

Q.1) Consider the following about Pradhan Mantri Kaushal Vikas Yojana (PMKVY).

1. Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship outcome-based skill training scheme of the new Ministry of Skill Development & Entrepreneurship (MSDE).
2. The scheme will be implemented by the Labour Bureau of India.

Select the correct answer about PMKVY:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None of the above

Q.1) Solution (a)

Pradhan Mantri Kaushal Vikas Yojana is a unique initiative by the Government of India that aims to offer 24 lakh Indian youth meaningful, industry relevant, skill based training. Under this scheme, the trainees will be offered a financial reward and a government certification on successful completion of training and assessment, which will help them in securing a job for a better future.

The scheme will be implemented through the National Skill Development Corporation (NSDC).

Further reading:

<http://www.skilldevelopment.gov.in/pmkvy.html> <http://pmkvyofficial.org/Index.aspx>

Q.2) Minimum Support Price (MSP) is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices. Which of the following is true about MSP?

- a) The minimum support prices are announced by the Government of India at the end of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP).
- b) In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market, government agencies purchase a minimum quantity specified at the announced minimum price.
- c) Minimum support prices are currently announced for 25 commodities.
- d) Government announces two types of administered prices: Minimum Support Prices (MSP) and Procurement Prices.

Q.2) Solution (c)

MSP is ever a hot topic and a question is a probability always.

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Q.3) Which of the following is correctly matched?

- a) Lorenz Curve – Poverty estimation
- b) J Curve – Taxation
- c) Laffer Curve – Devaluation
- d) Philip's Curve – Inflation and unemployment

Q.3) Solution (d)

In economics, the **Lorenz curve** is a graphical representation of the distribution of income or of wealth. It was developed by Max O. **Lorenz** in 1905 for representing inequality of the wealth distribution.

The **J-curve** effect is seen in economics when a country's trade balance initially worsens following a devaluation or depreciation of its currency.

The **Phillips curve** represents the relationship between the rate of inflation and the unemployment rate.

In economics, the **Laffer curve** is a representation of the relationship between rates of taxation and the resulting levels of government revenue.

Q.4) Consider the following about inflation.

1. When the government doesn't attempt to curb price rise allowing the free market mechanism to function it is said to be open inflation.
2. When international bodies interrupt a price rise in a country through price control measures and subsidies it is said to be suppressed or controlled inflation.

Select the correct answer:

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None of the above

Q.4) Solution (a)

There is no international body acting nationally to the minute idea of controlling inflation by policy action. They can only advise.

Inflation is often open and suppressed. Inflation is open when “markets for goods or factors of production are allowed to function freely, setting prices of goods and factors without normal interference by the authorities.” Thus open inflation is the result of the uninterrupted operation of the market mechanism.

There are no checks or controls on the distribution of commodities by the government. Increase in demand and shortage of supplies persists which tend to lead to open inflation. Unchecked open inflation ultimately leads to hyper-inflation.

Suppressed Inflation: On the contrary when the government imposes physical and monetary controls to check open inflation, it is known as repressed or suppressed inflation. The market mechanism is not allowed to function normally by the use of licensing, price controls and rationing in order to suppress extensive rise in prices.

Q.5) Consider the following about revenue and capital receipts.

1. Interest receipts, dividends and profits are parts of revenue receipts.
2. Article 112 of the constitution mandates expenditure is shown in revenue and other categories.
3. Disinvestment proceeds are part of capital receipts.

Select the correct answer

- a) 1 and 2 only
- b) 1, 2 and 3 only
- c) 1 and 3 only
- d) All of the above

Q.5) Solution (b)

Further reading: <http://pib.nic.in/budget2015/book/Budgetary.pdf>

Q.6) The Government of India has approved a policy framework for private participation in rail connectivity and capacity augmentation projects, put forward by the Ministry of Railways. The policy contains which of the following models?

1. Non-Government Railway
2. Build/Operate/Transfer (BOT)
3. Maintenance Management Contract
4. Joint Venture with equity participation by Railways

5. Design-Build-Operate (DBO)

Select the correct answer using the codes given below:

- a) 2, 3 and 4 only
- b) 1, 2 and 4 only
- c) 2, 3, 4 and 5 only
- d) 1, 2, 3, 4 and 5

Q.6) Solution (d)

Ministry is now making joint ventures with State governments for an equity participation. So the same question 3 years back would have been 'b' but today is 'd'.

