

Q.1) Which of the following items are not a part of Invisibles in the Balance of Payment of a country?

- a) Export of Software Services
- b) Export of Financial Services
- c) Export of Laptops
- d) Export of Management Services

Q.1) Solution (c)

Balance of payments is a statement that summarizes a Country's transactions with the rest of the world for a specified time period. It encompasses all transactions between a country's residents and its non-residents involving goods, services and income. It has two parts one the Current account, accounting for all the financial transactions that are less than 1 year, it is a one-way transaction, money received does not have to be given back, and a capital account that includes all the transactions that are longer than 1 year and have a repayment obligation.

The current account consists of Balance of trade: Which includes trade in all Goods/Merchandise. The other part is invisible, this part is mainly concerned with the trade in services, remittances and Transfer payments.

All services including the sale of software, Financial services, management and consulting services are part of invisible. The export of laptops is a part of Balance of Trade.

Q.2) Which of the following items is not a part of Current Account in a country's Balance of Payment?

- a) Exports of Services
- b) Imports of Goods
- c) Remittances
- d) External commercial Borrowings

Q.2) Solution (d)

The current account on the balance of payments measures the inflow and outflow of goods, services and investment incomes.

The main components of the current account are:

- i. Trade in goods (visible balance): includes both export and import.
- ii. Trade in services (invisible balance) e.g. insurance and services
- iii. Investment incomes e.g. dividends, interest and migrants remittances from abroad
- iv. Net transfers – e.g. International aid

A deficit on the current account means that the value of imports is greater than the value of exports. A surplus on the current account means that the value of imports is less than the value of exports.

Capital account of BOP records all those transactions, between the residents of a country and the rest of the world, which cause a change in the assets or liabilities of the residents of the country or its government. It is related to claims and liabilities of financial nature.

The components of Capital account involve Borrowings and landings to and from abroad, this includes the External Commercial Borrowings. Investments to and from abroad: this includes investments in securities and real estate.

Q.3) Current Account Deficit of a country can be reduced by

- a) Increasing the imports
- b) Reducing the exports
- c) Reducing the inflow of remittances
- d) Decreasing the imports

Q.3) Solution (d)

A current account deficit occurs when the value of imports (of goods, services and investment incomes) is greater than the value of exports, i.e. a country is buying more than what it is selling to the rest of the world.

So, reduce the CAD a country has to sell more which can be done by increasing the exports, sending more nationals to work overseas thereby increasing the inbound remittances, and buy less, which can be done by reducing the imports. Increasing the Imports will increase the CAD.

Q.4) Consider the following statements with reference to the Special Drawing Rights of IMF

1. SDRs are a reserve currency of IMF and is allocated to member countries in proportion to their IMF quotas
2. If a country's SDR holding is above its allocation it earns interest on the excess holdings from IMF

Which of the above statements is/are correct?

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

Q.4) Solution (c)

The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. As of March 2016, 204.1 billion SDRs (equivalent to about \$285 billion) had been created and allocated to members. SDRs can be exchanged for freely usable currencies. The value of the SDR is based on a basket of five major currencies—the US dollar, the euro, the Chinese renminbi (RMB), the Japanese yen, and the British pound sterling.

Under its Articles of Agreement (Article XV, Section 1, and Article XVIII), the IMF may allocate SDRs to member countries in proportion to their IMF quotas. Such an allocation provides each member with a costless, unconditional international reserve asset. The SDR mechanism is self-financing and levies charges on allocations which are then used to pay interest on SDR holdings. If a member does not use any of its allocated SDR holdings, the charges are equal to the interest received. However, if a member's SDR holdings rise above its allocation, it effectively earns interest on the excess. Conversely, if it holds fewer SDRs than allocated, it pays interest on the shortfall. The Articles of Agreement also allow for cancellations of SDRs, but this provision has never been used.

The IMF's Articles of Agreement provide for the possibility to prescribe as other holders of SDRs—that is, other than IMF members—certain types of official organizations, such as the BIS, ECB, and regional development banks. A prescribed holder may acquire and use SDRs in transactions and operations with other prescribed holders and the IMF's members. The IMF cannot allocate SDRs to itself or to prescribed holders.

