

Q.1) Proceeds from which of the following is not credited to the Consolidated Fund of India

- a) Revenue generated from Income tax
- b) Loans received from the Foreign governments
- c) Money raised through the issue of Treasury Bills
- d) Money raised through the Small Savings Scheme

Q.1) Solution (d)

Under Article 266 (1) of the Constitution of India, all revenues (example tax revenue from personal income tax, corporate income tax, customs and excise duties as well as non-tax revenue such as licence fees, dividends and profits from public sector undertakings etc.) received by the Union government as well as all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Union Government in repayment of loans shall form a consolidated fund entitled the 'Consolidated Fund of India' for the Union Government.

Except the loans that are credited to the Consolidated Fund, government does not have the liability to pay it back. It is a one-way transaction only.

Proceeds from the Small Savings Scheme, Provident Fund etc, where the government acts as the custodian of the money is credited to the Public Fund of India established under the Art 266 (2) of the Indian Constitution.

Q.2) Consider the following statements with reference to the National Investment Fund (NIF)

- 1. Money raised through the Disinvestment of the PSUs is credited to the NIF
- 2. All the profits generated by NIF can only be used to fund Social Sector Schemes

which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 or 2

Q.2) Solution (a)

Government had constituted the National Investment Fund (NIF) in November, 2005 into which the proceeds from disinvestment of Central Public Sector Enterprises were to be channelized. The corpus of NIF was to be of a permanent nature and NIF was to be professionally managed to provide sustainable returns to the Government, without depleting the corpus.

Government decided (17th January 2013) that the disinvestment proceeds, with effect from the fiscal year 2013-14, will be credited to the existing NIF which is a 'Public Account' under the Government Accounts and the funds would remain there until withdrawn/invested for the approved purposes. It was also simultaneously decided that the NIF would be utilized for the following purposes:

Subscribing to the shares being issued by the CPSE on rights basis, Recapitalization of public sector banks and public sector insurance companies, Investment by Government in RRBs/IIFCL/NABARD/Exim Bank, Equity infusion in various Metro projects, Investment in Indian Railways towards capital expenditure.

Only a part of the NIF corpus can be used to fund the Social Sector Schemes, rest has to be invested so that the Permanent Corpus is not depleted.

Q.3) Study the table given below and answer the question.

Size of tax base	Tax rate	Tax amount
₹10000	10%	₹1000
₹50000	5%	₹2500
₹100000	3%	₹3000

The above table is an example of:

- a) Progressive Taxation
- b) Regressive Taxation
- c) Proportional Taxation
- d) None of the above

Q.3) Solution (b)

Regressive Tax: A regressive tax is a tax imposed in such a manner that the tax rate decreases as the amount subject to taxation increases

A regressive tax is a tax that takes a larger percentage of income from low-income earners than from high-income earners. It is in opposition with a progressive tax, which takes a larger percentage from high-income earners. A regressive tax is generally a tax that is applied uniformly to all situations, regardless of the payer.

Q.4) Consider the following statements with reference to Indirect Taxes

1. In indirect taxes the Incidence and Impact both lie on the same point
2. Indirect taxes are inherently regressive in nature

which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 or 2

Q.4) Solution (b)

Tax incidence is said to "fall" upon the group that ultimately bears the burden of, or ultimately has to pay, the tax. The term incidence refers to the location of the ultimate or the direct money burden of the tax as such. It signifies the settlement of the tax burden on the ultimate tax payer.

The term impact is used to express the immediate result of or original imposition of the tax. The impact of a tax is on the person on whom it is imposed first. The impact of a tax, as such, denotes the act of impinging.

Indirect taxes are regressive in nature as people with low incomes have part with larger amount as tax, while people with higher incomes will find these taxes very small.

E.g. if sales tax (indirect tax) is 10% on a commodity priced 100 rs, then a person earning 200rs will have to part with 5% of his income, while a person earning 500rs will only have to pay 2% of his income as tax

Q.5) Which of the following taxes is not an example of direct taxes

- a) Corporate tax
- b) Income tax
- c) Custom duties
- d) Wealth tax

Q.5) Solution (c)

Custom duties are an example of indirect taxes. Rest all the options are examples of Direct taxes. In direct taxes the tax is paid on the first point of Contact, it cannot be moved further. It has to be paid by the person on whom it is levied.

