brownfield investment.

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35. Consider the following statements regarding Transferable Development Rights (TDRs) in India:

1. Transferable Development Rights (TDRs) allow landowners to receive a Development Rights Certificate (DRC) in place of monetary compensation when their land is acquired for infrastructure projects.
2. TDRs can be transferred from a low-density area to a high-density area, enabling optimal urban expansion.

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: A

- Transferable development rights (TDR) is a method by which developers can purchase the development rights of certain parcels within a designated "sending district" and transfer the rights to another "receiving district" to increase the density of their new development.
- The underlying legal concept of a transfer of development rights programme is the notion that all land has a bundle of property rights.
- It is used for controlling land use to complement land-use planning and zoning for more effective urban growth management and land conservation.
- When land is acquired for public infrastructure projects, the government may issue a Development Rights Certificate (DRC) instead of direct monetary compensation, which allows the landowner additional built-up area or the right to sell it.**Hence,statement 1 is correct**
- TDR cannot be transferred from a low-density area to a high-density area, as it would disrupt planned urban development.**Hence,statement 2 is incorrect**

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36. Consider the following statements regarding the internationalization of the Indian Rupee:

1. Internationalization of the rupee refers to the increasing use of the Indian rupee in both current and capital account transactions across borders.
2. Currently, the Indian rupee accounts for more than 5% of global trade, reflecting its growing acceptance in international transactions.

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: A

Internationalisation of Rupee

- 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.
- The process of internationalization of the rupee involves increasing its use in cross-border transactions, starting with trade (current account) and gradually expanding to capital account transactions.**Hence,statement 1 is correct**
- The rupee accounts for less than 1.7% of global trade, whereas the US dollar dominates with 88% of international transactions.**Hence,statement 2 is incorrect**

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37. Consider the following statements regarding Inflation Tax and Choose the incorrect options:

A. Inflation tax is a legal tax imposed by the government to generate revenue during periods of high inflation.

B. Inflation tax refers to the loss of purchasing power of cash due to rising inflation, effectively penalizing those who hold cash rather than assets.

C. Milton Friedman referred to inflation tax as the "Unlegislated Tax of Inflation."

D. Governments benefit from inflation tax as they can repay their outstanding debts with money that has lower purchasing power than when the debt was incurred.

Answer: A

- **Statement A is incorrect:** Inflation tax is not a legal tax but rather an indirect economic phenomenon where inflation reduces the value of cash holdings.
- **Statement B is correct:** Inflation tax penalizes those who hold cash, as its purchasing power decreases with inflation.
- **Statement C is correct:** Milton Friedman coined the term "Unlegislated Tax of Inflation", highlighting how inflation acts as an implicit tax.
- **Statement D is correct:** Governments benefit from inflation tax because they repay debts with devalued currency, effectively reducing the real burden of debt repayment.

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38. Choose the incorrect statements regarding the Producer Price Index (PPI) and Wholesale Price Index (WPI):

A. The Wholesale Price Index (WPI) includes indirect taxes and distribution costs up to the stage of wholesale transactions, whereas the Producer Price Index (PPI) excludes indirect taxes.

B. The weight of an item in WPI is based on net traded value, while in PPI, weights are derived from the Supply Use Table.

C. The WPI includes services, whereas the PPI does not cover services.

D. The Producer Price Index (PPI) removes the multiple counting bias inherent in the Wholesale Price Index (WPI).

Answer: C

- **Statement A is correct:** WPI includes indirect taxes and distribution costs, whereas PPI excludes indirect taxes to measure the actual price received by producers.
- **Statement B is correct:** The weight of an item in WPI is based on net traded value, while PPI derives weights from the Supply Use Table.
- **Statement C is incorrect:** WPI does not cover services, whereas PPI includes services, making PPI a more comprehensive measure of inflation.
- **Statement D is correct:** PPI removes the multiple counting bias present in WPI, as it tracks price changes at the producer level rather than at multiple stages of the supply chain.

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39. Assertion (A): The Market Intelligence and Early Warning System (MIEWS) portal helps in monitoring the prices of Tomato, Onion, and Potato (TOP) and generates alerts for interventions under the Operation Greens scheme.

Reason (R): MIEWS disseminates real-time data on prices, arrivals, production, and trade of TOP crops, enabling timely government intervention to stabilize market volatility.