Source: <http://www.imf.org/external/np/exr/facts/sdr.htm>

Q.5) Consider the following statements with reference to Common Market as a stage of economic integration

1. Member countries abolish trade barriers while trading among themselves
2. In addition to free trade movement of labour and capital is also liberalized

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.5) Solution (d)

COMMON MARKET:

A common market represents a major step towards significant economic integration. In addition to containing the provisions of a customs union (removing internal barriers to trade + harmonizing external trade policy), a common market (CM) removes all barriers to the mobility of people, capital and other resources within the area in question, as well as eliminating non-tariff barriers to trade, such as the regulatory treatment of product standards.

Establishing a common market typically requires significant policy harmonization in a number of areas. Free movement of labour, for example, necessitates agreement on worker qualifications and certifications. A common market is also typically associated – whether by design or consequence – with a broad convergence of fiscal and monetary policies due to the increased economic interdependence within the region and the effect that one member country's policies can have on other member countries. This necessarily places more severe limitations on member countries' ability to pursue independent economic policies.

The principal advantage of establishing a common market is the expected gains in economic efficiency. With unfettered mobility, labour and capital can more easily respond to economic signals within the common market, resulting in a more efficient allocation of resources.

Basic Elements of the Stages of Economic Integration	
Free Trade Agreement (FTA)	Zero tariffs between member countries and reduced non-tariff barriers
Customs Union (CU)	FTA + common external tariff
Common Market (CM)	CU + free movement of capital and labour, some policy harmonization
Economic Union (EU)	CM + common economic policies and institutions

Q.6) Which of the following is not a non-tariff barrier?

- a) Packaging requirements
- b) Custom duty
- c) Import Quota
- d) Health, Sanitary and Safety regulations

Q.6) Solution (b)

Tariff Barriers: Tariffs are taxes that are put in place not only to protect infant industries at home, but also to prevent unemployment because of shut down of domestic industries. These barriers raise revenue for the government, typical examples of tariff barriers are custom duties, specific tariff for a particular good, Ad-volorem tariff etc.

Non-Tariff Barriers (NTBs) refer to restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and/or costly. NTBs also include unjustified and/or improper application of Non-Tariff Measures (NTMs) such as sanitary and phytosanitary (SPS) measures and other technical barriers to Trade (TBT).

Examples of Non-Tariff barriers are:

1. Import bans

2. General or product-specific quotas
3. Complex/discriminatory Rules of Origin
4. Quality conditions imposed by the importing country on the exporting countries
5. Sanitary and Phyto-sanitary conditions
6. Unreasonable packaging, labelling, product standards
7. Occupational safety and health regulation
8. Employment law
9. Import licenses

Q.7) Consider the following statements with reference to Foreign exchange reserves of India

1. It consists of Indian rupee, Foreign Currencies and Gold
2. The reserves are managed by the Reserve Bank of India

Which of the above statements is/are correct?

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

Q.7) Solution (b)

As on May 5, 2017 India has 375,717.7Mn US\$ worth of Foreign exchange reserves. It consists of 4 components: Foreign Currency Assets, Gold, SDRs and Reserve Position in the IMF (Reserve tranche)

Indian Rupee is not a part of Foreign exchange reserves, these reserves are maintained to protect Indian currency from excessive volatility. Domestic Currency will never be a part of Foreign Exchange Reserves, Other countries can hold indian rupee as part of their foreign exchange reserves, hence statement 1 is wrong.

Q.8) 'FDI Regulatory Restrictiveness Index' is published by which of the following organizations?

- a) UNCTAD
- b) IMF
- c) WEF

d) OECD

Q.8) Solution (d)

'FDI Regulatory Restrictiveness Index' is published The Organization for Economic Co-operation and Development (OECD)

The FDI Regulatory Restrictiveness Index (FDI Index) measures statutory restrictions on foreign direct investment in 62 countries, including all OECD and G20 countries, and covers 22 sectors. The FDI Index is currently available for the following years: 1997, 2003, 2006, 2010-2016.

