

Q.1) Consider the following statements about Insurance in India.

1. Insurance is the item of the concurrent list.
2. Insurance industry is regulated by Insurance Regulatory and Development Authority (IRDA) and Re-insurance industry is regulated by Finance Ministry.

Which of the statements is/are correct?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.1) Solution (d)

Insurance in India refers to the market for insurance in India which covers both the public and private sector organizations. It is listed in the Constitution of India in the **Seventh Schedule as a Union List subject**, meaning it can only be legislated by the Central government.

The Insurance Regulatory and Development Authority (IRDA) was set up in 2000 (the Act was passed in 1999) with one chairman and five members (two as full time and three as part-time members) appointed and nominated by the government. **The authority is responsible for the regulation, development and supervision of the Indian insurance industry.**

Insurance is a very risky business. While the insurance companies offer insurance to its clients, they themselves get exposed to very high financial risks. Re-insurance business emerged out of this reality. **When an insurance company buys insurance cover for its insurance business, a new segment comes into being i.e., re-insurance. Reinsurance industry is regulated by the IRDA in the country**

Do you know?

- The growth in the insurance sector is internationally measured based on the standard of insurance penetration. **Insurance penetration** is defined as the ratio of premium underwritten in a given year to the gross domestic product (GDP).
- Likewise, **insurance density** is another well recognized benchmark and is defined as the ratio of premium underwritten in a given year to total population (measured in US dollars for convenience of comparison).

THINK!

- Health Insurance in India.

Q.2) The Minimum Alternate Tax (MAT) is a direct tax imposed on the 'zero tax' companies at the rate of 18.5 per cent on their book profit. Which of the following companies/sectors are exempted from MAT?

1. Infrastructure and Power Sectors
2. Free Trade Zones
3. Charitable Activities
4. Venture and Angel Funds

Select the correct answer using the codes given below

- a) 1 and 3 only
- b) 1, 2 and 3 only
- c) 2, 3 and 4 only
- d) All the above

Q.2) Solution (d)

MAT is a way of making companies pay minimum amount of tax. It is applicable on all companies **except those engaged in infrastructure and power sectors, free trade zones, charitable activities, venture and angel funds.** Foreign companies with income sources in India also come under it. The Union Budget 2015–16 has rationalized the MAT provisions for the FIIs (Foreign Financial Institutions)—now they do not need to pay MAT on their profits from capital gains on transactions in securities (which are liable lower tax rate).

Do you know?

- The Union Budget 2017-18 announced to start phasing out the exemptions available to the companies on it from April 2017. So that companies are able to use MAT credit, the carry forward period has been also increased to 15 years.

THINK!

- Direct Tax Code.

Q.3) Consider the following statements about 'fiscal capacity'.

1. It's simply the government's ability to generate revenues.
2. Tax to GDP ratio is often taken as proxy for the fiscal capacity of a government.

Which of the statements is/are correct?

- a) 1 only

- b) 2 only
- c) Both 1 and 2
- d) None

Q.3) Solution (c)**What is Fiscal Capacity?**

It's simply the ability to generate revenues. As majority of the revenue of governments around the world is through taxes (other from various fees/user charges/ dividends etc.), **Tax to GDP ratio is often taken as proxy for the fiscal capacity of a government.**

Do you know?

- Govt can only spend as much as it earns (plus some limited amount of borrowings). So fiscal capacity i.e tax to GDP ratio also determines it's spending capacity.

THINK!

- Fiscal discipline.

Q.4) Which of the following are the components of 'revenue expenditure'?

1. Interest payment by the government on the internal and external loans.
2. Defense expenditures needed for smooth operation of the standing armed forces
3. Expenditures on social services.
4. Loans given by the government to Indian states and foreign countries.

Select the correct answer using the codes given below.