Q.6) Consider the following statements about taxes levied on imported goods

1. Countervailing duty is levied on goods that are sold below the prices in exporting country
2. Anti-dumping duty is levied to counterbalance the subsidies provided by the government of exporting country

which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 or 2

Q.6) Solution (d)

Countervailing duty is levied on the imported goods to counterbalance (Countervail) the subsidies provided by the exporting country's Government. Many of the governments provide subsidies either during production or during exports to create price advantage for their products, this can be harmful to the products of the importing country, so Countervailing duties are levied to equalize the advantage.

Anti-dumping Duties are levied on the goods that are either sold either, below the cost of production or below the prices in the home country. This is considered predatory as it tries to drive-out the products of importing country and create a monopoly. To prevent this from happening, anti-dumping duty is levied

Q.7) Consider the following statements with reference to the Fourteenth Finance Commission

1. It has recommended that the Fiscal deficit should be brought to Zero by 2020

2. It has recommended setting up of an independent Fiscal Council

which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 or 2

Q.7) Solution (b)

The Fourteenth Finance Commission (FFC) had recommended that the Fiscal deficit to be maintained below 3% for the period of 2015-2020. States will be eligible for a flexibility of 0.25% over this limit. They will be eligible for this flexibility if their debt-GSDP ratio is less than or equal to 25% in the previous year

An independent fiscal council should be created to evaluate the fiscal policy implications of budget proposals.

Full recommendation: <http://www.prsindia.org/parliamenttrack/report-summaries/fourteenth-finance-commission-report-4075/>

Q.8) Consider the following statements with reference to Financial Sector Legislative Reforms Commission (FSLRC)

1. Vijay Kelkar was the Chairman of FSLRC
2. It recommended setting up a Unified Financial Authority
3. The Unified Financial authority will subsume RBI, SEBI, IRDA, PFRDA and FMC

Which of the above statements is/are incorrect?

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

Q.8) Solution (c)

The Financial Sector Legislative Reforms Commission (FSLRC) is a body set up by the Government of India, Ministry of Finance, on 24 March 2011. The Commission was Chaired by Retd. Justice Shri B N Srikrishna.

The Financial Sector Legislative Reforms Commission (FSLRC) has recommended revamping the legislative framework governing the financial sector by a non-sectoral, principle-based approach and restructuring existing regulatory agencies and creating new agencies wherever needed. The FSLRC has given a draft legislation namely Indian Financial Code as Volume-II of its report. The basic approach of the FSLRC is to provide clear mandate and powers and mechanism for accountability to financial agencies.

Under the Draft Financial Code recommended by the commission RBI will regulate Banking and payment System, and the UFA will subsume regulators such as SEBI, FMC and PFRDA

The FSLRC recommended a seven agency structure for the financial sector which are the Reserve Bank of India (RBI), Unified Financial Agency (UFA), Financial Sector Appellate Tribunal (FSAT), Resolution Corporation (RC), Financial Redressal Agency (FRA), Financial Stability and Development Council (FSDC) and Public Debt Management Agency (PDMA).

Q.9) Consider the following statements with reference to the Financial Stability and Development Council (FSDC)

1. It is a statutory body constituted under an Act of the Parliament
2. The Chairman of the FSDC is the Finance Minister of India

which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 or 2

Q.9) Solution (b)

Financial Stability and Development Council was setup with a view to strengthen and institutionalize the mechanism for maintaining financial stability and enhancing inter-regulatory coordination, Indian Government has setup an apex-level (FSDC), vide its notification dated 30th December, 2010. (not by the Act of Parliament)

The Chairman of the FSDC is the Finance Minister of India and its members include the heads of the financial sector regulatory authorities (i.e, SEBI, IRDA, RBI, PFRDA and FMC), Finance Secretary and/or Secretary, Department of Economic Affairs (Ministry of Finance), Secretary, (Department of Financial Services, Ministry of Finance) and the Chief Economic Adviser.

