

**IASbaba's Daily Prelims Test-[Day 9]**

**Topic- Economics and Current Affairs**

**1. Which of the following is/are considered as “secondary sector”?**

1. Manufacturing
2. Mining and Quarrying
3. Electricity, Gas and Water Supply
4. Construction

**Select the correct code**

1. 1, 2 and 4 only
2. 1, 3 and 4 only
3. 2 and 4 only
4. 1 and 2 only

**Solution- 2**

**Explanation:** Generally all economic activities divided into eight different industrial divisions.

They are (i) Agriculture (ii) Mining and Quarrying (iii) Manufacturing (iv) Electricity, Gas and Water Supply (v) Construction (vi) Trade (vii) Transport and Storage and (viii) Services.

For simplicity, these divisions can be clubbed into three major sectors viz., (a) primary sector which includes (i) and (ii) , (b) secondary sector which includes (iii), (iv) and (v) and (c) service sector which includes divisions (vi), (vii) and (viii).

**2. The difference between the market prices and factor cost is equal to**

1. Indirect taxes paid
2. Subsidies received
3. Capital consumption
4. Indirect tax paid minus subsidies received

**Solution- 4**

**Explanation:**

Basically, 'factor cost' is the 'input cost' the producer has to incur in the process of producing something (such as cost of capital i.e. interest on loans, raw materials, labour, rent, power, etc.). This is also termed as 'factory price' or 'production cost/price'. This is nothing but 'price' of the commodity from the producer's side. While the 'market prices' is derived after adding the indirect taxes to the factor cost of the product, it means the cost at which the goods reach the market i.e. showrooms (these are the Cenvat/central excise and the CST which are paid by the producers to the Central government in India).

**3. Recently union government made some changes to the GDP calculation method. Which of the following is/are correct with regards to these changes?**

1. The base year for the calculation of GDP was changed to 2011-12 from 2004-05.
2. GDP will be measured by using gross value added (GVA) at market price, rather than factor cost.
3. The change in method of calculation has brought Indian GDP calculations more in line with global practice.

**Select the correct code-**

1. 1 and 3 only
2. 1 and 2 only
3. 2 and 3 only
4. All of the above

**Solution- 4**

**Explanation:**

Earlier, *in India, income is calculated at factor cost*, and so is the case with most of the developing countries. The reasons are – lack of uniformity in taxes, goods are not printed with their prices, etc.

For more details: <http://www.thehindubusinessline.com/opinion/columns/all-you-wanted-to-know-about-calculating-gdp/article6849349.ece>

**4. Which one of the following statement is true?**

1. GDP is always greater than GNP
2. GDP is always lower than GNP
3. GDP is equal to GNP when “income from Abroad” is zero
4. GDP is equal to GNP when “depreciation” is zero

**Ans: 3**

**Explanation:**

Gross National Product (GNP) is the GDP of a country added with its ‘income from abroad’. The items which are counted in the segment ‘Income from Abroad’ are:

1. Trade Balance: the net outcome at the year end of the total exports and imports of a country may be positive or negative accordingly added with the GDP.
2. Interest of External Loans: the net outcome on the front of the interest payments i.e. balance of the inflow (on the money lend out by the economy) and the outflow (on the money borrowed by the economy) of the external interests.
3. Private Remittances: the net outcome of the money which inflows and outflows on account of the ‘private transfers’.

The balance of all the three components of the ‘Income from Abroad’ segment may turn out to be positive or negative. Thus relationship between GDP and GNP depends on the net value of income from abroad. When the income from abroad is zero GDP is equal to GNP.

**5. Consider the following statements regarding the “GDP deflator”.**

1. GDP deflator is a comprehensive measure of inflation.
2. The GDP deflator is based on a fixed basket of goods and services.

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

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

**Ans: 1**

**Explanation:**

Unlike other price indexes, the GDP deflator is not based on a fixed basket of goods and services. It covers the whole economy.