- a) 1 and 3 only
- b) 1, 2 and 3 only
- c) 2, 3 and 4 only
- d) All the above

Q.4) Solution (b)**Revenue Expenditure**

All expenditures incurred by the government are either of revenue kind or current kind or compulsive kind. The basic identity of such expenditures is that they are **of consumptive kind and do not involve creation of productive assets.** They are either used in running of a

productive process or running a government. A broad category of things that fall under such expenditures in India are:

- Interest payment by the government on the internal and external loans;
- Salaries, Pension and Provident Fund paid by the government to government employees;
- Subsidies forwarded to all sectors by the government
- Defense expenditures by the government
- Postal Deficits of the government
- Law and order expenditures (i.e., police & paramilitary)
- Expenditures on social services (includes all social sector expenditures as education, health care, social security, poverty alleviation, etc.) and general services (tax collection, etc.)
- **Grants** (not loans) given by the government to Indian states and foreign countries.

Do you know?

- 'effective revenue deficit', which is the Revenue Deficit 'excluding' those revenue expenditures of the Government of India which were done in the form of GoCA (grants for creation of capital assets).

THINK!

- Capital Budget.

Q.5) Consider the following statements about fiscal deficit:

1. When balance of the government's total receipts and total expenditures turns out to be negative, it shows the situation of fiscal deficit.
2. The fiscal deficit excluding the interest liabilities for a year is the primary deficit.
3. The part of the fiscal deficit which was provided by the RBI to the government in a particular year is Monetized Deficit.
4. Printing currency is one of the best methods of deficit financing.

Which of the statements is/are correct?

- a) 1 and 3 only
- b) 2 and 3 only
- c) 2, 3 and 4 only
- d) All the above

Q.5) Solution (b)

When balance of the government's total receipts (i.e., revenue + capital receipts) and total expenditures (i.e., revenue + capital expenditures) turns out to be negative, it shows the situation of budget deficit.

- Budget deficit = Total Receipt - Total Expenditure.

Fiscal Deficit:

- the difference between total expenditure and total revenue receipts and capital receipts but excluding borrowings and other liabilities, or
- it is the Sum of Budget deficit plus Borrowings and other Liabilities.

The situation of fiscal deficit indicates that the government is spending beyond its means. To be simpler, we may say that the government is spending more than its income (though in practice all receipts of the government are not income. Basically, receipts are all forms of money accruing to the government, be it income or borrowings).

The fiscal deficit excluding the interest liabilities for a year is the primary deficit, a term India started using since the fiscal 1997–98. It shows the fiscal deficit for the year in which the economy had not to fulfil any interest payments on the different loans and liabilities which it is obliged to—shown both in quantitative and percentage of GDP forms.

The part of the fiscal deficit which was provided by the RBI to the government in a particular year is Monetized Deficit, this is a new term adopted since 1997–98 in India.

The act/process of financing/supporting a deficit budget by a government is deficit financing. In this process, the government knows well in advance that its total expenditures are going to turn out to be more than its total receipts and enacts/follows such financial policies so that it can sustain the burden of the deficits proposed by it.

Printing Currency is the last resort for the government in managing its deficit. But it has the biggest handicap that with it the government cannot go for the expenditures which are to be made in the foreign currency. Even if the government is satisfied on this front, printing fresh currencies does have other damaging effects on the economy:

- It increases inflation proportionally.
- It brings in regular pressure and obligation on the government for upward revision in wages and salaries of government employees ultimately increasing the government expenditures necessitating further printing of currency and further inflation—a vicious cycle into which economies entangle themselves.

Do you know?

External Borrowings are the next best way to manage fiscal deficit with the condition that the external loans are comparatively cheaper and long-term.

Though external loans are considered an erosion in the nation's sovereign decision-making process, this has its own benefit and is considered better than the internal borrowings due to two reasons:

- External borrowing brings in foreign currency/hard currency which gives **extra edge to the government spending as by this the government may fulfil its developmental** requirements inside the country as well as from outside the country.
- **It is preferred over the internal borrowings due to 'crowding out effect'**. If the government itself goes on borrowing from the banks of the country, from where will others borrow for investment purposes?