Q.7) Consider the following about Agroforestry.

1. It is a dynamic, ecologically based, natural resource management system that, diversifies and sustains production and builds social institutions.
2. Its objective is to Encourage and expand tree plantation in complementarity and integrated manner with crops and livestock to improve productivity, employment, income and livelihoods of rural households, especially the small holder farmers.
3. Agroforestry has a lot in common with intercropping. Both have two or more plant species (such as nitrogen-fixing plants) in close interaction, both provide multiple outputs.
4. National Agroforestry Policy is under the nodal ministry of Environment Forests and Climate Change.

Which of the following are correct about Agroforestry

- a) 2, 3 and 4 only
- b) 1 and 4 only
- c) 1, 2 and 3 only
- d) All of the above

Q.7) Solution (c)

With the budget of 2016 giving emphasis on agriculture, a conceptual question is expected.

Agroforestry is defined as a land use system which integrates trees and shrubs on farmlands and rural landscapes to enhance productivity, profitability, diversity and ecosystem sustainability. It is a dynamic, ecologically based, natural resource management system that, through integration of woody perennials on farms and in the agricultural landscape, diversifies and sustains production and builds social institutions.

Major policy initiatives, including the National Forest Policy 1988, the National Agriculture Policy 2000, Planning Commission Task Force on Greening India 2001, National Bamboo Mission 2002, National Policy on Farmers, 2007 and Green India Mission 2010, emphasize the role of agroforestry for efficient nutrient cycling, organic matter addition for sustainable agriculture and for improving vegetation cover. However, agroforestry has not gained the desired importance as a resource development tool due to various factors.

Q.8) Consider the following:

1. Department of Industrial Policy and Promotion (DIPP) has permitted investments from Pakistan in sectors/activities other than defence, space and atomic energy.
2. Recently Pakistan has moved from a Positive List regime to a Negative List regime and now subsequently awarded MFN status to India.

Select the correct answer from the codes given below:

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.8) Solution (a)

We are still in negotiation for Non discriminatory market access as the term MFN has issues in Pakistan.

Q.9) To check the menace of counterfeiting of banknotes, the RBI has initiated several measures. Which of the following are parts of these measures?

1. New security features were added to banknotes in all denominations during the year 2005-06.
2. Instructions have been issued to banks to disburse only sorted and genuine notes through their counters/ATMs

3. RBI regularly conducts training programmes on detection of counterfeit notes for employees/officers of banks and other organizations handling large amount of cash.
4. Posters on Know Your Banknotes are also displayed at the bank branches.

Select the correct answer from the codes given below:

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

Q.9) Solution (d)

Self explanatory

Q.10) With reference to the concept of Food Security as enunciated in the FAO – World Food Summit-1996, which of the following are the integral components of Food Security?

1. The availability of sufficient quantities of food of appropriate quality, supplied through domestic production or imports, including food aid.
2. Access by individuals to adequate resources for acquiring appropriate foods for a nutritious diet.
3. Utilization of food through adequate diet, clean water, sanitation and health care to reach a state of nutritional well-being where all physiological needs are met.
4. The freedom to choose personally and culturally acceptable foods

Select the correct answer from the codes given below:

- a) 1 and 2
- b) 1 and 3
- c) 1, 2 and 3
- d) All the above

Q.10) Solution (c)

Food availability: The availability of sufficient quantities of food of appropriate quality, supplied through domestic production or imports (including food aid).

Food access: Access by individuals to adequate resources (entitlements) for acquiring appropriate foods for a nutritious diet. Entitlements are defined as the set of all commodity bundles over which a person can establish command given the legal, political, economic and social arrangements of the community in which they live (including traditional rights such as access to common resources).

Utilization: Utilization of food through adequate diet, clean water, sanitation and health care to reach a state of nutritional well-being where all physiological needs are met. This brings out the importance of non-food inputs in food security.

Stability: To be food secure, a population, household or individual must have access to adequate food at all times. They should not risk losing access to food as a consequence of sudden shocks (e.g. an economic or climatic crisis) or cyclical events (e.g. seasonal food insecurity). The concept of stability can therefore refer to both the availability and access dimensions of food security

Q.11) Consider the following statements regarding Regional rural Banks (RRBs):

1. They provide direct loans to small and marginal farmers.
2. They are co-sponsored by the Reserve Bank of India.
3. They also perform other banking operations.
4. State Governments are share holders in RRBs.