**6. Which of the following is not a feature of “capitalist economy”?**

1. Ownership of means of production is with the private
2. A great part of the production is used for private consumption
3. Labour services are purchased and sold at a price
4. Production takes place for selling the output in the market

**Ans: 2**

**Explanation:** A capitalist economy can be defined as an economy in which most of the economic activities have the following characteristics (a) there is private ownership of means of production (b) production takes place for selling the output in the market (c) there is sale and purchase of labour services at a price which is called the **wage rate** (the labour which is sold and purchased against wages is referred to as **wage labour**).

**7. Consider the following statements regarding Gross Domestic Production.**

1. It is a 'quantitative' concept which indicates the internal strength of the economy.
2. It is used by IMF/WB in the comparative analyses of its member nations.
3. GDP is widely criticized for not considering 'qualitative' aspect of the economy.

**Which of the following is/are correct?**

1. 1 and 3 only
2. 1 and 2 only
3. 1 only
4. All of the above

**Ans: 4**

**Explanation:** It is a 'quantitative' concept and its volume/size indicates the 'internal' strength of the economy. But it does not say anything about the 'qualitative' aspects of the produced goods and services by the economy. It is used by the IMF/WB in the comparative analyses of its member nations.

**8. Consider the following statements regarding purchasing power parity.**

1. It is a technique used to determine the relative value of different currencies.
2. This concept works on the assumption that markets work on the *law of one price*.
3. This is a popular method used by the IMF and WB in studying the living standards of people in different economies.

**Which of the following is/are correct?**

1. 1 and 2 only
2. 1 and 3 only
3. 1 only
4. All of the above

**Ans: 4**

**Explanation:**

*Law of one price*, i.e., identical goods and services (*in quantity* as well as *quality*) must have the same price in different markets when measured in a common currency.

**9. Consider the following statements with respect to state economy.**

1. Socialist & Communist economies are the forms of state economy
2. Planning is the central theme of state economy.
3. India at present is pursuing state economy.

**Which of the following is/are correct?**

1. 1 and 2 only
2. 2 and 3 only
3. 1 and 3 only
4. All of the above

**Ans: 1**

**Explanation:** India presently follows mixed economy.

**10. Company 'X' is headquartered at Delhi, India and it has a production facility at Beijing, China. The output of production facility is part of China's \_\_\_\_\_. The profits of the company which are repatriated to the India are part of India's \_\_\_\_\_.**

1. GDP; GNP
2. GDP; GDP
3. GNP; GDP
4. GNP; GNP

**Ans: 1**

[Current Affairs](#)

**11. Consider the following bills passed by Parliament in recent times**

1. Finance Bill 2015
2. National Judicial Appointments Commission Bill, 2014
3. Insurance laws (Amendment) bill, 2015
4. Motor Vehicles Amendment Bill, 2015

**Select the bills passed through 'Voice Vote'?**

1. 2 and 4
2. 1 and 4
3. 1, 2, 3 and 4
4. None

**Solution- 4**

**Explanation-**

- A **voice vote** is used in Lok Sabha, Rajya Sabha and state assemblies to vote for certain resolutions. It is used when there is a wide agreement on issues and in some cases where the house is not in order. It was used during the formation of Telangana state, in forming the 29th state of India.
- On 14 August 2014, Rajya Sabha passed National Judicial Appointments Commission Bill, 2014 by a voice vote.
- On 12 November 2014, BJP won majority in Maharashtra vidhan Sabha using voice vote which was questioned by opposition parties like Shivsena and INC.
- On 12 March 2015, the parliament passed the Insurance laws (Amendment) bill, 2015. Earlier it was passed in Lok Sabha on 4th March 2015 and then passed by the Rajya Sabha on 12 March 2015 by voice note. It proposes to increase FDI limit in local insurers from earlier 26% to 49% now.
- On 30 April, 2015, the Lok Sabha passed the Finance Bill for 2015 by a voice vote.
- The Lok Sabha on 3 March 2015 passed the Motor Vehicles Amendment Bill, 2015 by voice vote. The Bill seeks to amend the Motor Vehicles Act, 1988 and replace the ordinance promulgated in this regard. Earlier, bill was not able to pass in the winter session of Parliament 2014, so the ordinance was promulgated in January 2015.