Select the correct answer using the codes given below:

A. Both A and R are true, and R is the correct explanation of A.

B. Both A and R are true, but R is not the correct explanation of A.

C. A is true, but R is false.

D. A is false, but R is true.

Answer: A

- Assertion is correct: The MIEWS portal is specifically designed to monitor Tomato, Onion, and Potato (TOP) prices and issue alerts for necessary interventions under the Operation Greens scheme.
- Reason is correct: The portal provides real-time market intelligence by collecting data on prices, arrivals, production, exports, imports, and crop calendars, which allows the government to make timely interventions to stabilize supply and prices.
- R correctly explains A: Since MIEWS enables data-driven policy responses, it serves as the foundation for government actions under Operation Greens, making (a) the correct answer.

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40. With reference to the Platform of Platforms (PoP) under e-NAM, consider the following statements:

1. The Platform of Platforms (PoP) integrates various service providers into the e-NAM ecosystem, including logistics, quality assurance, and warehousing service providers.
2. PoP allows farmers to sell their produce only within their respective states, ensuring local market stability.
3. The PoP can be accessed through the e-NAM mobile app, enabling seamless digital integration for agricultural stakeholders.

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: C

Platform Of Platforms (POP)

- Ministry of Agriculture and Farmers Welfare launched the Platform of Platforms (POP) under the National Agriculture Market (e-NAM).
- e-NAM integrates the platform of Service Providers as "Platform of Platforms" which includes various service providers like:
  - Composite Service Providers: they provide holistic services for trading of agricultural produce including quality analysis, trading, payment systems and logistics.
  - Logistics Service Provider.
  - Quality Assurance Service Provider.
  - Cleaning, Grading, Sorting & Packaging Service Provider. **Hence,Statement 1 is correct.**
  - Warehousing Facility Service Provider.
  - Agricultural Input Service Provider.
  - Technology Enabled Finance & Insurance Service Provider.
  - Information Dissemination Portal: such as Advisory Services, crop forecasting, weather updates, capacity building for farmers etc.
  - Other platforms: such as e-commerce, international agri-business platforms, barter, private market platforms etc.
  - The PoP will create a digital ecosystem, which will benefit from the expertise of different platforms in different segments of the agricultural value chain.
  - The POP can be accessed through e-NAM mobile app which can be downloaded from Google Play Store. **Hence, Statement 3 is correct.**

Benefits:

- With the introduction of POP, farmers will be facilitated to sell the produce outside their state borders. **Hence, Statement 2 is incorrect**
- It will provide various value chain services like trading, quality checks, warehousing, fintech, market

information, transportation etc.

- It gives the users of the platform options to avail services from different service providers.
- It enables farmers, FPOs, traders and other stakeholders to access a wide variety of goods and services across the agricultural value chain through a single window.
- It also saves the time and labour of the stakeholders.

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41. Which among the following best describes the concept of "Special Mention Account (SMA)" in the Banking sector?

A. NPAs which are presently under the reAnswer through the Insolvency and Bankruptcy Code, 2016.

B. Accounts which have been categorized as lost assets by banks

C. Accounts which are likely to become Non-Performing Assets (NPAs) in future

D. NPAs which have been bought by Asset Reconstruction Companies (ARCs)

Answer: C

- Special Mention Account (SMA) refers to loan accounts that show early signs of stress and have the potential to become Non-Performing Assets (NPAs) if not addressed in time.
- The RBI classifies SMAs into different categories based on the number of days a payment has been overdue:
    - SMA-0: Principal or interest payment overdue for 1-30 days.
    - SMA-1: Principal or interest payment overdue for 31-60 days.
    - SMA-2: Principal or interest payment overdue for 61-90 days.
- If the overdue period exceeds 90 days, the account is classified as a Non-Performing Asset (NPA).

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42. With respect to Provisioning Coverage Ratio (PCR), consider the following statements:

1. Under PCR norms, the banks are required to set aside a certain percentage of their profits to cover the risk arising from NPAs.
2. The PCR norms are applicable only for NPAs and not for standard assets.

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: A

- Provisioning Coverage Ratio (PCR) is a measure of funds set aside by banks to cover potential losses due to Non-Performing Assets (NPAs). It requires banks to allocate a certain percentage of their profits to mitigate the risk arising from bad loans. Higher PCR indicates better financial health of the bank in managing

NPAs.**Hence,statement 1 is correct**

- The PCR norms apply not only to NPAs but also to standard assets. Banks are required to maintain provisions even for standard assets (performing loans), although the provisioning percentage is lower compared to NPAs.**Hence,statement 2 is incorrect**

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43. With respect to the "Secured Overnight Financing Rate (SOFR)", consider the following statements:

1. It is an influential interest rate that the banks use to price the US dollar-denominated derivatives and loans.
2. It is based on the transactions in the Treasury Repurchase Market.

