

IASbaba's Daily Quiz

March 3, 2017

Q.1) Consider the following statements about 'core inflation'

1. Core inflation is calculated using the Consumer Price Index (CPI)
2. It reflects the relationship between the price of goods and services and the price of consumers' general income

Select the correct statements

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

Q.1) Solution (c)

An inflation measure which excludes transitory or temporary price volatility as in the case of some commodities such as food items, energy products etc. It reflects the inflation trend in an economy.

A dynamic consumption basket is considered the basis to obtain core inflation. Some goods and commodities have extremely volatile price movements. Core inflation is calculated using the Consumer Price Index (CPI) by excluding such commodities.

If temporary price shocks are taken into account, they may affect the estimated overall inflation numbers in such a way that they are different from actual inflation. To eliminate this possibility, core inflation is calculated to gauge the actual inflation apart from temporary shocks and volatility.

It is important to measure core inflation because it reflects the relationship between the price of goods and services and the price of consumers' general income. If goods and services increase over time but the income of consumers do not, consumers will have weaker buying power since the value of their money decreases in comparison to the value of basic goods and services. However, if inflation happens to consumers' income and nothing changes with the prices of goods and services, consumers will have better buying power and can afford more of the same goods and services. When consumers' stock portfolio or home price increase, asset inflation happens, which provides more money for the consumer as well.

In News - <http://www.livemint.com/Money/nbyQUXOOYrghu0nm8unzl/What-makes-core-inflation-sticky.html>

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Q.2) Kempu kabbu or Konanakatte kabbu is a variety of

- a) Sugarcane
- b) Cotton
- c) Wheat
- d) Rice

Q.2) Solution (a)

Joni bella (semi-liquid jaggery typical of Malnad region) is produced from the native variety of sugarcane, popularly known as kempu kabbu or konanakatte kabbu, under rain-fed method.

In News - <http://www.thehindu.com/todays-paper/tp-national/tp-andhrapradesh/malnads-organic-jaggery-becomes-dearer/article17374062.ece>

Q.3) PoEM has been in news recently. It is concerned with

- a) Scheme for adolescent girls
- b) Taxation
- c) Genome editing
- d) Endo-atmospheric interceptor missile

Q.3) Solution (b)

Place of Effective Management (PoEM) framework is introduced to determine the tax payable by a foreign company that for all purposes is managed from India and yet does not pay tax domestically.

In News - <http://economictimes.indiatimes.com/news/economy/policy/will-it-be-indian-income-tax-v/s-indian-psus-for-poem-compliance/articleshow/57413199.cms>

Q.4) Bogor Goals is concerned with

- a) SAARC
- b) APEC
- c) WTO
- d) European Union

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Q.4) Solution (b)

During the meeting in 1994 in Bogor, Indonesia, APEC leaders adopted the Bogor Goals that aim for free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies and by 2020 for developing economies.

In News - http://www.business-standard.com/article/pti-stories/saudi-arabia-announces-indonesia-investments-as-king-visits-117030100914_1.html

Q.5) Which of the following brings out the 'Consumer Price Index Number for the Industrial Workers'?

- a) The Reserve Bank of India
- b) The Department of Economic Affairs
- c) The Labour Bureau
- d) The department of Personnel and Training

Q.5) Solution (c)

Labour Bureau is responsible for maintaining CPI (Industrial Workers), CPI (Rural Labourers) and CPI (Agricultural Labourers).

In News - <http://www.livemint.com/Opinion/rzFUCXke7ffTkrU0xXvs2L/Time-to-consolidate-inflation-indices.html>

