Solution for Economy and Economic-Survey Questions

1. **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. **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. **Solution- 1**

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://pib.nic.in/newsite/PrintRelease.aspx?relid=115084
http://www.arthapedia.in/index.php?title=Gross_Value_Added_(GVA)_at_basic_prices_and_GVA_at_Factor_Costs

4. **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. 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. 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. 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. 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. Ans: 1

Explanation: India presently follows mixed economy.

10. Ans: 1

11. Solution: 4

The Tendulkar committee, appointed before the Rangarajan committee, had included the estimates of health and education in its estimation of poverty. But the Rangarajan committee also included nutrition (fat etc.) and a richer basket of commodities for the poor's consumption.

12. Solution: 4

Depreciation is nothing but a continous reduction in the value of something over time. Continuous use of machine leads to depreciation and change of technology makes a machine obsolete. That is an example of depreciation of physical capital. In the case of human capital, depreciation takes place with ageing but can be reduced, to a large extent, through continuous investment in education, health, etc. This investment also facilitates the human capital to cope with change in technology which is not the case with physical capital.

13. Solution: 3

In a knowledge economy, a significant part of a company's value may consist of intangible assets, such as the value of its workers' knowledge (intellectual capital).

Lesser-developed countries tend to have agriculture or agriculture and manufacturing-based economies, while developing countries tend to have manufacturing or manufacturing and service-based economies, and developed countries tend to have service-based economies, which revolve mostly around intellectual capital. IT, research, consultancy etc. are major examples of a knowledge based economy.

14. Solution: 4

According to the latest UNDP report the government spending on education is 4.1 per cent of GDP which is lower than the global weighted average of 4.9 per cent. Defence sector accounts for around 2.5 per cent of GDP in India.

Expenditure on elementary education has to be greater than that in tertiary because of the huge number of students. For e.g. 12 crore children are served mid day meals daily in school!!!

15. Solution: 1

As per RBI regulations, a part (i.e. maximum of 30%) of the aggregate amount of loans by NBFC- MFIs may be extended for other purposes such as housing repairs, education, medical and other emergencies. However aggregate amount of loans given for income generation should constitute at least 70 per cent of the total loans of the NBFC-MFI.

Microcredit is part of microfinance, which provides a wider range of financial services, especially savings accounts, to the poor. Modern microcredit is generally considered to have originated with the Grameen Bank founded in Bangladesh in 1983.

16. Solution: 4

It employs nearly 90% of India's population and generates more than 50% of India's GDP. A number of social security schemes, laws, rules and regulations have been there for these workers. You can read about them here:

http://vikaspedia.in/social-welfare/unorganised-sector-1/categories-of-unorganised-labour-force#section-8

17. Solution: 4

In the last four decades (1972-2010), people have moved from self-employment and regular salaried employment to casual wage work. Yet self-employment continues to be the major employment provider. Scholars call this process of moving from self-employment and regular salaried employment to casual wage work as casualization of workforce. This makes the workers highly vulnerable due to lack of proper legal protection, tough work conditions and social security schemes.

18. Solution: 4

Refer to this link. It has presented all the indicators beautifully.

http://hdr.undp.org/en/data/map

19. Solution: 3

Refer to these two very important articles about inequality in India.

http://www.thehindu.com/data/indias-staggering-wealth-gap-in-five-charts/article6672115.ece

http://economictimes.indiatimes.com/news/economy/indicators/income-inequality-in-india-lowest-among-emerging-nations-oecd/articleshow/47373128.cms

20. Solution: 1

To address the longevity risks among the workers in unorganized sector and to encourage the workers in unorganized sector to voluntarily save for their retirement

- The APY is focussed on all citizens in the unorganized sector. All bank account holders may join APY. APY is applicable to all citizen of India aged between 18-40 years.
- The scheme is administered by the Pension Fund Regulatory and Development Authority (PFRDA) through NPS architecture.
- Under the APY, there is guaranteed minimum monthly pension for the subscribers ranging between Rs. 1000 and Rs. 5000 per month. GoI will also co-contribute 50% of the subscriber's contribution or Rs. 1000 per annum, whichever is lower. Government co-contribution is available for those who are not covered by any

Statutory Social Security Schemes and is not income tax payer. The pension is guaranteed by GoI.

21. SOLUTION: 3

Decline in oil prices helps in decreasing the input cost and also moderates the inflation rate. Monetary easing enhance money supply in the market. Policy support has always been an important factor to put a country on high growth trajectory. Government's pro-business steps establishes an enabling environment for business and build business sentiments among investors. As a result. Growth shows positive trend

22. SOLUTION: 3

Rationalization of subsidies will enhance private investment.

23. SOLUTION: 2

A decline in employment elasticity of growth means a given amount of growth leads to fewer jobs created than in the past. So it is independent of growth envisaged.

24. SOLUTION: 2

Revenue-to-GDP ratio (for the general government) in India is less as compare to emerging Asian economies and it is estimated around 19.5% by IMF <u>*Economic survey page no.8*</u>

25. SOLUTION: 4

Tradition markets like china and Europe are not showing hunger for oil as current dip in demand in international market and in USA increase in oil and shale gas production supplies get enhanced.

26. SOLUTION: 1

Low rural wage growth has been pointed as one of the reason behind moderation in inflation. Lower inflation sets a ground for monetary easing.

27. SOLUTION: 3

High minimum support for rice and wheat entail farmers to grow these high fetching crops. These crops are water intensive so problem of lowering ground water table has been quite conspicuous. These crops are so popular that they are being grown over the areas where traditionally coarse grain crops were cultivated. Coarse grains have high nutrition level

28. SOLUTION: 1

One of the reasons for high freight rate in India is profits generated by freight services have cross-subsidized passengers services.

29. SOLUTION: 2

Financial repression on the asset side is created by statutory liquidity ratio and priority sector lending and liability side by high inflation.

Economic survey page number 30

30. SOLUTION: 2

Public sector banks perform well below private sector banks on average.

31. SOLUTION: 3

Gender inequality index is a composite measure reflecting inequality in achievement between men and women in three dimensions that are reproductive health. Empowerment and the labor market. *Economic survey page number 39*

32. SOLUTION: 1

Coal cess has increased from Rs. 50 to Rs.100, statement 2 and 4 are not at all related to question. India has taken substantial action to eliminate petroleum subsidies and gone beyond to impose substantial taxes on these products

33. Solution: 3

MNERGA comes under plan expenditure head. Statements 1st and 2nd are related to subsidies while 3rd statement is related to defence expenditure.