THINK!

- Other means of deficit financing.

Q.6) Recently BHARAT 22 was in news, is related to?

- a) It is the web-based platform for the fiscal consolidation.
- b) Index based ETF to offer an investment opportunity in CPSEs.
- c) It is new standard for the jewelry industry.
- d) None

Q.6) Solution (b)

Government started using index-based ETF to offer an investment opportunity in CPSEs to pension funds and retail investors in India. **And pursuant to the announcement made in the Budget in this regard, a new ETF, namely BHARAT 22 was announced in August 2017.** The New Fund Offer of Bharat 22 launched in the month of November 2017 received an overwhelming response across all class of investors and the Government retained a portion of the oversubscription by increasing the issue size of the offer.

Do you know?

- The thrust of the Government is presently directed towards efficient management of its investment in CPSEs, with the overall focus on higher economic growth through consistent long-term policies as well as efficient and effective allocation of resources.
- Based on this philosophy, Budget 2016-17 focused on the need to migrate from the **'disinvestment-based approach'** to **'investment-based approach'** for CPSEs. Accordingly, renaming the Department as 'DIPAM' with expanded mandate denotes a paradigm shift in the thinking process of the Government on its strategy to manage its investment in CPSEs.

THINK!

- Policy initiatives on investment management in CPSES.

Q.7) Consider the following recommendations of the FRBM Review Committee headed by former Revenue Secretary, NK Singh:

1. Public debt to GDP ratio should be considered as a medium-term anchor for fiscal policy in India.
2. Formation of Monetary Council to advice the government.
3. Escape Clause to accommodate counter cyclical issues.

Which of the above statements is/are correct?

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

Q.7) Solution (a)

The FRBM Review Committee headed by former Revenue Secretary, NK Singh was appointed by the government to review the implementation of FRBM. In its report submitted in January 2017, titled, 'The Committee in its Responsible Growth: A Debt and Fiscal Framework for 21st Century India', the Committee suggested that a rule based fiscal policy by limiting government debt, fiscal deficit and revenue deficits to certain targets is good for fiscal consolidation in India.

- **Public debt to GDP ratio should be considered as a medium-term anchor for fiscal policy in India.** The combined debt-to-GDP ratio of the centre and states should be brought down to 60 per cent by 2023 (comprising of 40 per cent for the Centre and 20% for states) as against the existing 49.4 per cent, and 21per cent respectively.
- **Fiscal deficit as the operating target:** The Committee advocated fiscal deficit as the operating target to bring down public debt. For fiscal consolidation, the centre should reduce its fiscal deficit from the current 3.5% (2017) to 2.5% by 2023.
- **Revenue deficit target:** The Committee also recommends that the central government should reduce its revenue deficit steadily by 0.25 percentage (of GDP) points each year, to reach 0.8% by 2023, from a projected value of 2.3% in 2017.
- **Formation of Fiscal Council to advice the government:** The Committee advocated formation of institutions to ensure fiscal prudence in accordance with the FRBM spirit. It recommended setting up an independent Fiscal Council. The Council will provide several advisory functions. It will forecast key macro variables like real and

nominal GDP growth, tax buoyancy, commodity prices. Similarly, it will do a monitoring role, besides advising about the use of escape clause and also specify a path of return.

- **Escape Clause to accommodate counter cyclical issues:** The NK Singh Committee points out that there are disadvantages with set fiscal deficit target if some economic instabilities like an external crisis affects the Indian economy. For example, the government has to spend more during the time of a recession and hence it need not restrict its borrowing to keep the fiscal deficit target. Hence, the committee advocates countercyclical covers in fiscal policy while following the FRBM.

Do you know?

What is escape clause?

- The flexibility to adjust with cyclical fluctuations (boom/recession) is incorporated under the “escape clause” (in the case of recession) where temporary and moderate deviations can be made from the baseline fiscal path. This can be permitted under exceptional circumstances and in reaction to external shocks. To ensure that these “escape” clauses are not mis-used, the Committee suggests several specific guidelines.