Q.9) Consider the following statements with reference to the Convertibility of Indian currency

1. For current account transactions, Indian rupee can be fully converted into any foreign currency
2. India has introduced full convertibility in capital account transactions since 2015

Which of the above statements is/are correct?

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

Q.9) Solution (a)

Rupee convertibility means the system where any amount of rupee can be converted into any other currency without any question asked about the purpose for which the foreign exchange is to be used. rupee convertibility in India is a gradual one, it was first introduced in the Current account and then in capital account. Full convertibility in current account was introduced in 1994.

The government of India had appointed two committees to suggest way to introduce Full Convertibility on capital Account, one in 1996 and another in 2006, Both were headed by S.S. Tarapore.

The present situation is that, rupee is fully convertible in Current Account, and is partially convertible in Capital account. It means that you can convert 1000rs into equivalent foreign currency if you are trading something, going on a vacation, or for medical purpose. But you will get less than 1000rs equivalent of foreign currency if you want to Buy securities and shares in foreign companies, or want to buy real estate.

Q.10) 'World Investment Report' is published by which of the following organizations?

- a) World Bank
- b) IMF
- c) UNCTAD
- d) WEF

Q.10) Solution (c)

The World Investment report is published by The United Nations Conference on Trade and Development (UNCTAD). The World Investment Report has been published annually since 1991. Each year's Report covers the latest trends in foreign direct investment around the World and analyses in depth one selected topic related to foreign direct investment and development. The latest report was "World Investment Report 2016 - Investor Nationality: Policy Challenges"

Q.11) which of the following events will increase India's Current Account Deficit (CAD)?

- a) An Australian visiting Goa for new year
- b) A US couple hiring a surrogate mother in Gujrat
- c) An NRI sending money to his family in India
- d) An Indian student studying Post-graduation in Germany

Q.11) Solution (d)

An Indian student studying abroad will increase the country's CAD, along with other similar activities, where foreign goods or services are consumed by Indians. The demand is for more foreign currency.

In the rest of the options the Indian goods and services are consumed by the foreigners, which means all these are a form of exports.

The Australian is purchasing Food, transportation like taxi, auto etc. all these are produced by Indians. Similar is the situation in option 2.

In option 3, though the service is consumed abroad, a part of the earning is sent back to India on a regular basis. Thus, it will also reduce the CAD.

Q.12) Consider the following statements with reference to depreciation of a currency

1. It is a fall in the value of domestic currency with respect to other currencies
2. It is done by deliberate government intervention

Which of the above statements is/are correct?

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

Q.12) Solution (a)

Currency depreciation is the loss of value of a country's currency with respect to one or more foreign reference currencies, typically in a floating exchange rate system in which no official currency value is maintained. In a floating exchange rate system, a currency's value goes up (or down) if the demand for it goes up more (or less) than the supply does.

On the other hand, when the government lowers the exchange rate of its currency, it is called Devaluation, it is intentional and is done to promote the exports of the country.

Q.13) India follows which of the following Exchange Rate Regimes (ERR)

- a) Pegged ERR
- b) Free floating ERR
- c) Managed floating ERR
- d) None of the above

Q.13) Solution (c)

In this hybrid exchange rate system, the exchange rate is basically determined in the foreign exchange market through the operation of market forces i.e., it is determined by the demand and supply of Indian rupee by individuals and institutions. This part is similar to the free-floating exchange rate regime.

However, in times of extreme currency fluctuations, the central bank i.e. RBI intervenes by buying and selling the foreign currencies. Primary objective is to stabilize the currency and reduce fluctuations.

Since both aspects i.e. market determination and Central Bank's intervention are present, this system is called Managed Floating Exchange Rate Regime

Q.14) Consider the following statements about National Family Health Survey-4.