34. Solution: 1

Only alcohol has been completely exempted. GST on Petroleum products would be applicable from a date to be recommended by council.

35. Solution: 2

It has been observed that in near term, revenue gains may not be significant.(economic survey)

36. SOLUTION: 1

The tax expenditure does have positive externalities so hurting country's economy as whole holds no truth. Some may raise question that its sector specific as given in economic survey but sectors do have forward and backward linkages so there is no point of hurting the economy.

37. SOLUTION: 4

Collection rate= Custom revenue collection/imports. Total import will increase still collection rate decreases. It happens if duties over items have decreased, sometimes, certain items are kept under duty free imports so custom revenue can decease even if there has been an increase in imports. Collection rate is computed as the ratio of total customs revenue collection to the value of imports in the fiscal year. Import increases or decreases it has no effect on collection rate till custom revenue is not known to us. It is a ratio so nothing can be said till we know about the custom duty as well for 1 statement. Reduction in POL will reduce collection rate as we are assuming imports are increasing in India and it's a fact.

38. Solution: 2

Calculate maximum percentage as your own. Statement 1 stands for food not fertilizer.

39. Solution: 2

Fiscal consolidation of states during recent years was largely revenue-led

40. Solution: 1

E**xplanation:** Decline in oil prices in international market would help in lowering the fuel subsidy bill so it will help in fiscal consolidation. Similarly tax buoyancy will swell the revenue receipt of government.

Tax expenditure as we have already read about that it leads to revenue forgone. Statement 4 has been deliberately put to make you take cognizance of facts in spirit rather see them in abstract way. Try to derived essence in relation to given concept. UPSC might not ask in this manner that it could ask with different mathematical terminology as it had done in past.

Suppose in 2013, custom duty revenue was 10 units and import was 100 units so collection rate came out to be 10/100=0.10, if it increased in 2014 by 10 % then collection rate comes out to 0.11 and imports shrank by 10% so import become 90 units. So now if one wants to calculate custom revenue then it would be given by 0.11*90=9.9 units so revenue will decrease from 10 units previous year.

41. Solution- 4

The government should reduce unnecessary expenditure on non-development activities in order to curb inflation. This will also put a check on private expenditure which is dependent upon government demand for goods and services. But it is not easy to cut government expenditure. Though this measure is always welcome but it becomes difficult to distinguish between essential and non-essential expenditure. Therefore, this measure should be supplemented by taxation.

Another measure is to increase savings on the part of the people. This will tend to reduce disposable income with the people, and hence personal consumption expenditure. But due to the rising cost of living, people are not in a position to save much voluntarily.

An important measure is to adopt anti-inflationary budgetary policy. For this purpose, the government should give up deficit financing and instead have surplus budgets. It means collecting more in revenues and spending less.

At the same time, it should stop repayment of public debt and postpone it to some future date till inflationary pressures are controlled within the economy. Instead, the government should borrow more to reduce money supply with the public.

42. Solution- 2

They cannot take part in lending activities and they have to follow corporate governance guidelines

https://rbi.org.in/scripts/bs_viewcontent.aspx?Id=2857

http://www.business-standard.com/article/finance/all-you-want-to-know-about-small-banks-and-payments-banks-114072100489_1.html

43. Solution- 4

The existing portfolio investor class, namely, Foreign Institutional Investor (FII) and Qualified Foreign Investor (QFI) registered with SEBI shall be subsumed under Foreign Portfolio Investor (FPI)

FPIs are not allowed to invest in unlisted shares. However, all existing investments made by the FIIs/Sub-accounts/QFIs are grandfathered. In respect of those securities, where FPIs are not allowed to invest no fresh purchase shall be allowed as FPI. They can only sell their existing investments in such securities.

However, an exception has been made by permitting them to invest in unlisted non-convertible debentures/bonds issued by an Indian company in the infrastructure sector, where 'infrastructure' is defined in terms of the extant External Commercial Borrowings (ECB) guidelines; FPIs are permitted to invest in Government Securities with a minimum residual maturity of one year. However, FPIs have been prohibited from investing in T-Bills.

44. Solution- 2

Think.Eat.Save is a campaign of UNEP and FAO

45. Solution- 2

Funding is not a problem for India now. A big advantage of solar power is its low maintenance cost and photovoltaic cells lasts for nearly 25 years.

http://pib.nic.in/newsite/efeatures.aspx

46. Solution- 3

All of the above will help in Ease of Doing Business in India

47. Ans: (3)

Explanation:

The ***major*** traits of depression could be as given below:
(a) An extremely low aggregate demand in the economy causes activities to decelerate;
(b) The inflation being comparatively lower;
(c) The employment avenues start shrinking forcing unemployment rate to grow fast;
(d) To keep the business going, production houses go for ***forced labour-cuts*** or ***retrenchment*** (***to cut down the production cost and be competitive in the market***) etc.

Recession Vs Depression:

Recession is somewhat similar to the phase of 'depression' – we may call it a *mild form* of depression – fatal for economies as this may lead to depression if not handled with care and in time.
When a downturn in the GDP lasts for at least six months of time, it is termed as recession. When the GDP drops by more than 10 percent, it results in depression.

48. Ans: (4)

Explanation:

What may a government do to rescue the economy from the phase of recession? The usual remedies are given below:
(i) Direct and indirect taxes should be cut down, so that the consumers have higher disposable incomes (income after paying direct tax i.e. income tax) on the one hand and the goods should become cheaper on the other hand thus there is hope that the demand might pick up.
(ii) The burden of direct tax, specially the income tax, divdend tax, interest tax are slashed to enhance the disposable income (***i.e income after direct tax payment***)—
(iii) **Salaries and wages should be revised by the government to encourage general spending** by the consumers (as the Government of India implemented the recommendations of the fifth pay commission without much deliberation in 1996–97).
(iv) Indirect taxes such as custom duty, excise duty (cenvat), sales tax, etc. should be cut down so that produced goods reach the market at cheaper prices.
(v) The government usually goes on to follow a cheap money supply policy by slashing down the interest rates across the board and the lending procedure is also liberalised.
(vi) Tax breaks are announced for new investments in the productive areas. etc.

