

IASbaba's Daily Prelims Test [Day 58]

ECONOMICS - Revision

1. The Fourteenth Finance Commission (FFC) has proposed a new horizontal formula for the distribution of the states' share in divisible pool among the states. Which of the following variables is/are used by FFC to determine the states' share?

1. 2011 census population
2. Fiscal capacity
3. Forest cover
4. Fiscal Discipline

Select the correct answer using the code given below.

1. 1 and 2 only
2. 1, 2 and 4 only
3. 1, 2 and 3 only
4. All the above

Ans: (3)

Explanation:

13th finance commission used 1971 census population only. 14th finance commission used 1971 as well as 2011 census population with weights 17.5 and 10 respectively.

Fiscal capacity used by 13th as well as 14th finance commission. 14th finance commission used forest cover as a variable but excluded fiscal discipline.

2. Constitution of India makes elaborate provisions on distribution of tax proceedings between the centre and states. Which of the following taxes forms part of consolidated fund of India?

1. Taxes on railway fares and freights
2. Estate duty in respect of property other than agricultural land
3. Taxes on the sale or purchase of newspapers
4. Taxes other than stamp duties on transactions in stock exchanges and futures markets

Select the correct answer using the code given below.

1. 1, 2 and 3 only
2. 2, 3 and 4 only
3. All the above
4. None of the above

Ans: (4)

Explanation:

These Taxes levied and collected by the union but assigned to the States.

For more details: <http://indiankanoon.org/doc/1135479/>

3. Concept of a special category state seeks to provide certain disadvantaged states with preferential treatment in the form of central assistance and tax breaks. Which of the following is/are components based on which special category status is granted?

1. Low population density
2. High population density
3. Economic backwardness
4. Non viable nature of state finances

Select the correct answer using the code given below.

1. 1 and 3 only
2. 3 and 4 only
3. 1, 3 and 4 only
4. 2, 3 and 4 only

Ans: (3)

Explanation:

Some of the features required for special status are: (i) hilly and difficult terrain; (ii) low population density or sizeable share of tribal population; (iii) strategic location along borders with neighboring countries; (iv) Economic and infrastructural backwardness; and (v) non-viable nature of state finances.

4. Which of the following development/s helps in bringing down inflation?

1. Falling global commodity price
2. Decline in growth rate of rural wages
3. Moderation in the increase in Minimum Support Prices
4. Slack in economic activity

Select the correct answer using the code given below.

1. 1, 2 and 3 only
2. 2, 3 and 4 only
3. 1, 3 and 4 only
4. All the above

Ans: (4)

Explanation:

The major developments driving the stubborn inflation down were falling global commodity prices, especially of crude oil, decline in the growth rate of rural wages, moderation in the increase in minimum support prices as also slack in economic activity.

Moderation in wage rate growth reduced demand pressures on protein-based items.

(Economic survey, Vol II, chapter 5)

5. Which of the following parameters is/are used in calculating 'Gender Inequality Index'?

1. Maternal mortality ratio
2. Share of seats in national parliament
3. Labour force participation rate
4. Adolescent birth rate

Select the correct answer using the code given below.

1. 1, 2 and 3 only
2. 2 and 3 only
3. 2, 3 and 4 only
4. All the above

Ans: (4)

Explanation:

Gender Inequality Index is a composite measure reflecting inequality in achievement between women and men in three dimensions: reproductive health, empowerment and the labour market.

Reproductive health:

Maternal mortality ratio: Number of deaths due to pregnancy-related causes per 100,000 live births.

Adolescent birth rate: Number of births to women ages 15–19 per 1,000 women ages 15–19.

Empowerment:

Share of seats in national parliament: Proportion of seats held by women in a lower/ single house or /and an upper house/ senate expressed as percentage of total seats. For countries with bicameral legislative systems, the share of seats is calculated based on both houses.

Population with at least some secondary education: Percentage of the population ages 25 and older who have reached (but not necessarily completed) a secondary level of education.

Labour market:

Labour force participation rate: Proportion of a country's working-age population (ages 15 and older) that engages in the labour market, either by working or actively looking for work, expressed as a percentage of the working-age population.