THINK!

- Probable situation that might cause to use escape clause.

Q.8) Ad Valorem tax is imposed on the basis of:

- a) The quantity of the commodity
- b) The monetary value of the commodity
- c) The Value added to the commodity
- d) It is a fixed amount by the Government

Q.8) Solution (b)

Ad Valorem Tax

Ad valorem tax, any tax imposed on the basis of the monetary value of the taxed item. Literally the term means “according to value.” Traditionally, most customs and excises had “specific” rates; the tax base was defined in terms of physical units such as gallons, pounds, or individual items.

Ad valorem rates, which have come into increased use, have the important advantage of adjusting the tax burden according to the amount the consumer spends on the taxed items.

They thus avoid the serious discrimination of specific rates against the low-priced varieties of the commodities. The primary difficulty with the ad valorem taxation, especially in the case of tariffs, is in establishing a satisfactory value figure.

Sales taxes of broad scope must of necessity have ad valorem rates. Property taxes are sometimes considered ad valorem taxes, since the rates are applied to the value of the property.

Think

- Pigovian Tax

Q.9) Consider the following statements:

1. The term 'budget' is introduced in Article 112 of Constitution of India.
2. According to the Constitution it is the responsibility of the Finance Minister to get the Budget laid in the Parliament.

Which of the above statements are correct?

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

Q.9) Solution (d)

Note: The term budget is not there in the constitution. In the constitution it is called Annual Financial Statements.

Article 112 in The Constitution Of India 1949

112. Annual financial statement

(1) The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the annual financial statement

(2) The estimates of expenditure embodied in the annual financial statement shall show separately

- a. the sums required to meet expenditure described by the Condition as expenditure charged upon the Consolidated Fund of India; and

- b. the sums required to meet other expenditure proposed to be made from the Consolidated Fund of India, and shall distinguish expenditure on revenue account from other expenditure.

Q.10) Consider the following statements regarding the recommendations Tax Administration Reforms Commission (TARC) headed by Dr Parthsarathi Shome:

1. A minimum of 10% of the tax administration's budget must be spent on taxpayer services.
2. Pre-filled tax returns should be provided to all individuals and they should have the option of accepting the tax return or modifying it.
3. CBDT and CBEC should be fully integrated under Central Board of Direct and Indirect Taxes.

Select the code from following:

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

Q.10) Solution (d)

TARC made the following recommendations.

Consumer Focus:

- There should be a separate vertical for delivery of taxpayer services in each Board. A minimum of 10% of the tax administration's budget must be spent on taxpayer services.
- The decision of the Ombudsman with regard to redressing taxpayer grievances should be binding on tax officers.
- Pre-filled tax returns should be provided to all individuals. The taxpayer will have the option of accepting the tax return or modifying it.

Structure and Governance:

- CBDT and CBEC should be fully integrated in 10 years. Within the next 5 years, they should move towards a unified management structure under the Central Board of Direct and Indirect Taxes.
- The post of Revenue Secretary should be abolished and its functions should be assigned to the two Boards. A Governing Council to oversee the working of the two Boards, and a Tax Council to suggest policy and legislation should be set up.

Human Resource Development:

- There should be a focus on specialisation, including lateral entry of specialists in the Boards. Indian Revenue Service (IRS) officers should specialise in a particular tax administration areas.
- The Central Vigilance Commission should have a Member who has been an IRS officer. The policy of not taking cognizance of anonymous complaints should be strictly followed.

Dispute Resolution and Management:

- Retrospective legislation should be avoided.
- Both Boards should start a special drive for review and liquidation of cases currently clogging the system by setting up dedicated task forces.
- A separate dispute management vertical should be set up in each Board. In addition, the process of pre-dispute consultation before issuing a tax demand notice should be put into practice.

Internal Processes: The Permanent Account Number (PAN) should be developed as a Common Business Identification Number (CBIN), to be used by other departments such as customs, excise, etc.