1. This is the first time the government has conducted a survey to find out the incidence of diabetes and hypertension
2. NFHS-4, for the first time, will provide estimates of most indicators at the district level

Select the correct statements

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

Q.14) Solution (c)

The first phase results of the National Family Health Survey (NFHS-4), which was conducted in 2015-16, were released in January, 2016. The NFHS-4 survey interviewed men of 15-54 years age and women of 15-49 years age. The first phase results covered 13 states and 2 union territories. The NFHS-4 is for the first time collecting data from all 29 states and all 7 Union Territories. For the first time, the NFHS-4 will provide estimates at the district level. Given the wide intra-state variations, the disaggregated data at the district level helps in better understanding of the data and future policy formulation.

The NFHS is a large-scale, multi-round survey conducted across India in a representative sample of households. The survey collects information about various parameters such as fertility, infant and child mortality, the practice of family planning, maternal and child health, reproductive health, nutrition, anaemia, utilization and quality of health and family

planning services. The first NFHS was conducted in 1992-93. The NFHS-2 and NFHS-3 were conducted in 1998-99 and 2005-06 respectively.

This is the first time the government has conducted a survey to find out the incidence of diabetes and hypertension. An earlier attempt to do so under the National programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Disease and Stroke did not quite take off, and the initial data had suggested a far lower incidence — about 6 per cent for diabetes and 8 per cent for hypertension.

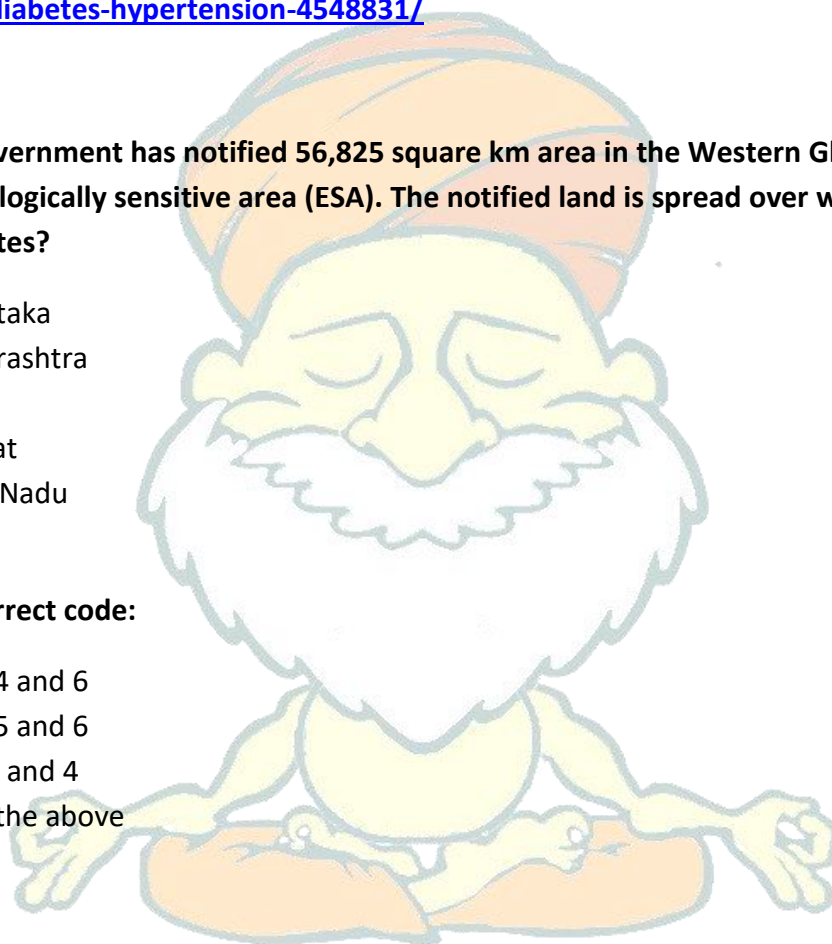
Source: <http://indianexpress.com/article/india/govt-survey-over-20-per-cent-indians-suffer-from-diabetes-hypertension-4548831/>

Q.15) The government has notified 56,825 square km area in the Western Ghats (WG) region as ecologically sensitive area (ESA). The notified land is spread over which of the following states?