12. Suppose you hold license in Mining sector in India. Consider the following statement/s

1. Mining leases can be granted to you up to 50 years except for atomic minerals.
2. Seeing your productive performance, Central government may permit you to acquire one or more licences or leases covering additional area.

Select the correct code-

1. Only 1
2. Only 2
3. Both
4. None

**Solution- 4**

**Explanation-** Recently, Mines and Minerals (Development and Regulation) Act, 2015 was passed.

So a tricky questions to check your concepts 😊

**Read this- Maximum area for mining:** Under the Act, a person could acquire one mining lease for a maximum area of 10 sq km. However, for the development of any mineral, the central government could permit the person to acquire one or more licenses or leases covering additional area. The Bill amends this provision to allow the central government to increase the area limits for mining, instead of providing additional leases.

**Lease period:** Under the Act, a mining lease was granted for a maximum of 30 years and a minimum of 20 years and could be renewed for a period not exceeding 20 years. Under the Bill, **the lease period for coal and lignite remains unchanged. For all minerals other than coal, lignite and atomic minerals, mining leases shall be granted for a period of 50 years.** All mining leases granted for such minerals before the Bill, shall be valid for 50 years. On expiry of the lease, instead of being renewed, the leases shall be put up for auction, as specified in the Act.

13. Which among the following are called 'Notified Minerals'?

1. Bauxite
2. Iron ore
3. Coal
4. Uranium



5. Limestone
6. Manganese ore

**Select the correct ones**

1. 2, 3, 4, 5 and 6
2. 1, 2, 5 and 6
3. 2, 3, 4 and 5
4. 3, 4, 5 and 6

**Solution- 2**

**Explanation-** Mines and Minerals (Development and Regulation) Bill adds a new Fourth Schedule to the Act. It includes **bauxite, iron ore, limestone and manganese ore** and are defined as notified minerals. The central government may, by notification, amend this Schedule.

**14. Consider the following statements w.r.t Enforcement Directorate**

1. It looks after investigation cases related to Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, PMLA
2. It falls under Ministry of Finance, Department of Expenditure
3. ED can arrest the offenders in relation to PMLA offence

**Select the correct code**

1. 1 and 2
2. 2 and 3
3. 1 and 3
4. All

**Solution- 3**

**Explanation-** ED is in news for quite a long time. Prepare about it. It is part of Department of Revenue not Expenditure.

**15. Which of the following treaties are related to Nuclear Weapons?**

1. Antarctica Treaty
2. Seabed Treaty
3. START
4. NPT
5. SORT

**Select the correct code**

1. 1, 4, 5
2. 3, 4 and 5
3. 1, 2,3,4 and 5
4. 2, 3 and 4

**Solution- 3**

**The Strategic Arms Reduction Treaty (START)** was signed between the US and Soviet Union in July 1991. In summary, START I limited the number of heavy bombers (the large aircraft able to carry heavier bombs including nuclear ones), intercontinental ballistic missiles (ICBMs), and submarine launched ballistic missiles (SLBMs), to 1,600 in total. These delivery systems were then limited to deploying no more than 6,000 nuclear warheads in all.

**The Strategic Offensive Reductions Treaty (SORT)** or Moscow Treaty entered into force in June 2003 to limit the numbers of operationally deployed nuclear warheads by the US and Russia to 1,700-2,200 apiece.

**Antarctica Treaty**

In June 1961 the Antarctica Treaty established the use of this continent as only for peaceful purposes and it must be free from nuclear weapons deployment and testing.

**Seabed Treaty**

The Seabed Treaty entered into force in May 1972 with the purpose of forbidding the sitting of nuclear weapons and other weapons of mass destruction on the seabed or ocean floor over 12 miles away from any coastal zone.