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

- The Secured Overnight Financing Rate (SOFR) is a benchmark interest rate that banks and financial institutions use to price US dollar-denominated derivatives and loans. It is considered a more reliable alternative to LIBOR (London Interbank Offered Rate), which has been phased out due to concerns over manipulation.**Hence,statement 1 is correct**
- SOFR is based on transactions in the U.S. Treasury Repurchase (Repo) Market, where financial institutions borrow cash overnight against U.S. Treasury securities as collateral. Since it is backed by secured transactions, SOFR is more transparent and less prone to manipulation compared to LIBOR.**Hence,statement 2 is correct**

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44. Which of the following best describes the concept of "Environmental Kuznets Curve" Hypothesis?

A. Increase in GDP leads to environmental degradation.

B. Increase in GDP leads to improvement in the environment.

C. Improvement in environment leads to increase in GDP size.

D. Increase in GDP leads to environmental degradation initially and later, after certain period of time, environmental degradation reduces.

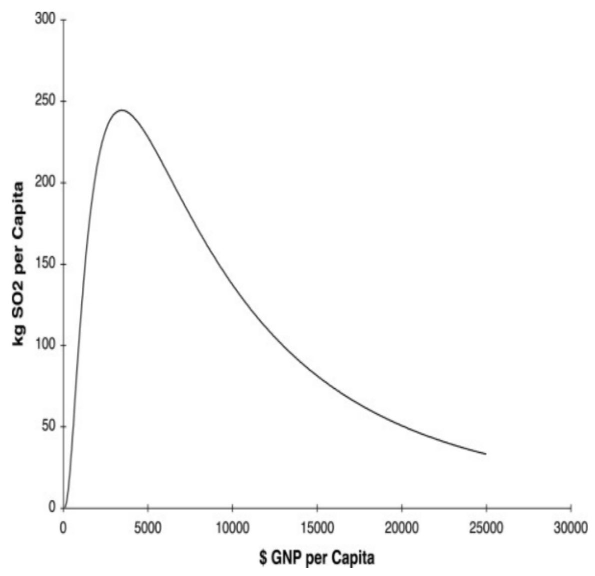
Answer: D

The Environmental Kuznets Curve (EKC) Hypothesis suggests a U-shaped (inverted) relationship between economic growth (GDP per capita) and environmental degradation:

- **Initial Phase (Low GDP per capita):** As an economy grows, industrialization and urbanization lead to higher pollution and environmental degradation.
- **Turning Point (Medium GDP per capita):** After reaching a certain level of income, societies start demanding better environmental quality.
- Governments impose stricter

regulations and businesses adopt cleaner technologies.

- **Later Phase (High GDP per capita):** With further economic development, environmental degradation declines, and sustainability improves.



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45. Which of the following reports is/are published by the International Labour Organization (ILO)?

1. World Employment and Social Outlook Report
2. Future of Jobs Report
3. Global Wage Report

Select the correct answer using the code given below:

A. 1 only

B. 1 and 2 only

C. 2 and 3 only

D. 1 and 3 only

Answer: D

International Labour Organisation

- It was created in 1919, as part of the Treaty of Versailles that ended World War I, to reflect the belief that universal and lasting peace can be accomplished only if it is based on social justice.
- It became a specialized agency of the United Nations in 1946.
- It is a tripartite organization, the only one of its kind bringing together representatives of governments, employers and workers in its executive bodies.
- **Members:**
  - **India is a founding member of the ILO with a total 187 member States.**
  - **In 2020 India assumed the Chairmanship of the Governing Body of ILO.**
- **Headquarter:** Geneva in Switzerland.
- **Awards:** In 1969, ILO received the Nobel Peace Prize for improving fraternity and peace among nations, pursuing decent work and justice for workers, and providing technical assistance to other developing nations.
- **World Employment and Social Outlook Report – Published by ILO**
- This report analyses global patterns, regional differences, and outcomes across economic sectors and groups of workers. It presents projections for the expected labour market recovery.
- **Future of Jobs Report – It is published by the World Economic Forum (WEF), not ILO**
- It is a result of data gathered from

more than 1,000 leading global companies, collectively representing over 14 million workers across 22 industry sectors and 55 economies from across the world.