49. Ans: (3)

Explanation:

Inflation Indexed Bonds (IIBs) were issued in the name of Capital Indexed Bonds (CIBs) during 1997. The CIBs issued in 1997 provided inflation protection only to principal and not to interest payment. IIBs will provide inflation protection to both principal and interest payments.

Tax provisions will be applicable on interest payment and capital gains on IIBs. There will be no special tax treatment for these bonds.

IIBs would be Government securities (G-Sec) and the different classes of investors eligible to invest in G-Secs would also be eligible to invest in IIBs. FIIs would be eligible to invest in the IIBs but subject to the overall cap for their investment in G-Secs (currently USD 25 billion).

For more details:

https://rbi.org.in/scripts/FAQView.aspx?Id=91

50. Ans: (3)

Explanation:
Inflation is a sustained rise in overall price levels.

Repo rate is the rate at which the RBI lends money to commercial banks. In the event of inflation, central banks increase repo rate as this acts as a disincentive for banks to borrow from the central bank. This ultimately reduces the money supply in the economy and thus helps in arresting inflation.

Introduction of increased taxes is one of the fiscal policies to control inflation. But sometimes this may result in cost-push inflation, as increased indirect tax rate increases cost of production.

Maintenance of buffer stock of major agricultural products could be used in supply management which maintains price stability.

Decrease in crude oil production increases crude oil price, which in turn increases cost of production.

51. Ans: (1)

Explanation:

The PPI measures price changes from the perspective of the producer while the consumer price index (CPI) measures it from the consumers' perspective. As the producers sell at higher prices to their whole sellers, so retailers and the price increase is translated into the higher consumer prices—thus the PPI is useful in having an idea of the consumer prices in the future.

In PPI, **only basic prices are used** while **taxes, trade margins and transport costs are excluded.** This index is considered a better measure of inflation as price changes at primary and intermediate stages can be tracked before it gets built into the finished goods stage.
The proposal of switching over to the PPI (from the WPI) came up from the Government by mid-2003. A working Group was set up in mid-2003–04 under the chairmanship of Prof. Abhijit Sen, Member, Planning Commission to fulfill the twin tasks of:

I. Revising the current series of the WPI (i.e. base 1993–94) and
II. Recommending a producer price index (PPI) for India which could replace the WPI.

52. Ans: (4)

Explanation:

There are multi-dimensional effects of inflation on an economy both at the micro and macro levels. It redistributes income; distorts relative prices; destabilises employment, tax, saving and investment policies and finally it may bring in recession and depression in an economy.

I. On Creditors and Debtors
Inflation redistributes wealth from creditors to debtors i.e. lenders suffer and borrowers benefit out of inflation. The opposite effect takes place when inflation falls (i.e. deflation).

II. on Investment
Investment in the economy is boosted by the inflation (in the short-run) because of two reasons:
a. Higher inflation indicates higher demand and suggests enterpreneurs to expand their production level, and
b. Higher the inflation, lower the cost of loan

III. on Tax

Tax-payers suffer while paying their direct and indirect taxes. As indirect taxes are imposed ad valorem (***on value***), increased prices of goods make tax-payers to pay increased indirect taxes. Similarly, due to inflation, direct tax (income tax, interest tax, etc.) burden of the tax-payers also increases as tax-payer's gross income moves to the upward ***slabs*** of official tax brackets (but the real value of money does not increase due to inflation; in fact, it falls).

53. Ans: (3)

Explanation:

Core inflation is the non food manufacturing inflation. Core inflation shows price rise in all goods and services excluding ***energy*** and ***food articles***.

In India, it was first time used in the financial year 2000–01. This was criticized by experts on account of excluding food articles and energy out of the inflation and feeling satisfied on the inflation front. Basically, in the western economies, food and energy are not the problems for the masses, while in India these two segments play the most vital role for them.
For more details:

https://en.wikipedia.org/wiki/Core_inflation

54. Ans: (3)

Explanation:

WPI measures inflation at wholesale market, while CPI measure at retail level. Besides, the way two indices are calculated differs, both in terms of weightage assigned to products as well as the kind of items included in the baskets of products.

Wholesale prices are more or less same throughout the country but Consumer prices vary across the regions(rural and urban) and also across the cities according to the consumer preference for certain products, supplies and purchasing power.

55. Ans: (2)

Explanation:

The excess of total government spending above the national income (i.e**. fiscal deficit**) is known as **the inflationary gap**. This is intended to increase the production level which ultimately pushes the prices up due to extra-creation of money during the process.

The shortfall in total spending of the government (i.e**. fiscal surplus**) over the national income creates **deflationary gap** in the economy. This is a situation of producing more than the demand and the economy usually heads for a general slowdown in the level of demand. This is also known as the ***output gap***.

56. Ans: (3)

Explanation:

New CPI indices are available for five major groups namely Food, beverages and tobacco; Fuel and light; Housing; Clothing, bedding and footwear, and Miscellaneous.

House rent index is compiled only for CPI (Urban). This index is not compiled for rural sector because of two reasons: first there is negligible number of rented dwellings in the rural areas; and the Consumer Expenditure Survey also does not provide estimate of imputed rent for owner occupied houses for this sector.

For more details:

http://mospi.nic.in/Mospi_New/upload/CPI_Changes_7apr15.pdf

56. Ans: (2)

Explanation:

Broad money M3= M1 + Time deposits of the public held by commercial banks.

M1 = CU + DD

Where CU is the Currency held by the public and DD is net Demand deposits held by commercial banks. The word 'net' implies that only deposits of the public held by the banks are to be included in money supply. *The interbank deposits*, which a commercial holds in other commercial banks, are *not regarded as money supply*.

57. Ans: (3)

Explanation:

Priority sector refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation. Typically, these are small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections.

Priority Sector includes the following categories:

(i) Agriculture
(ii) Micro and Small Enterprises
(iii) Education
(iv) Housing
(v) Export Credit
(vi) Others

The Reserve Bank of India (RBI) has revamped priority sector lending (PSL) norms. Now, loans to sectors such as social infrastructure, renewable energy and medium enterprises will also be treated as PSL.