1. Karnataka
2. Maharashtra
3. Goa
4. Gujarat
5. Tamil Nadu
6. Kerala

Select the correct code:

- a) 1,2,3,4 and 6
- b) 1,2,3,5 and 6
- c) 1, 2, 3 and 4
- d) All of the above



Q.15) Solution (d)

The Notification -

- The notified land is spread over six states of Gujarat, Maharashtra, Goa, Karnataka, Kerala and Tamil Nadu.
- In the ESA, all kinds of mining activities, thermal power plants and highly polluting industries would no longer be allowed.
- The existing mines shall be phased out within five years from the issue of final notification or on the expiry of the existing mining lease, whichever is earlier.

- All new „Red“ category industries and the expansion of such existing industries shall be banned.
- Other kinds of projects and activities, like operation of hydropower plants, and „orange“ category of industries, will be strictly regulated in the ESA.
- New expansion projects of building and construction with built-up area of 20,000 square meters and above shall be prohibited too.

The demarcation of an ESA is an effort to protect the fragile eco-system from indiscriminate industrialisation, mining and unregulated development.

Two committees – Gadgil and Kasturirangan – were appointed in the last eight years to identify the areas that needed to be kept out from such activities.

Source: <http://indianexpress.com/article/india/western-ghats-as-eco-sensitive-zones-all-about-the-centre-state-tussle-you-need-to-know/>

Q.16) Taratarini Temple is located in which of the following states?

- a) Andhra Pradesh
- b) Odisha
- c) Tamil Nadu
- d) Madhya Pradesh

Q.16) Solution (b)

Taratarini Temple on the Kumari hills at the bank of the River Rushikulya near Brahmapur city in Ganjam District, Odisha, India is worshiped as the Breast Shrine (Sthana Peetha) and manifestations of Adi Shakti. The Tara Tarini Shakti Peetha is one of the oldest pilgrimage centers of the Mother Goddess and is one of four major ancient Tantra Peetha and Shakti Peethas in India.

The mythological texts recognize four major Shakti Peethas: Tara Tarini (Stana Khanda), near Brahmapur; Bimala (Pada Khanda) inside the Jagannath Temple, Puri; Kamakhya (Yoni khanda), near Guwahati; and Dakshina Kalika (Mukha khanda) in Kolkata. There are 52 other sacred Shakti Peethas, which originated from the limbs of Mata Sati's corpse in the Satya Yuga.

The Indian Navy has made its new boat — ‘Tarini’ based on the design of famous temple Tara Tarini.

Q.17) Consider the following statements about 'Seemai karuvelam' trees

1. It is native to Mexico, South America and the Caribbean
2. It is an invasive species
3. It produces less oxygen and more carbon dioxide

Select the correct statements

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

Q.17) Solution (c)

Prosopis Juliflora is a shrub or small tree in the family Fabaceae commonly known as Seemai Karuvelam. It is native to Mexico, South America and the Caribbean. It was initially introduced in India during colonial times. Later in 1960s it was Seed Bombed i.e aeri ally seeded by helicopter in Southern Tamil Nadu to meet firewood demand. Since then it has become invasive species. It causes stomach poisoning in livestock by inducing a permanent impairment of its ability to digest cellulose. It causes drying up of water bodies and ground water as it absorbs more than 4 litres of water to obtain one kg of biomass. It cannot even shelter birds as it produces less oxygen and more carbon dioxide. It causes land erosion due to the loss of the grasslands that are habitats for native plants and animals. Dispersal of the species is mainly through animals by endozoochory (dispersal by vertebrate animals).

Why TN government is uprooting thousands of trees to prevent water-bodies from drying up?

<http://www.thenewsminute.com/article/why-tn-government-uprooting-thousands-trees-prevent-water-bodies-drying-35549>

Source: <http://www.thehindu.com/news/national/tamil-nadu/govt-proposes-special-programme-to-remove-karuvelam-trees/article7693796.ece>

Q.18) Consider the following statements

1. Uttarakhand has the highest tiger population in India
2. Uttarakhand has highest number of tiger reserves after Karnataka
3. Kanha tiger reserve is the only place in the world where swamp deer exists

Select the *incorrect* statements

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

Q.18) Solution (a)

The Uttarakhand state is soon to get two new tiger reserves. The Nandhaur Wildlife Sanctuary across India and Nepal and Surai Range in Terai are the two proposed tiger reserves. Presently, the state has two tiger reserves – the Corbett tiger reserve and the Rajaji tiger reserve. With the addition, Uttarakhand would become the first state in North India to get four tiger reserves. Uttarakhand state has the second highest tiger population in the country after Karnataka. Corbett tiger reserve is also the oldest national park in India and it was the first to come under the Project Tiger initiative.