Which of the above statements are correct about RRBs?

- a) 1,2 and 3
- b) 2,3 and 4
- c) 1,3 and 4
- d) All of the above

Q.11) Solution (c)

Regional Rural Banks (also **RRBs**) are local level banking organizations operating in different States of India. They have been created with a view to serve primarily the rural areas of India

with basic banking and financial services. However, RRBs may have branches set up for urban operations and their area of operation may include urban areas too.

The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State. RRBs also perform a variety of different functions.

RRBs perform various functions in following heads

- Providing banking facilities to rural and semi-urban areas. Carrying out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc.
- Providing Para-Banking facilities like locker facilities, debit and credit cards.

The Regional Rural Bank were owned by the Central Government, the State Government and the Sponsor Bank(There were five commercial banks, Punjab National Bank, State Bank of India, Syndicate Bank, United Bank of India and United Commercial Bank, which sponsored the regional rural banks) who held shares in the ratios as follows Central Government-50%, State Government- 15% and Sponsor Banks- 35%. Earlier, Reserve Bank of India had laid down ceilings on the rate of interest to be charged by these RRBs.

Q.12) Ultra Mega Power projects are a Government of India initiatives. Consider the following statements regarding UMPP?

1. Every Ultra Mega Power Plant will have a capacity to generate more than 10,000 MW.
2. They are all hydro power projects.

Which of the above statements are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.12) Solution (d)

Ultra Mega Power Projects (UMPP) are a series of ambitious power stations planned by the Government of India. This would entail the creation of an additional capacity of at least 100,000 MW by 2022. Ultra Mega Power projects, each with a capacity of 4000 MW or above, are being developed with the aim of bridging this gap.

These projects will be coal based thermal power plants.

Q.13) 'Disguised Unemployment' refers to:

- a) Persons with no jobs
- b) More people employed for a job which a few can accomplish.
- c) Unemployment amongst women
- d) Unemployment of people above 60 years of age

Q.13) Solution (b)

Disguised unemployment is a kind of unemployment in which some people look like being employed but are actually not employed fully.

Disguised unemployment exists where part of the labor force is either left without work or is working in a redundant manner where worker productivity is essentially zero. It is **unemployment** that does not affect aggregate output.

Q.14) India has % of world's geographical area and % of the world's population(according to 2011 census).

- a) 4.8, 16
- b) 2.1, 18
- c) 2.4, 17
- d) 1.8, 15

Q.14) Solution (c)

Self Explanatory

Q.15) Consider the following statements:

1. The theory that says that the growth will percolate down to all sectors is called 'Decentralised Growth theory'.
2. The growth will percolate by creation of jobs and increase in demand for labour.

Which of the above statements are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.15) Solution (b)

The theory is called 'Trickle down theory'. It is based on a centralized model and not a decentralized one.

Q.16) Which of the below given statements is/are true about Value Added Tax (VAT)?

- 1) VAT is a type of consumption tax.
- 2) The amount of value-added tax that the user pays is the cost of the product, less any of the costs of materials used in the product that have already been taxed.

Select the correct code:

- a) 1 only
- b) 2 only
- c) Both
- d) None

Q.16) Solution (c)

Link: <http://www.investopedia.com/terms/v/valueaddedtax.asp>

Q.17) Which among the following definition(s) is/are incorrectly matched?

- a) **Revenue Deficit** : : difference between the revenue receipts and the revenue expenditure
- b) **Budget Deficit** : : when total expenditure exceeds total receipts, where, total expenditure includes aggregate of both revenue expenditure and capital expenditure. Like wise, total receipts includes both revenue receipts and capital receipts.
- c) **Fiscal Deficit** : : determined by arriving at the gap between the government's total income and expenditure after excluding interest savings as well as interest payments
- d) None of the above

Q.17) Solution (c)

Fiscal Deficit: The term fiscal deficit may be defined as budgetary deficit plus market borrowings and other liabilities of the govt. of India. In other words, fiscal deficit equals revenue receipts plus non-debt capital receipts minus total expenditure.

Primary Deficit: Primary deficit is determined by arriving at the gap between the government's total income and expenditure after excluding interest savings as well as interest payments.

Q.18) Which of the following are correctly matched?