For more details:

https://www.rbi.org.in/scripts/FAQView.aspx?Id=87

http://www.business-standard.com/article/finance/rbi-revamps-priority-sector-lending-norms-115042400043_1.html

58. Ans: (2)

Explanation:

The Government of India, the concerned State Government and the bank, which had sponsored the RRB contributed to the share capital of RRBs in the proportion of 50%, 15% and 35%, respectively.

The RRB's have also been brought under the ambit of priority sector lending on par with the commercial banks.

For more details: http://arthapedia.in/index.php?title=Regional_Rural_Banks

59. Ans: (1)
Explanation:

Urjit Patel committeerecommended that CPI (combined) should be used as the nominal anchor for a flexible inflation targeting (FIT) framework. The choice of CPI as nominal anchor was mainly on account of the fact that the CPI closely reflects cost of living and has larger influences on inflationary expectations than other anchors.

It also recommended that Administered prices and interest rates should be eliminated as they act as impediments to monetary policy transmission and achievement of price stability.

Monetary policy decisions should be vested in a Monetary Policy Committee (MPC) comprising the Governor, the Deputy Governor and Executive Director in charge of monetary policy and two external full-time members. The decisions of the MPC will be by voting.

The Patel Committee endorses the setting up of an independent Debt Management Office (DMO).

https://rbi.org.in/scripts/PublicationReportDetails.aspx?UrlPage=&ID=750

http://www.thehindubusinessline.com/opinion/columns/s-s-tarapore/a-new-framework-for-monetary-policy/article5661119.ece

60. Ans: (1)

Explanation:

This Bank would be responsible for regulating and refinancing all Micro-finance Institutions (MFI) which are in the business of lending to micro/small business entities engaged in manufacturing, trading and services activities.

In lending, MUDRA proposes to give priority to enterprises set up by the under-privileged sections of the society particularly those from the scheduled caste / tribe (SC/ST) groups, first generation entrepreneurs and existing small businesses.

MUDRA Bank will refinance Micro-Finance Institutions through a *Pradhan Mantri Mudra Yojana.*

For more details:

http://www.arthapedia.in/index.php?title=Micro_Units_Development_Refinance_Agency_(MUDRA)_Bank

http://pib.nic.in/newsite/PrintRelease.aspx?relid=116209

61. Ans: (2)

Explanation:

The statutory liquidity ratio (SLR) is the ratio (fixed by the RBI) of the total deposits of a bank which is to *be maintained by the bank with itself in non-cash or cash form* prescribed by the Government.

The cash reserve ratio (CRR) is the ratio (fixed by the RBI) of the total deposits of a bank in India which is kept with the *RBI in cash form.*

62. Ans: (2)

Explanation:

Chit Funds Act, 1982: In 1982, the Ministry of Finance enacted the Chit Funds Act to regulate the sector. Under the Act, the central government can choose to notify the Act in different states on different dates; if the Act is notified in a state, then the state act would be repealed. States are responsible for notifying rules and have the power to exempt certain chit funds from the provisions of the Act.

Classifying chit funds as contracts, the Supreme Court has read chit funds as being part of the Concurrent List of the Indian Constitution; hence both the centre and state can frame legislation regarding chit funds.

The Reserve Bank of India (RBI) is the regulator for banks and other non banking financial companies (NBFCs) but does not regulate the chit fund business.

FDI in chit funds is prohibited under the Government Route as well as the Automatic Route.

63. Ans: 3

Explanation:

Non-Performing Assets (NPAs) are bad debts of banks/Financial Institutions defined as follows
An advance of banks/FIs where—
(i) Interest and/or installment or principal remains overdue for a period more than **180 days** in respect of a term loan.

(ii) Interest and/or installment or principal remains overdue for two harvest seasons but for a period not exceeding two-and-a-half years in the case of agricultural loans.

64. Ans: (3)

Explanation:

The objectives of setting up of small finance banks will be to further financial inclusion. The small finance banks will be required to extend 75 per cent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank.

The foreign shareholding in the small finance bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks.

The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore.

Resident individuals/professionals with 10 years of experience in banking and finance; and companies and societies owned and controlled by residents will be eligible to set up small finance banks. Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area Banks (LABs) that are owned and controlled by residents can also opt for conversion into small finance banks.

https://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=32614

65. Ans: (3)

Explanation:

Major difference between Banks and NBFCs are as follows:

i. NBFC cannot accept demand deposits.

ii. NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself.

iii. Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

66. Solution- 2

Fiscal deficit will reduce as cost of government borrowing will reduce in light of reduced interest rates.

There is a huge possibility of misallocation of capital inflows which means such capital inflows may fund low-quality domestic investments instead of investing in building up industries which leads to more capacity creation and utilization, and increased level of employment.

This can also reduce the potential of country to increase exports and will thus create external imbalances. This can also lead to the export of domestic savings which one would have invested in domestic market otherwise but will now think of investing in foreign markets to reduce the risk.

Entry of foreign banks would result in increased competitiveness in terms of accessing the loan proposals as the foreign banks will shy away from giving loans to farmers and the small scale industrialists as they find them less credit worthy and Indian Banks will also follow the same route to be competitive.

International finance capital is highly volatile as the investor move from country to country in search for higher returns for their investments. This process has led to crisis in numerous developing countries. Such finance capital is referred to as "Hot Money ". FCAC exposes an economy to the risk of volatility on account on "Hot Money" flows in and out of the country.

67. Solution- 2

Interest payments on international investments is credited or debited into Current Account.

68. Solution- 4

Contraction in money supply will reduce the domestic prices and hence increase the export not import thus resulting into correction in BoP deficit

Less Money supply will reduce the aggregate demand and purchasing power. Less demand means fall in domestic prices and thrust to export. The fall in the domestic prices would encourage more exports, to earn better money.

Increase in tourism will add more foreign currency and hence BoP will get better.

69. Solution- 1

Headline inflation includes food and energy prices and core inflation excludes them.

70. Solution- 4

Oilseeds (8) - groundnut, rapeseed/mustard, toria, soyabean, sunflower seed, sesamum, safflower seed and nigerseed.