Q.10) Consider the following statements with reference to Fiscal Consolidation.

1. Fiscal consolidation is a policy aimed at reducing government deficits and
2. Fiscal consolidation is a policy aimed at reducing government's debt accumulation.

which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 or 2

Q.10) Solution (c)

Fiscal Consolidation refers to the policies undertaken by Governments (national and sub-national levels) to reduce their deficits and accumulation of debt stock. In order to run the country effectively, the government has to use the Finances at its disposal with due diligence, over dependence on either debt will lead to debt trap which will scareaway the investors and will harm the country's reputation. The government must be able to generate sufficient revenue to run the economy without having to resort to loans.

Q.11) Consider the following statements with reference to Fiscal Deficit

1. The extent of fiscal deficit is an indication of how far the government is spending beyond its means.
2. If unaddressed fiscal deficit can lead to lead to debt trap

Which of the above statements is/are incorrect?

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

Q.11) Solution (d)

Fiscal Deficit = Total Expenditure – Total Receipts excluding borrowings. The extent of fiscal deficit is an indication of how far the government is spending beyond its means.

Fiscal deficit indicates the total borrowing requirements of the government. Borrowings not only involve repayment of principal amount, but also require payment of interest.

Interest payments increase the revenue expenditure, which leads to revenue deficit. It creates a vicious circle of fiscal deficit and revenue deficit, wherein government takes more loans to repay the earlier loans. As a result, country is caught in a debt trap.

Q.12) Consider the following statements about Tobin tax

1. It is a tax levied on currency conversions
2. The primary aim of imposing Tobin tax is to curb volatility caused by speculation

which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 or 2

Q.12) Solution (c)

The “Tobin tax” was originally proposed in the early 1970s by James Tobin, an influential American macroeconomist and recipient of the Nobel prize for economics.

Tobin proposed to reduce this volatility with a small tax – for instance 0.1 per cent – levied on every amount exchanged from one currency into another.

He wanted to discourage short-term currency speculation, which makes it difficult for countries to implement independent monetary policies by moving money quickly back and forth between countries with different interest rates.

Q.13) Consider the following statements with reference to the Goods and Services Tax

1. It is an umbrella tax which will subsume all the direct taxes.

2. GST will eliminate the cascading of taxes and will make taxation simpler

which of the above statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) Neither 1 or 2

Q.13) Solution (b)

The GST is a Value added Tax (VAT) is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Indian Central and state governments. It is aimed at being comprehensive for most goods and services.

GST is set to become one of the biggest fiscal reform that our country is going to witness. All businesses, small or large are going to get impacted because of this paradigm shift in the indirect tax regime. Policymakers have consistently resonated the benefit of a unified taxation system in a federal country like India.

There is a long list of benefits, which are being claimed as a result of GST law and one such benefit is removal of the cascading tax effect. In simple words “cascading tax effect” means tax on tax. It is a situation wherein a consumer has to bear the load of tax on tax and inflationary prices as a result of it.

Q.14) Which of the following items is not a part of Revenue Expenditure

- a) Subsidies
- b) Grants given to state governments
- c) Loans given to state governments
- d) Interest payments on loans taken by the Centre

Q.14) Solution (c)

Revenue expenditure is that expenditure which will be consumed in the given year, they are not used to create any assets. Revenue expenditure consists of Police and Public Administration, Salaries and pensions of govt employees, Subsidies provided by the government, grants given to the state governments, Interest paid and received in a year.

Loans given to the states are part of Capital expenditure, as it will have to be paid back in the future.

Q.15) Tax levied on the Value on the imported goods is called

- a) Specific duty
- b) Ad-Valorem Tax
- c) Countervailing duty
- d) Anti-dumping duty

Q.15) Solution (b)

The Latin phrase, ad valorem, means "according to value." In short, all ad valorem taxes are levied based on the determined value of the item being taxed.

Charge levied as a percentage of value of the item it is imposed on, and not on the item's quantity, size, weight, or other such factor. Value added tax (VAT) and, generally, import duties are ad valorem taxes.

If the import duty is on the size of the goods imported, then it is called as specific duty.