- Global Wage Report – Published by ILO
- It examines trends in wages, income inequality, and policies affecting labor compensation across different regions.

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46. Consider the following statements regarding GDP at Factor Cost and GDP at Market Price:

1. GDP at Factor Cost includes the impact of indirect taxes and subsidies.
2. GDP at Market Price is always higher than GDP at Factor Cost if indirect taxes exceed subsidies.

Which of the above statements is/are correct?

A. 1 only

B. 2 only

C. Both 1 and 2

D. Neither 1 nor 2

Answer: B

GDP at Factor Cost and Market Price

- GDP at Factor Cost is the output at factory gate
- It attempts to see the output excluding the impact of indirect taxes as well as subsidies
- GDP at Factor Cost excludes the impact of indirect taxes and subsidies, as it measures output at the producer level. **So, Statement 1 is incorrect**
- GDP at market prices: Include the prices consumer will pay for the goods on the market.
- GDPMP = GDPFC + Indirect Taxes – Subsidies
- This means that if there is more subsidy, the more is difference between the GDPMP & GDPFC and vice-versa for Indirect taxes
- GDP at Market Price includes the impact of indirect taxes and subsidies. If indirect taxes exceed subsidies, GDP at Market Price will be higher than GDP at Factor Cost. **So, Statement 2 is correct.**

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47. Consider the following statements regarding the Expenditure Method of calculating GDP:

1. An increase in government spending on infrastructure projects will lead to a direct increase in GDP under the Expenditure Method.
2. Transfer payments, such as pensions and unemployment benefits, are excluded from GDP calculation because they represent a redistribution of income rather than production of goods and services.
3. A rise in imports will increase GDP because it reflects higher demand in the domestic economy.

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. All of the above

Answer: A

Expenditure Method

- Also known as the spending approach, calculates spending by the different groups that participate in the economy.
- GDP is sum of Consumption (C), Investment (I), Government Spending (G) and Net Exports (X –M).
- Y = C + I + G + (X − M)
- **Consumption** is consisting of private (household final consumption expenditure) in the economy. Examples include expenditure on food, rent, jewellery, gasoline, medical expenses, etc.
- **Investment:** This includes construction of a new mine, purchase of software, or purchase of machinery and equipment for a factory.
- Spending by households (not government) on new houses is also included in Investment.
- Government spending is the sum of government expenditures on final goods and services.
- Government spending on infrastructure directly contributes to GDP under the "G" component in the expenditure method. **So, Statement 1 is correct**
- It includes salaries of public servants, purchase of weapons for the military, and any investment expenditure by a government.
- It does not include any transfer payments, such as social security or unemployment benefits.
- Transfer payments can originate from either business or government sources.
- Business transfer payments include corporate gifts to nonprofits institutions, payments for personal injury, and taxes paid by domestic corporations to foreign governments.
- Government transfer payments include Social Security; government employee, military, and railroad retirement pensions; unemployment insurance; veterans' benefits; workers' compensation; cash public assistance etc.
- By their very nature, government transfer payments are excluded from the calculation of a nation's gross domestic product (GDP) since they do not represent compensation for the production of currently produced goods and services.

Why are they called Transfer Payments?

- To be exact, the transfer payments represent a redistribution of income, taking money away from taxpayers and giving it to others who are eligible for the various program.
    - Transfer payments are excluded from GDP because they are not payments for goods or services produced in the current period. **So, Statement 2 is correct**

Exports and Imports

- Imports are subtracted
    - A rise in imports reduces GDP

because it reflects spending on foreign goods rather than domestic production. Imports are subtracted in the GDP calculation. **So, Statement 3 is incorrect**

- Since imported goods will be included in the terms G, I, or C and must be deducted to avoid counting foreign supply as domestic

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48. Choose the incorrect statement regarding the International Comparison Program (ICP) and the World Bank's role in it:

A. The International Comparison Program (ICP) is conducted under the guidance of the United Nations Statistical Commission (UNSC)