And CAPC comes under Ministry of Agriculture

71. Solution- 4

1. Electricity- 10.32
2. Coal- 4.38
3. Cement- 2.41
4. Fertilizers- 1.25
5. Steel- 6.68

72. Solution- 1

73. Solution- 3

Separating agriculture and non-agriculture feeders to facilitate distribution companies (discoms) in the judicious fostering of supply to agricultural and non-agricultural consumers and metering is to be done in rural areas (objective)

74. Solution- 3

Bharat Nirman and IAY- Rural infrastructure schemes

75. Ans: 1

Explanation:

It is essentially a tax only on value addition at each stage, and a supplier at each stage is permitted to set-off, through a tax credit mechanism, the GST paid on the purchase of goods and services as available for set-off on the GST to be paid on the supply of goods and services.

Consistent with the federal structure of the country, the GST will have two components: one levied by the Centre (Central GST), and the other levied by the States (State GST). This dual GST model would be implemented through multiple statutes (one for CGST and SGST statute for every State).

The Central GST and State GST are to be paid to the accounts of the Centre and the States separately.

Items containing Alcohol, Tobacco products, Petroleum Products etc are kept out of purview of proposed GST

76. Ans: (1)

Explanation:

FFC Recommends by Majority Decision that the States' Share in the Net Proceeds of the Union Tax Revenues be Raised to 42% which is a Huge Jump from the 32% Recommended by the 13th Finance Commission.

FFC has recommended distribution of grants to States for local bodies using 2011 population data with weight of 90% and area with weight of 10%.

The grants to States will be divided into two, a grant to duly constituted Gram Panchayats and a grant to duly constituted Municipal bodies, on the basis of rural and urban population.

FFC has recommended grants in two parts; a basic grant, and a performance grant, for duly constituted Gram Panchayats and municipalities. The ratio of basic to performance grant is 90:10 with respect to Panchayats and 80:20 with respect to Municipalities.

77. Ans: (3)

Explanation:

Effective Revenue deficit is a new term introduced in the Union Budget 2011-12. The present accounting system includes all grants from the Union Government to the state governments/Union territories/other bodies as revenue expenditure, even if they are used to create assets. Such assets created by the sub-national governments/bodies are owned by them and not by the Union Government. Nevertheless they do result in the creation of durable assets.

The 'effective revenue deficit' excludes those revenue expenditures (or transfers) in the form of grants for creation of capital assets.

Grants for creation of capital assets, as a concept, was introduced in the FRBM Act through the amendment in 2012. However, the 14th Finance Commission observed that the concept of effective revenue deficit is not recognised in the standard government accounting process. The Commission recommends that the Union Government should consider making an amendment to the FRBM Act to omit the definition of effective revenue deficit from 1 April 2015.

78. Ans: (3)

Explanation:

Revenue receipts of a government are of two kinds—Tax Revenue Receipts and Non-tax Revenue Receipts.

Tax Revenue Receipts includes all money earned by the government via the different taxes the government collects, i.e., all direct and indirect tax collections.

Non-tax Revenue Receipts includes all money earned by the government from sources other taxes. In India they are—

(i) *Profits* and *dividends* which the government gets from its public sector undertakings (PSUs).
(ii) *Interests* recieved by the government out of all loans forwarded by it.
(iii) *Fiscal services* also generate incomes for the government, i.e., currency printing, stamp printing, coinage and medals minting, etc.
(iv) *General Services* also earn money for the government as the power distribution, irrigation, banking, insurance, community services, etc.
(v) *Fees*, *Penalties* and *Fines* received by the government.
(vi) *Grants* which the governments receives.

The money the government had lent out in past in India (states, UTs, PSUs, etc.) and abroad their capital comes back to the government when the borrowers repay them as capital receipts. The interests which come to the government on such loans are part of the revenue receipts.

79. Ans: (4)

Explanation:

Fiscal Responsibility and Budget Management (FRBM) became an Act in 2003. The objective of the Act is to ensure inter-generational equity in fiscal management, long run macroeconomic stability, better coordination between fiscal and monetary policy, and transparency in fiscal operation of the Government.

FRBM Act provides a legal institutional framework for fiscal consolidation. It is now mandatory for the Central government to take measures to reduce fiscal deficit, to eliminate revenue deficit and to generate revenue surplus in the subsequent years.

Further, the Act prohibits borrowing by the government from the Reserve Bank of India, thereby, making monetary policy independent of fiscal policy.

The Government can move away from the path of fiscal consolidation only in case of natural calamity, national security and other exceptional grounds which Central Government may specify.

80. Ans: 3

Explanation:

Initially the concept of MAT was introduced for companies and progressively it has been made applicable to all other taxpayers in the form of AMT (Alternate Minimum Tax).

Real estate investment trusts are exempted from MAT.

http://articles.economictimes.indiatimes.com/2013-02-25/news/37289864_1_indirect-tax-transaction-tax-wealth-tax

81. Ans: (2)

Explanation:

RBI provides Ways and Means Advances (WMA) to the States banking with it to help them to tide over temporary mismatches in the cash flow of their receipts and payments. Such advances repayable in each case not later than three months from the date of making that advance.

There are two types of WMA – normal and special. While normal WMA are clean advances, special WMA are secured advances provided against the pledge of Government of India dated securities.

RBI has determined limits for normal and special WMA for each State as multiples of the prescribed minimum balance required to be maintained with the RBI by that State. These limits have been revised periodically.

https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?ID=6

82. Ans: (3)

Explanation:

Governing Council comprising the Chief Ministers of all the States and Union territories with Legislatures and lieutenant governors of other Union Territories.

83. Ans: (2)

Explanation:

FSDC is headed by Finance Minister.

Its members include the heads of financial sector Regulators (RBI, SEBI, PFRDA, IRDA & FMC) Finance Secretary and/or Secretary, Department of Economic Affairs, Secretary, Department of Financial Services, and Chief Economic Adviser.

FSDC also focuses on financial literacy and financial inclusion

84. Ans: (3)

Explanation:

Non-plan expenditure includes expenses on heads such as interest payment on government debt, subsidies, defence, pensions and other establishment costs of the government. A large part of this is obligatory in nature. For example, the government may cut allocation towards rural development or education if it falls short of funds, but it cannot cut interest payments on borrowed funds.

https://data.gov.in/keywords/non-plan-expenditure-1

85. Solution- 4

Only those companies are eligible falling under the criterion

Applicability: Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e.

(a) net worth of the company to be Rs 500 crore or more;

(b) turnover of the company to be Rs 1000 crore or more;

(c) net profit of the company to be Rs 5 crore or more.