- 1) Government borrowings from the Reserve Bank and treasury bills- Capital Account
- 2) Different proceeds of taxes levied by the government - Revenue Account
- 3) Market loans raised by the government - Capital Account
- 4) Divestment of equity holding in public sector enterprises - Revenue Account

Select the correct code:

- a) 1 and 2 only
- b) 1, 2 and 4 only
- c) 1, 2 and 3 only
- d) All of the above

Q.18) Solution (d)

All the given statements are correct

Q.19) What is the difference between quaternary and quinary activities?

- a) While, quaternary activities are related to IT enabled services, quinary activities are related to financial services.
- b) Quaternary activities pertain to information processing. Whereas, quinary activities pertain to decision making.
- c) Both a and b
- d) None of the above

Q.19) Solution (b)

Tertiary activities are categorized into quaternary and quinary activities. The former involves collection, production, processing, and dissemination of information. For example, software developers, tax consultants etc.

Quinary activities focus on creation, re-arrangement, and interpretation of ideas. It pertains to high level decision making. Therefore, it is also called 'gold collar' professions. For example, business executives, research scientists etc.

Q.20) Which of the following factors determine the location of an industry?

- 1) Market
- 2) Population density
- 3) Industrial policy
- 4) Climate of a region

Select the correct code:

- a) 1 and 2 only
- b) 2 and 3 only
- c) 1, 3 and 4 only
- d) All of the above

Q.20) Solution (d)

The most important factors are:

- (i) Raw material.
- (ii) Source of Power.
- (iii) Labour.
- (iv) Means of transportation.
- (v) Market.
- (vi) Other factors like climate, Government Policies, capital, water, land etc.

Markets provide the outlets for manufactured products. Heavy machine, machine tools, heavy chemicals are located near the high demand areas as these are market orientated.

Certain agriculture raw materials are limited by the climate, e.g. equatorial climate rubber for processing.

Population density decides the kind of labour and market is available.

Q.21) Identify the state that witnessed the lowest services growth in India—

- a) Jharkhand
- b) Odisha
- c) Bihar
- d) Jammu & Kashmir

Q.21) Solution (d)

- **Jammu and Kashmir** had the lowest services growth at 2.0 per cent— low and negative growth in most of the sectors except public administration.

- Bihar's services sector growth was **among the fastest** with a consistent double-digit growth in the last seven years due to high growth in the high weighted sectors like trade, hotels and restaurants, and real estate and business services besides transport by other means

Q.22) Consider the following:

1. Interest and dividend receipts
2. External grants and receipts from fiscal services
3. External grants and receipts from the Union Public Service
4. Disinvestment receipts

Choose the correct option that together constitutes Non-tax revenue in the economy—

- a) Only 1 and 2
- b) 1, 2, and 3
- c) 1, 2, 3 and 4
- d) All of the above

Q.22) Solution (b)

Non-debt capital receipts: Recovery of loans and advances, and disinvestment receipts

Q.23) Consider the following statements:

1. CSS funds are released only as central assistance to state plans
2. The 'plan' expenditure of the Centre is greater than the 'non-plan' expenditure.

Choose the correct option from the following—

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) None of the above

Q.23) Solution (d)

CSS funds

- Released as central assistance to state plans and also routed through the state's budgets.
- Provides greater autonomy, authority and responsibility to the states in implementation of schemes
- Recorded a significant increase

Non-plan Expenditure:

- **Revenue** Expenditure accounted for around 92 per cent
- **Defence** capital expenditure— the remaining 8 per cent

Constraints in the rationalization of non-plan expenditure: **Committed expenditure**—

1. Interest liability on debt incurred in the past
2. Pension payment to superannuated/retiring workforce from government services

Figure 2.9: Plan and Non-plan Expenditure of the Centre as Per Cent of Total Expenditure