Q.16) Consider the following statements about Trade Receivables Discounting System (TReDS)

1. It is a digital platform that allows access to capital by auctioning trade receivables
2. Only MSMEs can participate as sellers, while banks, non-banking financial companies and factoring companies are permitted as financiers

Select the correct statements

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

Q.16) Solution (c)

Reserve Bank of India (RBI) has allowed three players to launch Trade Receivables Discounting System (TReDS) — a digital platform where small businesses (MSMEs) can get access to capital by auctioning their trade receivables.

It is an electronic platform that allows auctioning of trade receivable. The process is also commonly known as 'bills discounting', a financier (typically a bank) buying a bill (trade receivable) from a seller of goods before it's due or before the buyer credits the value of the bill. In other words, a seller gets credit against a bill which is due to him at a later date. The discount is the interest paid to the financier.

As per RBI TReDS guidelines, only MSMEs can participate as sellers, while banks, non-banking financial companies and factoring companies are permitted as financiers.

The financiers can't bid below marginal cost of funds-based lending rate (MCLR) rate set by the RBI. Typically, for buyers with good credit ratings, financiers bid near the MCLR rate. The spread widens depending upon the buyers' credit rating.

RBI has given license to three entities and they are governed by the Payment And Settlement Systems Act. These are Receivables Exchange of India (RXIL), which is a joint-venture between National Stock Exchange and SIDBI; A Treds, a joint-venture between Axis Bank and Mjunction Services; and Mynd Solution. RXIL was the first one to go live on January 9.

All the transactions undertaken on the TReDS have to be registered with the Central Registry of Securitization and Asset Reconstruction and Security Interest of India.

Currently, only banks and certain NBFCs are allowed to be financiers. Experts say even other participants like high networth individuals should be allowed to act as a financier to expand the market.

Source: <http://www.thehindu.com/business/Economy/%E2%80%98TReDing%E2%80%99-the-path-to-quick-payments/article17009288.ece>

Q.17) Which of the following countries are members of East African Community?

1. Burundi
2. Kenya
3. Angola
4. Nigeria
5. Tanzania
6. Ivory Coast

Select the correct code:

- a) 1, 2 and 5
- b) 2, 3, 4 and 6
- c) 2, 3, 4 and 5
- d) 1, 3 and 6

Q.17) Solution (a)

The East African Community (EAC) is a regional intergovernmental organisation of 6 Partner States: the Republics of Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania, and the Republic of Uganda, with its headquarters in Arusha, Tanzania.

The work of the EAC is guided by its Treaty which established the Community. It was signed on 30 November 1999 and entered into force on 7 July 2000 following its ratification by the original three Partner States - Kenya, Tanzania and Uganda. The Republic of Rwanda and the Republic of Burundi acceded to the EAC Treaty on 18 June 2007 and became full Members of the Community with effect from 1 July 2007. The Republic of South Sudan acceded to the Treaty on 15 April 2016 and became a full Member on 15 August 2016.

Source: <http://www.thehindu.com/todays-paper/tp-opinion/Reaching-out-to-Africa/article17020813.ece>

Q.18) Consider the following statements about River Mahanadi

1. It flows through Odisha, Madhya Pradesh and Chhattisgarh
2. Brahmani and Seonath are tributaries of the river

Select the correct statements

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

Q.18) Solution (d)

The river flows through the states of Chhattisgarh and Odisha.

After the formation of Chhattisgarh State, the major portion of Mahanadi basin now lies in Chhattisgarh. Presently, only 154 square kilometres (59 sq mi) basin area of Hasdeo River in Anuppur District lies in Madhya Pradesh.

The Seonath River is the longest tributary of Mahanadi. It rises in an undulating region with numerous small groups of hills at Kotgal and flows 383 kilometers to join Mahanadi at its left bank at Khargand.

Brahmani River is NOT a tributary of Mahanadi. It's a seasonal river that flows in Odisha.