Activities under CSR:

The activities that can be done by the company to achieve its CSR obligations include eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired, immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability, employment enhancing vocational skills, social business projects, contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and such other matters as may be prescribed.

86. Solution- 3

In the last twelve years, the share of services in world GDP has declined by 2.8 percentage points (pp). The US ranks first in services GDP as well as in overall GDP, with China and Japan a distant second and third. Among the world's top 15 countries in terms of GDP, India ranked 10th in terms of overall GDP and 11th in terms of services GDP in 2013.

87. Solution- 4

In India, the services sector had a high share in income at 56.9 per cent in 2012 with a lower share of 28.1 per cent in employment. And India's major services exports are Computer Services.

88. Solution- 3

Economy is bad, recession is looming and stock prices are falling.

89. Ans: (2)

Explanation:

As per the definition given in the *Companies (Issue of Indian Depository Receipts) Rules, 2004,* IDR is an instrument in the form of a depository receipt created by the Indian depository in India against the underlying equity shares of the issuing company.

In an IDR, foreign companies would issue shares, to an Indian depository (say the National Security Depository Limited – NSDL), which would in turn issue depository receipts to investors in India. The actual shares underlying IDRs would be held by an Overseas Custodian, which shall authorise the Indian depository to issue of IDRs.

An IDR is a mechanism that allows investors in India to invest in listed foreign companies, including multinational companies, in Indian rupees.

90. Ans: (4)

Explanation:

The regulator of Indian stock market, set up under the *Security and Exchange Board of India Act, 1992*.

Main functions/powers of the Board as per the *SEBI Act, 1992* are:
(i) Registering and stock exchanges, merchant banks, mutual Funds, underwriters, registrars to the issues, Brokers, Sub-brokers, transfer agents and others.
(ii) Levying various fees and other charges.
(iii) Promoting investor education.
(iv) Inspection and audit of stock exchanges and various intermediaries.
(v) Performing other concerned functions as may be prescribed from time to time.

91. Ans: (3)

Explanation:

According to IMF and OECD definitions, the acquisition of at least ten percent of the ordinary shares or voting power in a public or private enterprise by non-resident investors makes it eligible to be categorized as foreign direct investment (FDI). In India, a particular FII is allowed to invest upto 10% of the paid up capital of a company, which implies that any investment above 10% will be construed as FDI, though officially such a definition does not exist. However, it may be noted that there is no minimum amount of capital to be brought in by the foreign direct investor to get the same categorised as FDI.

A Foreign Institutional Investor (FII) may invest in the securities in the primary and secondary markets including shares, debentures and warrants of companies unlisted, listed or to be listed on a recognized stock exchange in India.

For more details:

http://www.arthapedia.in/index.php?title=Foreign_Institutional_Investor_(FII)

92. Ans: (4)

Explanation:

Insurance penetration is the ratio of insurance premium as a percentage of GDP, in a given year.

Insurance density is the ratio of premium under written in a given year to the total population.

93. Explanation: 3

Investors in the participatory note do not own the underlying Indian security. For more details:

http://www.arthapedia.in/index.php?title=Participatory_Notes_(PNs)

94. Ans: (2)

Explanation:

It is designed exclusively for first time individual investors. In 2013-14, the income ceiling of the beneficiaries was raised to Rs. 12 lakh from Rs. 10 lakh specified in 2012-13.

Investment in any single year cannot exceed Rs. 50,000/-.

Investors get 50% of deduction of amount invested during the year, upto maximum investment of Rs. 50,000/- per financial year from his taxable income for that year for 3 consecutive assessment years.

95. Ans: (4)

Explanation:

Atal Pension Yojana (APY) is open to all bank account holders who are not members of any statutory social security scheme.

The minimum age of joining APY is 18 years and maximum age is 40 years. Thus minimum period of contribution by the subscriber under APY would be 20 years or more.

It is mainly targeted at unorganised sector workers.

The Central Government would also co-contribute 50% of the subscriber's contribution or Rs. 1000 per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years, i.e., from 2015-16 to 2019-20, who join the NPS before 31stDecember, 2015 and who are not income tax payers.

The existing subscribers of Swavalamban Scheme would be automatically migrated to APY, unless they opt out.

96. Ans: 1

Explanation:
Angel investor is an individual investor who provides financial backing to entrepreneurs for starting their businesses. They are focused on helping the business succeed, rather than reaping a huge profit from their investment. Angel investors are essentially the *exact opposite* of a venture capitalist in their 'intention' (who has high profit prospects as their prime focus). But in one sense both – an *angel investor* and a *venture investor*–serve the same purpose for the entrepreneur (who is in dire need of investible capital).

Venture capital lends capital to the entrepreneurs who are innovative and cannot get the required fund from the conventional set-up of the lending mechanism. In India, it was the Government of India which did set up the first such fund in 1998–the IVCF.

97. Ans: (4)

Explanation:

The market in which the instruments of security market are traded between the capital raiser and the instrument purchaser is known as the primary market.

The market where the instruments of security market are traded among the primary instrument holders is known as the secondary market.

98. Ans: (3)

Explanation:

FDI is considered a more stable form of foreign capital infusion as it brings in a certain expenditure that can't be pulled out overnight. FII funds, on the other hand, can come and go easily. Sudden withdrawal can create liquidity problems in the securities market and hit the foreign exchange rate of the country.

If 100% FDI is allowed, then the foreign company doesn't need any domestic support.

99. Solution- 3

Cumulative Global CO2 emission- USA- 21. 2%; China- 10.7%; India-2.8% and EU- 18.4%

100. Solution- 1

3 and 4 are wrong. Read all the 17 Goals properly.

101. Solution- 3

Short-lived gases (e.g., sulphur dioxide and carbon monoxide) are chemically reactive and generally removed by natural oxidation processes in the atmosphere, by removal at the surface or by washout in precipitation; their concentrations are hence highly variable. Ozone is a significant greenhouse gas that is formed and destroyed by chemical reactions involving other species in the atmosphere.