B. India has participated in all ICP rounds since the inception of the program in 1970.

C. The Ministry of Finance is responsible for planning and executing national ICP activities.

D. Purchasing Power Parities (PPPs) reflect the relative cost of living across economies

Answer: C

World Bank & International Comparison Programme

- In June 2020, the World Bank released new Purchasing Power Parities (PPPs) for reference year 2017, under International Comparison Program (ICP), that adjust for differences in the cost of living across economies of the World.
- The International Comparison Program (ICP) is the largest worldwide data-collection initiative, under the guidance of UN Statistical Commission (UNSC), with the goal of producing Purchasing Power Parities (PPPs) which are vital for converting measures of economic activities to be comparable across economies. **So, Statement A is correct**
- India has participated in almost all ICP rounds since its inception in 1970. **So, Statement B is correct**
- The Ministry of Statistics and Programme Implementation is National Implementing Agency (NIA) for India, which has the responsibility of planning, coordinating and implementing national ICP activities. **So, Statement C is incorrect**
- India was co-Chair of the ICP Governing Board along with Statistics Austria for the ICP 2017 cycle.
- While the Exchange Rate of US Dollar to Indian Rupee during the period stood at 65.12, the Purchasing Power Parities (PPPs) of Indian Rupee per US$ at Gross Domestic Product (GDP) level turned out to be 20.65.
- PPPs reflect the cost-of-living differences and are used to compare GDP and other economic indicators across countries. **So, Statement D is correct**

Price level Indexes

- At its core, the PLI measures the cost of a standard set of goods and services in different countries relative to a base country, typically expressed as a percentage.

- The PLI provides valuable insights into the cost of living and inflation rates. A high PLI indicates a higher cost of living, which can affect consumer behavior and economic policies. For example, Japan has historically had a high PLI, reflecting its higher cost of living compared to other countries.

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49. Consider the following statements regarding the System of Environmental-Economic Accounting (SEEA):

1. The SEEA is designed to measure both the contribution of the environment to the economy and the impact of the economy on the environment.
2. The SEEA is developed by the European Commission only.

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: A

The System of Environmental-Economic Accounting (SEEA)

- It is an international statistical standard that uses a systems approach to bring together economic and environmental information to measure the contribution of the environment to the economy and the impact of the economy on the environment. **So, Statement 1 is correct**
- The SEEA uses a structure and classifications consistent with the System of National Accounts (SNA) to facilitate the development of indicators and analysis on the economy-environment nexus.

SEEA

- The SEEA is produced and released under the auspices of the United Nations, the European Commission, the Food and Agriculture Organization of the United Nations, the Organisation for Economic Co-operation and Development, International Monetary Fund and the World Bank Group. **So, Statement 2 is incorrect**

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50. Which of the following are the reports released by World Bank:

1. Global Economic Prospects
2. Global Financial Development Report
3. World Development Report
4. Poverty and Shared Prosperity
5. Global Financial Stability Report

Choose the correct options:

A. 1, 2, 3, 4

B. 1, 2, 4, 5

C. 1, 2, 3, 5.

D. 1, 2, 3, 4, 5.

Answer: A

<u>**Global Economic Prospects**</u>

- **Published by: World Bank**
- **Frequency: Twice a year (January and June)**

Focus:

- Provides analysis of global economic trends and growth forecasts.
- Assesses short and long-term growth prospects, risks, and opportunities in the global economy.
- Offers insight into **the impact of policy changes, market conditions, and geopolitical developments. So, option 1 is correct.**

Global Financial Development Report

- **Published by: World Bank**
- **Frequency:** Annually (since 2011)

Focus:

- Examines the state of global financial systems.
- Analyses challenges, financial stability, and financial inclusion.
- Provides policy recommendations to improve financial systems.
- **So, option 2 is correct.**

World Development Report

- **Published by: World Bank**
- **Frequency:** Annually (since 1978)

Focus:

- Flagship report of the World Bank.
- Explores major development issues such as poverty, economic growth, human capital, governance, and climate change.
- Provides policy guidance based on research and case studies.
- **So, option 3 is correct.**

Poverty and Shared Prosperity Report

- **Published by: World Bank**
- **Frequency:** Every two years

Focus:

- Measures global poverty trends and inequality.
- Analyses the progress made in reducing poverty and promoting shared prosperity.
- Identifies key barriers to poverty reduction and provides policy recommendations.
- **So, option 4 is correct.**

Global Financial Stability Report

- **Published by:** International Monetary Fund (IMF)
- **Frequency:** Twice a year (April and October)

Focus:

- Examines the health of the global financial system.
- Identifies key risks to financial stability.
- Provides recommendations to policymakers and financial institutions for improving financial stability.
- **So, option 5 is incorrect.**