Source: <http://www.thehindu.com/todays-paper/tp-national/Odisha-rejects-panel-on-Mahanadi/article17111488.ece>

Q.19) Consider the following statements about Financial Intelligence Unit of India (FIU-IND)

1. It is a subsidiary organization under Central Bureau of Investigation (CBI)
2. The members of FIU-IND are inducted from organizations including Central Board of Direct Taxes (CBDT), Central Board of Excise and Customs (CBEC), Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI)

Select the correct statements

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

Q.19) Solution (b)

Financial Intelligence Unit – India (FIU-IND) was set by the Government of India vide O.M. dated 18th November 2004 as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes. FIU-IND is an independent

body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.

The members are inducted from organizations including Central Board of Direct Taxes (CBDT), Central Board of Excise and Customs (CBEC), Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), Department of Legal Affairs and Intelligence agencies

The function of FIU-IND is to receive cash/suspicious transaction reports, analyse them and, as appropriate, disseminate valuable financial information to intelligence/enforcement agencies and regulatory authorities. The functions of FIU-IND are:

- **Collection of Information:** Act as the central reception point for receiving Cash Transaction reports (CTRs), Cross Border Wire Transfer Reports (CBWTRs), Reports on Purchase or Sale of Immovable Property (IPRs) and Suspicious Transaction Reports (STRs) from various reporting entities.
- **Analysis of Information:** Analyze received information to uncover patterns of transactions suggesting suspicion of money laundering and related crimes.
- **Sharing of Information:** Sharing information with national intelligence/law enforcement agencies, national regulatory authorities and foreign Financial Intelligence Units.
- **Act as Central Repository:** Establish and maintain national data base on cash transactions and suspicious transactions on the basis of reports received from reporting entities.
- **Coordination:** Coordinate and strengthen collection and sharing of financial intelligence through an effective national, regional and global network to combat money laundering and related crimes.

Q.20) _____ has been ranked the most dynamic city in the world in JLL's City Momentum Index (CMI)

- a) Bengaluru
- b) Mumbai
- c) Pune
- d) Hyderabad

Q.20) Solution (a)

Bengaluru has been ranked the most dynamic city in the world, ahead of Silicon Valley and Boston in the US, in a study by independent property consultancy Jones Lang LaSalle

(JLL).The ranking is based on a broad range of real estate and socio-economic factors. Bengaluru's positioning has been particularly driven by its successful transitioning to higher-value manufacturing and service-based activities.

The list, which features 30 cities, also includes five other Indian cities including Hyderabad (5), Pune (13), Chennai (18), Delhi (23) and Mumbai (25).

Source: <http://timesofindia.indiatimes.com/trend-tracking/bengaluru-most-dynamic-city-in-world-jll-study/articleshow/56658813.cms>

Q.21) India officially received certificates from World Health Organisation (WHO), declaring the country yaws and maternal and neonatal tetanus free. What is Yaws?

- a) It is a chronic bacterial infection that affects the skin, cartilages and bones.
- b) It is a chronic viral infection that affects throat
- c) It is a bacterial infection that affects throats
- d) None of the above

Q.21) Solution (a)

Yaws is a chronic bacterial infection that affects the skin, cartilages and bones. It is caused by the spirochete bacterium *Treponema pallidum pertenuis*. It spreads by direct contact with the fluid from a lesion of an infected person. It mainly affects children below 15 years of age. It mainly occurs in overcrowded communities with limited access to basic amenities such as water, sanitation and health care services.

Q.22) The scheme 'Niryat Bandhu' aims at which of the following?

- a) To train new entrepreneurs to start new business
- b) To provide vocational training to youth
- c) To provide facilitating officers for hassle free international trade
- d) To mentor new and potential exporters on the intricacies of foreign trade

Q.22) Solution (d)

Niryat Bandhu - Hand Holding Scheme for new export import entrepreneurs

DGFT is implementing the Niryat Bandhu Scheme for mentoring new and potential exporter on the intricacies of foreign trade through counseling, training and outreach programs.

Considering the strategic significance of small and medium scale enterprises in the manufacturing sector and in employment generation, 'MSME clusters' have been identified, based on the export potential of the product and the density of industries in the cluster, for focused interventions to boost exports.

Outreach activities shall be organized in a structured way with the help of Export Promotion Councils as 'industry partners' and other willing 'knowledge partners' in academia and research community to achieve the objective of Niryat Bandhu Scheme. Further, in order to ensure optimum utilization of resources, efforts would be made to associate all the stakeholders, including Customs, ECGC, Banks and concerned Ministries.