The amount of water vapor in the atmosphere exists in direct relation to the temperature. If you increase the temperature, more water evaporates and becomes vapor, and vice versa. So when something else causes a temperature increase (such as extra CO2 from fossil fuels), more water evaporates. Then, since water vapor is a greenhouse gas, this additional water vapor causes the temperature to go up even further—a positive feedback. The other factor to consider is that water is evaporated from the land and sea and falls as rain or snow all the time. Thus the amount held in the atmosphere as water vapour varies greatly in just hours and days as result of the prevailing weather in any location. So even though water vapour is the greatest greenhouse gas, it is relatively short-lived.

https://www.ipcc.ch/publications_and_data/ar4/wg1/en/tssts-2-1.html

102. Solution- 4

Wind Energy dominates with 66% of installed capacity followed by Biomass, Hydro and solar

103. Solution- 4

The Adaptation Fund was established in 2001 but launched in 2007. It proceeds from Clean Development Mechanism (CDM) and NABARD is India's National Implementing Entity not IDBI

104. Solution- 4

It is exactly opposite. Decline in age group of 0-14 and increase in percentage of elderly, on account of better health facilities.

105. Solution- 2

Decline in child population, inadequacy in human capital and lack of basic skills

106. Solution- 2

As per survey

1. Rashtriya Uchchatar Shiksha Abhiyan (RUSA)
2. Technical Education Quality Improvement Programme (TEQIP)
3. National Skill Qualification Framework (NSQF).

107. Solution- 1

All are for minority

108. Solution- 2

Economic Survey

At industry level, the highest jump in employment is observed in the textile including apparel sector, where employment has increased by 69,000 during June 2014 over March 2014, followed by 51,000 in IT/BPOs, 47,000 in metals, 7000 each in leather and gems & jewellery and 1000 in the automobiles sector.

109. Solution- 2

Fragile Five- Brazil, India, South Africa, Turkey and Indonesia as per survey

110. Solution- 2

Macroeconomic Vulnerability Index, as mentioned in the Mid-Year Economic Analysis 2014-2015, released by Ministry of Finance recently, adds together the rate of inflation, current account deficit and fiscal deficit of a country. The Index value can be compared across countries for different time periods to gauge their relative vulnerability. The ministry has done a comparison of the “fragile five” countries—Brazil, India, Indonesia, South Africa and Turkey

111. Solution- 3

Meena Kumari Committe- Deep Sea Fishing

Ramesh Chand- MSP

112. Solution- 2

A measure of economic growth from one period to another expressed as a percentage and adjusted for inflation (i.e. expressed in real as opposed to nominal terms). The real economic growth rate is a measure of the rate of change that a nation's gross domestic product (GDP) experiences from one year to another. Gross national product (GNP) can also be used if a nation's economy is heavily dependent on foreign earnings.

The real economic growth rate builds onto the economic growth rate by taking into account the effect that inflation has on the economy. The real economic growth rate is a "constant dollar" and is therefore a more accurate look at the rate of economic growth because it is not distorted by the effects of extreme inflation or deflation. Real Economic Growth Rate takes into account the effects of inflation. Since inflation plays a key role in the GDP of an economy, it is very important to ascertain the effects of inflation on GDP. As a result, the Real Economic Growth

Rate takes into account the buying power and is inflation-adjusted. This is the reason it is considered to be a better measure of growth rate than the nominal growth rate.

113. Solution- 3

Taxes are said to be buoyant if the tax revenues increase more than proportionately in response to a rise in National Income or Output/GDP.

114. Ans: (1)
Explanation:

The list of items covered under compulsory licensing under the Industries (Development & Regulation) Act, 1951 is reviewed on an ongoing basis. At present, only five industries are under compulsory licensing mainly on account of environmental, safety and strategic considerations. They are:
1. Distillation and brewing of alcoholic drinks.(Licensing ceased by DIPP in compliance with Supreme Court Order of 29.1.1997 in Bihar Distillery case which ruled that industries engaged in manufacture of potable alcohol would be under the jurisdiction of the States).
2. Cigars and cigarettes of tobacco and manufactured tobacco substitutes.
3. Electronic Aerospace and defense equipment: all types.
4. Industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches.
5. Specified Hazardous chemicals i.e. (i) Hydrocyanic acid and its derivatives, (ii) Phosgene and its derivatives and (iii) Isocyanates & diisocyanates of hydrocarbon, not elsewhere specified (example Methyl isocyanate)

115. Ans: (2)

Explanation:

There is a difference between disinvestment and privatization. Privatization implies a change in ownership resulting in a change in management. But disinvestment need not always imply change in management. Disinvestment is actually dilution of the stake of the government in a public enterprise. If the dilution is less than 50 percent the government retains management even though disinvestment takes place. It is not privatized. But if the dilution is more than 50 percent there is transfer of ownership and management. It will be called privatization. Thus disinvestment is wider than privatization. Privatization implies disinvestment but disinvestment does not necessarily imply privatization. Only when disinvestment goes beyond 51 percent it implies privatization.

The extent of dilution of the government`s stake is determined as part of the policy of disinvestment. According to present disinvestment policy, Government has to retain majority shareholding, i.e. at least 51% and management control of the Public Sector Undertakings.

116. Ans: 2
Explanation:
Eight core industries are Coal, Crude Oil, Natural Gas, Petroleum Refinery Products, Fertilizers, Steel, Cement, and Electricity.

117. Ans: (3)

Explanation:
http://timesofindia.indiatimes.com/business/india-business/Govt-provides-clarity-on-CSR-activities-under-Companies-Act/articleshow/36833349.cms

http://www.mca.gov.in/Ministry/pdf/General_Circular_21_2014.pdf

118. Ans: (4)

Explanation:

The Government on 17th January, 2013 has approved restructuring of the National Investment Fund (NIF) and decided that the disinvestment proceeds with effect from the fiscal year 2013-14 will be credited to the existing 'Public Account' under the head NIF and they would remain there until withdrawn/invested for the approved purpose; and decided to do away with the management of the disinvestment proceeds by the Fund Managers of NIF. The allocations out of the NIF will be decided in the Government Budget. For F.Y. 2013-14 Government have approved allocations from the NIF towards spending on recapitalization of Public Sector banks and capital expenditure of Indian Railways.