To get the tiger reserve status to a national park, the state government has to send a proposal to National Tiger Conservation Authority (NTCA). After NTCA has given its final approval, the State Government can notify the tiger reserve based on NTCA recommendation.

The National Tiger Conservation Authority is a statutory body created under Wildlife (Protection) Act, 1972, for strengthening tiger conservation.

Kanha has become the first tiger reserve in India to officially introduce a mascot — Bhoorsingh the Barasingha — to present the hard ground swamp deer as the spirit of the reserve and spread awareness to save it from possible extinction. Barasingha, or swamp deer, is the state animal of Madhya Pradesh. The Kanha tiger reserve, spread over Mandla and Balaghat districts, is the only place in the world where the species exists.

Tiger Reserves in India - http://wiienvs.nic.in/Database/trd_8222.aspx

Source:

<http://www.hindustantimes.com/india-news/meet-bhoorsingh-the-barasingha-kanha-tiger-reserve-becomes-first-in-india-get-official-mascot/story-sUNrcno629AeTdmnQWlo8M.html>

<http://www.thehindu.com/news/national/2-more-tiger-reserves-soon-in-uttarakhand/article17430981.ece>

Q.19) 'Vrindavani Vastra' was in news recently. It is related which of the following states?

- a) Uttar Pradesh
- b) Gujarat
- c) Assam
- d) Madhya Pradesh

Q.19) Solution (c)

Vrindavani Vastra is a drape woven by Assamese weavers during 16th century under the guidance of Srimanta Sankardeva, a Vaishnavite saint and scholar who lived in present-day Assam.

It is now in Victoria and Albert Museum in London.

Source: <http://www.thehindu.com/news/national/other-states/return-assams-treasure/article17524257.ece>

Q.20) Consider the following statements about 'Monpa tribe'

1. They hail from the Changtang Plateau region in Ladakh
2. Losar and Torgya are the two major festivals of Monpas

Which of the following statements is/are correct?

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

Q.20) Solution (b)

Monpas are a major people of Arunachal Pradesh in northeastern India. Currently they are also one of the 56 officially recognized ethnic groups in China.

The origin of monpa people is not clearly defined. As other tribes of North East India, monpa people is believed to have migrated to Tawang. Monpa people are believed to be the only nomadic tribe in Northeast India, viz., they were totally depended on animals like sheep, cow, yak, goats and horses and had no permanent settlement or attachment to a particular

place. This is the theory which claim that monpa people might have migrated through the Western Himalaya and travelling via Sikkim route, might have settled in the Tawang area. This also claims that of monpa people having connections to the Bhutias of the State of Sikkim.

The Monpa are known for wood carving, Thangka painting, carpet making and weaving. They manufactured paper from the pulp of the local sukso tree.

Tawang is claimed by India, People's Republic of China and the Republic of China (Taiwan)

Losar

- “Losar” or The New Year festival, is the most important festival of Tawang District in Arunachal Pradesh. The Monpa Tribe celebrate this as the coming of a new year.
- This festival mostly falls in the last part of February or early part of March.
- People hoist religious flags atop their homes and make visits to homes relatives and friends.
- The holy scriptures are read in every home as part of festival prayer.
- This festival witnesses the local tribal traditions and customs.

