

Q.1) Consider the following statements about contingent convertible capital instruments (CoCos)

1. They are also known as Additional Tier 1 bonds
2. They are hybrid bonds that combines debt and equity elements

Which of the following statements is/are incorrect?

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

Q.1) Solution (d)

The contingent convertible capital instruments (CoCos) also known as Additional Tier 1 bonds are hybrid bonds that combines debt and equity elements. Its defining characteristic is that it may be converted into shares if the CET1 capital ratio drops below a specific level.

A contingent convertible bond, also known as CoCo or Additional Tier 1 Capital (AT1) is a hybrid issue that combines debt (yielding interests for the investor) and capital (have the capacity to absorb losses) properties.

These instruments are perpetual (they have no set maturity date), although the issuer reserves the option to call the bond five years after the bond is issued. Coupon payments corresponding to this type of issues can be cancelled upon request by the issuer (coupon is noncumulative).

The main characteristic of this type of bond is that, if the specific trigger conditions indicated in the issue prospectus are met, they can be converted into shares. The most common trigger conditions include the CET1 (Common Equity Tier 1) ratio dropping below a specific value. Therefore, these issues are exclusively aimed at institutional investors.

In News - <http://timesofindia.indiatimes.com/business/india-business/Four-public-sector-banks-face-AT1-bonds-coupon-challenge/articleshow/54816648.cms>

Q.2) Consider the following statements about ethanol blending

1. It is the practice of blending petrol with ethanol
2. It reduces vehicular emissions & import burden on account of crude petroleum
3. Ethanol blending first found mention in the National Policy on Bio-fuels, 2009

Which of the following statements is/are correct?

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

Q.2) Solution (b)

It is the practice of blending petrol with ethanol. Many countries, including India, have adopted ethanol blending in petrol in order to reduce vehicle exhaust emissions and also to reduce the import burden on account of crude petroleum from which petrol is produced. It is estimated that a 5% blending (105 crore litres) can result in replacement of around 1.8 million Barrels of crude oil. The renewable ethanol content, which is a by-product of the sugar industry, is expected to result in a net reduction in the emission of carbon dioxide, carbon monoxide (CO) and hydrocarbons (HC). Ethanol itself burns cleaner and burns more completely than petrol it is blended into. In India, ethanol is mainly derived by sugarcane molasses, which is a by-product in the conversion of sugar cane juice to sugar.

Ethanol blending first found mention in the Auto fuel policy of 2003. It suggested developing technologies for producing ethanol/ bio fuels from renewable energy sources and introducing vehicles to utilise these bio fuels. Later, as per National Policy on Bio-fuels, announced in December 2009, oil companies were required to sell petrol blended with at least 5% of ethanol. It proposed that the blending level be increased to 20% by 2017.

In News - <http://indianexpress.com/article/business/commodities/cabinet-nod-to-revision-of-ethanol-price-for-petrol-blending-3080428/>

Q.3) In a country's economy, the direct tax collection is 56% of the total tax collection

What does this indicate?

- a) Progressive tax system
- b) Regressive tax system
- c) Proportionate tax system
- d) None of the above

Q.3) Solution (a)

Progressive tax systems place a proportionately higher burden on upper-income individuals or entities as compared to lower-income individuals or entities.

Regressive taxes result in lower-income individuals or entities paying a higher percentage of their incomes in taxes than higher-income individuals or entities.

Common equality of tax burden renders a regressive taxation system more properly referred to as a **proportionate tax system**.

Q.4) Right to Property in India is a

- a) It is a legal right
- b) It is a Fundamental right
- c) It is a Constitutional right
- d) Both (a) and (c)

Q.4) Solution (d)

Constitutional right and in terms of Article 300-A, no person can be deprived of his property except by authority of law

The apex court passed the judgement while quashing the acquisition of 205 hectares of agricultural land in Uttar Pradesh's Gautam Budh Nagar by the state on behalf of the Greater NOIDA Industrial Development Authority for business entrepreneurs in March 2008.

An ordinary right generally imposes a corresponding duty on another individual (and, state in some cases) but a fundamental right is a right which an individual possess against the state. All fundamental rights are limitations on legislative power. Laws and executive actions which abridge or are in conflict with such rights are void and ineffective.

Q.5) Gaza strip is frequently in news. It is

- a) a landlocked region in Middle East
- b) part of Egypt
- c) a landlocked region in North Africa
- d) None

Q.5) Solution (d)

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Gaza, together with the West Bank, comprise the Palestinian territories claimed by the Palestinians as the State of Palestine. The territories of Gaza and the West Bank are separated from each other by Israeli territory. It is not a landlocked region - eastern coast of the Mediterranean Sea, that borders Egypt and Israel.