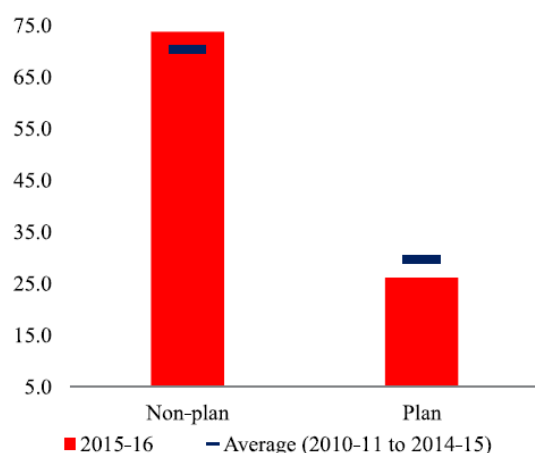
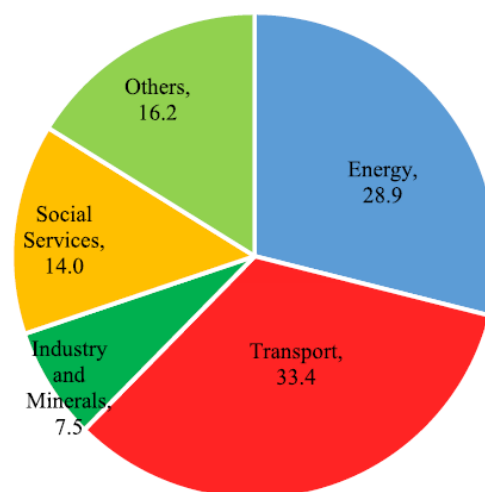


Figure 2.10: Central Plan Outlay by Sectors in BE 2015-16 (in per cent)



Observe the pie-chart Fig 2.10—

Inference: Transport > Energy > Misc. > Social Services > Industry & minerals

Q.24) Identify the country practicing the following type of agriculture:

1. Farmers here have developed a unique hydroponics system in which plants can be grown on the water—on the floating organic bed of water hyacinth, algae and other plant residues.
2. This environmentally friendly traditional cultivation technique utilizes the natural resources of wetlands to grow vegetables and other crops almost all year round and provides social, economic, agricultural and ecological benefits to the local population.
3. Recently, it was designated by FAO as “Globally Important Agricultural Heritage Systems” for innovation, sustainability and adaptability.

Choose the correct option—

- a) India
- b) Bangladesh
- c) Myanmar
- d) Japan

Q.24) Solution (b)

Globally Important Agricultural Heritage Systems (GIAHS)

- Launched by UN's Food and Agriculture Organisation (FAO) in 2002
- Promotes public understanding, awareness, national and international recognition of Agricultural Heritage systems—fostering an integrated approach combining sustainable agriculture and rural development

Note—

Three sites in Japan as well

1. Ayu of the Nagara River System:

- Sustainable inland fisheries of a specific type of fish (Ayu)
- Benefits from clean waters of the Nagara River (amongst the cleanest rivers)
- Upstream forest management and local participatory approach

2. Minabe-Tanabe Ume System

- Despite possessing nutrient-poor slopes: Production of high-quality Ume (Japanese apricots) and various kinds of fruits with the help of local participation in maintaining upper coppice forests for landslide prevention and maintenance of water, and Japanese honeybee as pollinators

3. Takachihogo-Shiibayama Mountainous Agriculture and Forestry System

- Scarce flat-land (steep mountain) — Local people balances timber production with diverse farming activities
- **Activities:** terraced rice growing, shiitake mushroom cultivation, beef cattle raising, or tea cultivation
- **Forest:** Mosaic of conifers and broadleaf trees

Q.25) Identify the lake:

1. It is a freshwater lake.
2. It hosts the only floating national park in the world.
3. It is also famous for its floating phumdis.

Choose the correct lake exhibiting the above-mentioned characteristics:

- a) Renuka Lake
- b) Kolleru lake
- c) Loktak Lake
- d) Pong Dam Lake

Q.25) Solution (c)

Loktak Lake in Manipur

- Largest freshwater lake in the north-eastern region of the country
- **Phumdis:** heterogeneous mass of vegetation, soil, and organic matters at various stages of decomposition

- Only floating national park in the world: **Keibul Lamjao**
- **Keibugl Lamjao National Park:** the last natural refuge of the **endangered 'Sangai' or Manipur brow-antlered deer**

Renuka Lake in Himachal Pradesh

- A natural wetland with freshwater springs and inland subterranean karst formations
- High religious significance and is named after the mother of Hindu sage Parshuram

Kolleru Lake in Andhra Pradesh— A bird sanctuary

Pong Dam Lake in Himachal Pradesh— A water storage reservoir created in 1975 on the R. Beas, in the low foothills of the Himalaya on the northern edge of the Indo-Gangetic plain

(All the four above-mentioned are **Ramsar sites**)