Q.23) Himansh, the glaciological research facility of India is located at

- a) Chumbi Valley
- b) Spiti Valley
- c) Lohab Valley
- d) Nubra Valley

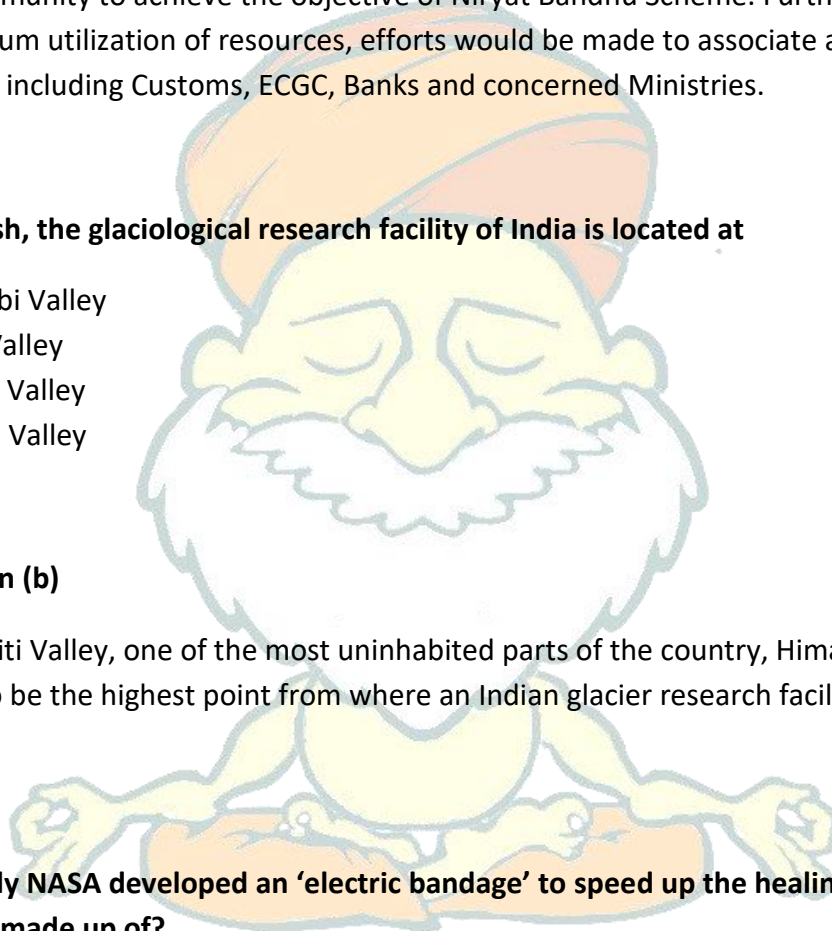
Q.23) Solution (b)

Located in Spiti Valley, one of the most uninhabited parts of the country, Himansh is considered to be the highest point from where an Indian glacier research facility is functioning.

Q.24) Recently NASA developed an 'electric bandage' to speed up the healing process of wounds. It is made up of?

- a) Polyvinyl Chloride (PVC)
- b) Teflon
- c) Polyester
- d) Polyvinylidene fluoride (PVDF)

Q.24) Solution (d)



Source: <http://timesofindia.indiatimes.com/home/science/Nasas-electric-bandage-to-speed-up-wound-healing/articleshow/54781697.cms>

Q.25) UNICEF is joining India to launch The Community-Based Management of Acute Malnutrition (CMAM) approach and supply Ready-to-use therapeutic food (RUTF).

Consider the following regarding RUTF

1. It provides all the nutrients required for recovery.
2. It has a good shelf life, and does not spoil easily even after opening.
3. Since RUTF is not water based, the risk of bacterial growth is very limited, and consequently it is safe to use without refrigeration at household level

Select the correct code

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

Q.25) Solution (d)

Source: https://www.unicef.org/media/files/Position_Paper_Ready-to-use_therapeutic_food_for_children_with_severe_acute_malnutrition_June_2013.pdf