Q.21) Mazdoor Kisan Shakti Sangathan was an organisation in

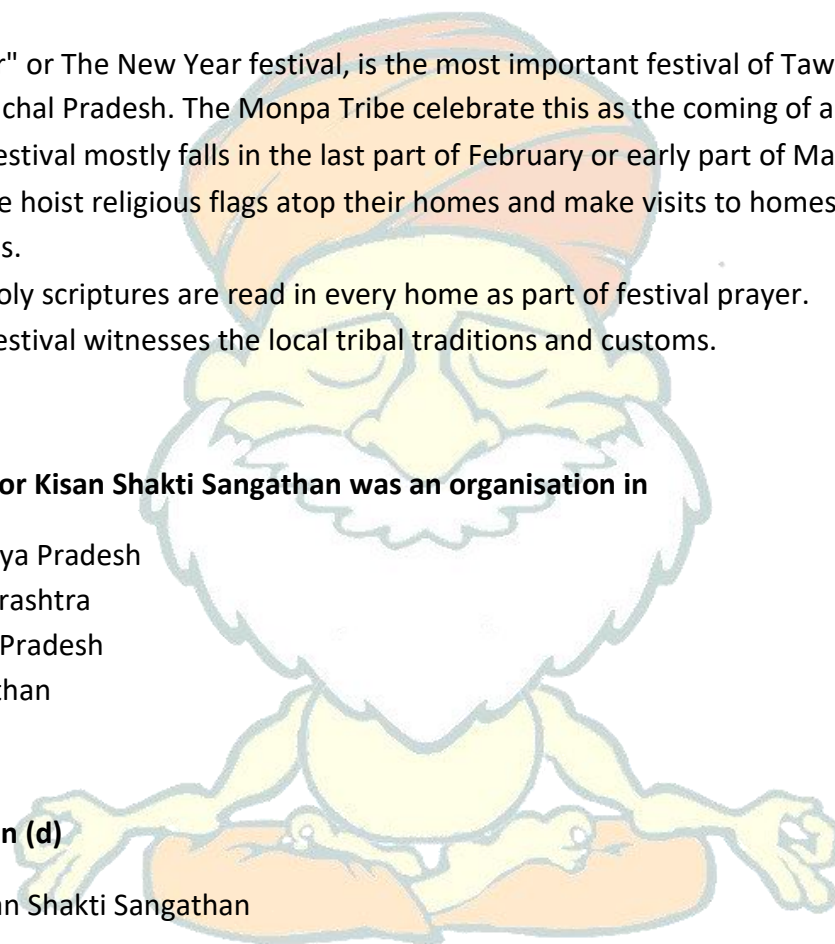
- a) Madhya Pradesh
- b) Maharashtra
- c) Uttar Pradesh
- d) Rajasthan

Q.21) Solution (d)

Mazdoor Kisan Shakti Sangathan

The Mazdoor Kisan Shakti Sangathan (Association for the Empowerment of Workers and Peasants) is an Indian social movement and grassroots organisation best known for its successful struggle and demand for the Right to Information Act (RTI) which grew out of the demand for minimum wages for workers.

It is one of the forefront civil rights movements in India, and can cite legislation of the RTI as its major achievement.



It was formed in 1990, working in rural Rajasthan. Its objective was to use modes of struggle and constructive action for changing the lives of its primary constituents — the rural poor.

Source: <http://www.thehindu.com/news/national/india-slips-in-human-development-index/article17566555.ece>

Q.22) Consider the following statements about Anti-dumping duty

1. The Department of Commerce recommends the anti-dumping duty, while Ministry of Finance levies such duty
2. It is imposed on both exports and imports
3. The use of anti-dumping is not permitted by the WTO

Select the correct statements

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

Q.22) Solution (a)

Dumping is said to occur when the goods are exported by a country to another country at a price lower than its normal value. This is an unfair trade practice which can have a distortive effect on international trade. Anti-dumping is a measure to rectify the situation arising out of the dumping of goods and its trade distortive effect. Thus, the purpose of anti-dumping duty is to rectify the trade distortive effect of dumping and re-establish fair trade. The use of anti-dumping measure as an instrument of fair competition is permitted by the WTO. In fact, anti-dumping is an instrument for ensuring fair trade and is not a measure of protection per se for the domestic industry. It provides relief to the domestic industry against the injury caused by dumping.

Anti-dumping duty is recommended by Ministry of Commerce and imposed by Ministry of Finance.