119. Ans: (3)

Explanation:

The Government of India has announced a national manufacturing policy with the objective of enhancing the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs. It also seeks to empower rural youth by imparting necessary skill sets to make them employable. Establishment of National Investment and Manufacturing Zones (NIMZs) – green field integrated Industrial Townships with state –of-the-art infrastructure and land use on the basis of zoning; clean and energy efficient technology and requisite social infrastructure. NIMZ proposed with land area of at least 5000 hectares.

http://www.pib.nic.in/newsite/erelease.aspx?relid=78807

120. Ans: (4)

Explanation:

The new series of index was released on 10th June 2011. The base year of IIP for the new series is 2004-05, as against 1993-94 for the old series. National Industrial Classification (NIC)-1987 was used in the old series whereas for the new series, NIC-2004 has been used.

http://www.arthapedia.in/index.php?title=Index_of_Industrial_Production

121. Ans: (2)

Explanation:

The two industries that are reserved for the public sector at present are as follows:

(a) Atomic Energy (Production, separation or enrichment of special fissionable materials and substances and operation of the facilities) and,

(b) Railway Operations other than construction, operation and maintenance of the following:

(i) Suburban corridor projects through Public Private Partnership;
(ii) High speed train projects;
(iii) Dedicated freight lines;
(iv) Rolling stock including train sets, and locomotives/coaches manufacturing and maintenance facilities;
(v) Railway Electrification;
(vi) Signaling systems;
(vii) Freight terminals;
(viii) Passenger terminals;
(ix) Infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines and connectivity to main railway line; and
(x) Mass Rapid Transport Systems.

122. Ans: (3)

Explanation:

Eligibility Criteria for grant of Maharatna status:

The CPSEs meeting the following eligibility criteria are considered for Maharatna status:-
a) Having Navratna status
b) Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations
c) An average annual turnover of more than Rs.25,000 crore during the last 3 years
d) An average annual net worth of more than Rs.15,000 crore during the last 3 years
e) An average annual net profit after tax of more than Rs.5,000 crore during the last 3 years
f) Should have significant global presence/international operations.

123. Ans: (4)

Explanation:

http://bifr.nic.in/introduction.htm

http://www.livemint.com/Money/7IMZs2a6SjdnHDtIwyrxKL/Dejargoned-sick-company.html

124. Ans: (4)

Explanation:

All four are parts of foreign exchange reserve.

125. Ans: (3)

Explanation:

The value of currency, like the price of any other good or service depends on its demand and supply. And demand for a currency, say, the US dollar, typically comes from Indian importers, people or institutions that invest in the US (FDI or FII outflows) and travelers to the US. All these agents require dollars for transacting in the US.

When the FDI or FII inflows, demand for dollar decreases, as a result value of the Rupee goes up.

126. Ans: (2)

Explanation:

Capital account convertibility means the freedom to convert rupees into foreign currency and back for capital transactions.

India has full current account convertibility but not full capital account convertibility. There are ceilings on government and corporate debt, external commercial borrowings and equity. It leads to free exchange of currency at lower rates and an unrestricted mobility of capital. It is beneficial for a country because inflow of foreign investment increases. The flip side, though, is that it could destabilize an economy due to massive capital flows in and out of the country.

http://www.business-standard.com/article/economy-policy/full-capital-account-convertibility-of-rupee-still-a-distant-dream-115041500906_1.html

127. Ans: (3)

Explanation:

Both statements are correct.

Effective exchange rates are summary indicators of movement in the exchange rate of home currency against a basket of currencies of trade partner countries and are considered to be an indicator of international competitiveness.

For objective measurement of Rupee’s volatility, we must compare its price fluctuations with multiple currencies and not against a single currency like US Dollar. For example, although the rupee has depreciated against the US dollar, in terms of NEER (36 currencies) it appreciated by 2.8 per cent in December 2014 over March 2014. Similarly, REER also appreciated by 5.8 per cent during the same period.

128. Ans: (1)

Explanation:

The focus of the new policy is to support both the manufacturing and services sectors, with a special emphasis on improving the 'ease of doing business'. Trade facilitation and enhancing the ease of doing business are the other major focus areas in this new FTP.

FTP2015-20 introduces two new schemes, namely "Merchandise Exports from India Scheme (MEIS)" for export of specified goods to specified markets and "Services Exports from India Scheme (SEIS)" for increasing exports of notified services, in place of a plethora of schemes earlier, with different conditions for eligibility and usage.

In order to give a boost to exports from SEZs, government has now decided to extend benefits of both the reward schemes (MEIS and SEIS) to units located in SEZs. It is hoped that this measure will give a new impetus to development and growth of SEZs in the country.

129. Ans: (4)

Explanation:

As the price reduced, it greatly decreased the oil import bill for India, resulting in the shrinking of trade deficit. The fall in international oil price will ease out the load of subsidies on the government. The oil price drop is helping in controlling inflation. Eg: Reductions in transportation cost have helped in controlling the inflation of perishables.

While these are the upside, there is also speculation that due to budgetary constraints faced in Middle Eastern oil exporting countries, many construction and infrastructure project might be shut down or stalled. These sectors in the region employee Indian labour in huge number. Stalling of project can lead to them losing the job, which intern will reduce remittance made by them and also lead to the return of labourers in massive numbers.

130. Ans: (4)

Explanation:

External commercial borrowings come under capital account.

Invisible account covers (a) services, (b) transfers, and (c) income.

131. Ans: (1)

Explanation:

Dumping is said to occur when the goods are exported by a country to another country at a price lower than its normal value.

Imports of cheap products through illegal trade channels like smuggling do not fall within the purview of anti-dumping measures.

132. Ans: (4)

Explanation:

GAAR is basically a set of rules designed to give Indian authorities the right to scrutinize and tax transactions which they believe are structured solely to avoid taxes. The rules would be applicable to all taxpayers.

GAAR will not apply to non-resident investors in FIIs. GAAR will apply only when tax benefit exceeds Rs 3 crore.

http://articles.economictimes.indiatimes.com/2013-01-16/news/36373957_1_gaar-tax-residency-certificate-treaty-benefits

133. Ans: (3)

Explanation:

India's external debt at end-March 2015 showed an increase of US$ 29.5 billion (6.6 per cent) over end-March 2014, due to the rise in commercial borrowings and NRI deposits.

The US dollar denominated debt continued to be the largest component of India's external debt with a share of 58.3 per cent at end-March 2015, followed by Indian rupee (27.9 per cent), SDR (5.8 per cent), Japanese Yen (4.0 per cent) and Euro (2.4 per cent).

134. Solution- 3

JAM Trinity is Jan Dhan Yojana, Aadhar and Mobile linkage. It will increase the mobile penetration. Rest statements are self explanatory