6. Which of the following sectors is/are prohibited for FDI?

1. Lottery Business
2. Real Estate Business or Construction of Farm Houses
3. Atomic Energy sector
4. Business of chit fund

Select the correct answer using the code given below.

1. 3 only
2. 3 and 4 only
3. 1 and 4 only
4. All the above

Ans: (4)

Explanation:

SECTORS PROHIBITED FOR FDI

FDI is prohibited in the following activities/sectors:

- (a) Lottery Business including Government /private lottery, online lotteries, etc.
- (b) Gambling and Betting including casinos etc.
- (c) Business of chit fund
- (d) Nidhi company
- (e) Trading in Transferable Development Rights (TDRs)
- (f) Real Estate Business or Construction of Farm Houses
- (g) Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- (h) Activities/sectors not opened to private sector investment including Atomic Energy and Railway Transport (other than permitted activities)

<http://www.makeinindia.com/policy/foreign-direct-investment/>

7. The unit which has defaulted in meeting its payment / repayment obligations to the lender, is consider as a 'wilful default' when

1. When it has the capacity to honour the said obligations but did not do so
2. It has not utilised the finance for the specified purposes and diverted the funds for other purposes
3. The unit has siphoned off the funds and no funds available with the unit in the form of other assets
4. The unit has disposed off the movable or immovable property given for the purpose of securing a term loan without the knowledge of the lender

Select the correct answer using the code given below.

1. 1 only
2. 1, 2, 3 and 4
3. 1 and 4 only
4. 1, 3 and 4 only

Ans: (2)

Explanation:

A 'wilful default' would be deemed to have occurred *if any of the following events* is noted:

- a. The unit has defaulted in meeting its payment/repayment obligations to the lender even when it has the capacity to honour the said obligations.
- b. The unit has defaulted in meeting its payment/repayment obligations to the lender and has not utilized the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
- c. The unit has defaulted in meeting its payment/repayment obligations to the lender and has siphoned off the funds so that the funds have not been utilised for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.
- d. The unit has defaulted in meeting its payment/repayment obligations to the lender and has also disposed off or removed the movable fixed assets or immovable property given for the purpose of securing a term loan without the knowledge of the bank/lender.

The identification of the wilful default should be made keeping in view the track record of the borrowers and should not be decided on the basis of isolated transactions/incidents. The default to be categorised as wilful must be intentional, deliberate and calculated.

https://rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9907#2

8. Consider the following statements regarding white label ATMs.

1. White label ATMs are setup owned and operated by NBFCs only.
2. Acceptance of cash deposits at the WLAs is not permitted.

Which of the above statements is/are correct?

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

Ans: (2)

Explanation:

White label ATMs are setup owned and operated by any Non-bank entities. Non-bank ATM operators are authorized under Payment & Settlement Systems Act, 2007 by the Reserve Bank of India.

Acceptance of cash deposits at the WLAs is not permitted at present.

9. Consider the following statements regarding 'Sukanya Samriddhi Account'.

1. Account can be opened in the name of the girl child from the birth of girl child till she attains age of ten years.
2. The account can be opened with an initial deposit of one thousand rupees.
3. A guardian can open only one account in the name of one girl child and maximum two accounts in the name of two different Girl children.

Which of the above statements is/are correct?

1. 1 only
2. 1 and 2 only
3. 2 and 3 only
4. All the above

Ans: (4)

Explanation:

All statements are correct.

The account may be opened with an initial deposit of one thousand rupees and thereafter any amount in multiple of one hundred rupees may be deposited subject to the condition that a minimum of one thousand rupees shall be deposited in a financial year but the total money deposited in an account on a single occasion or on multiple occasions shall not exceed one lakh fifty thousand rupees in a financial year.

10. Consider the following statements regarding Financial Action Task force.

1. The Financial Action Task Force (FATF) is an inter-governmental body established in 1989.
2. The objective of the FATF is to set standards for legal, regulatory and operational measures for combating money laundering, terrorist financing and promote its effective implementation.

Which of the above statements is/are correct?

1. 1 only
2. 2 only
3. Both 1 and 2
4. Neither 1 nor 2

Ans: (3)

Explanation:

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.