Q.11) NITI Aayog has replaced the older planning commission. Which of the following statements are NOT correct regarding NITI Aayog?

1. NITI Aayog's recommendations are binding over the government unlike Planning Commission.
2. NITI Aayog has included Chief Ministers of all states as well as administrators of UTs.
3. The provision of regional council is there in Niti Aayog to address local / regional development issues.

Select the code from the following:

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

Q.11) Solution (a)

Note: Incorrect option has been asked.

NITI Aayog

The National Institution for Transforming India, also called NITI Aayog, was formed via a resolution of the Union Cabinet on January 1, 2015. NITI Aayog is the premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs. While designing strategic and long term policies and programmes for the Government of India, NITI Aayog also provides relevant technical advice to the Centre and States.

The Government of India, in keeping with its reform agenda, constituted the NITI Aayog to replace the Planning Commission instituted in 1950. This was done in order to better serve the needs and aspirations of the people of India. An important evolutionary change from the past, NITI Aayog acts as the quintessential platform of the Government of India to bring States to act together in national interest, and thereby fosters Cooperative Federalism.

At the core of NITI Aayog's creation are two hubs – Team India Hub and the Knowledge and Innovation Hub. The Team India Hub leads the engagement of states with the Central government, while the Knowledge and Innovation Hub builds NITI's think-tank capabilities. These hubs reflect the two key tasks of the Aayog.

Composition

The Prime Minister is the Ex-officio chairman. The permanent members of the governing council are all the state Chief Ministers, along with the Chief Ministers of Delhi and Puducherry, the Lieutenant Governor of Andaman and Nicobar, and a vice chairman nominated by the Prime Minister. In addition, temporary members are selected from leading universities and research institutions. These members include a chief executive officer, four ex-official members and two part-time members.

NOTE: The recommendations of NITI Aayog are advisory and are not binding.

Q.12) A 'Commercial Paper' is an important instrument in the money market. Which of the following statements are correct about 'Commercial Papers'?

1. *Commercial paper* is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.
2. Commercial papers are usually sold at a discount from the face value.
3. It has to be backed by a collateral.

Select the code from the following:

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

Q.12) Solution (a)

Commercial Paper

Commercial paper is a money-market security issued (sold) by large corporations to obtain funds to meet short-term debt obligations (for example, payroll), and is backed only by an issuing bank or company promise to pay the face amount on the maturity date specified on the note. Since it is not backed by collateral, only firms with excellent credit ratings from a recognized credit rating agency will be able to sell their commercial paper at a reasonable price. Commercial paper is usually sold at a discount from face value, and generally carries lower interest repayment rates than bonds due to the shorter maturities of commercial paper. Typically, the longer the maturity on a note, the higher the interest rate the issuing institution pays. Interest rates fluctuate with market conditions, but are typically lower than banks' rates.

Q.13) Which of the statements are correct regarding 'Tax Buoyancy'?

1. It is the relationship between tax revenue and changes in Tax rate.
2. Tax is called buoyant if tax revenue increases with increase in Tax rates.

Select the code from below:

- a) 1 only

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

Q.13) Solution (d)

Both the statements are incorrect

Tax Buoyancy

Tax buoyancy explains this relationship between the changes in government's tax revenue growth and the changes in GDP. It refers to the responsiveness of tax revenue growth to changes in GDP. When a tax is buoyant, its revenue increases without increasing the tax rate.

How tax buoyancy works?

A simple example in the context of our economy indicates the power of this concept. In 2007-08, everything was fine for the economy. GDP growth rate was nearly 9 per cent.

Tax revenue of the government, especially, that of direct taxes registered a growth rate of 45 per cent in 2007-08. We can say that the tax buoyancy was five (45/9).

Now in the next year, in the wake of the global financial crisis impact, GDP growth came down to six percent. Tax revenue growth also fell steeply; to 18 per cent. This means tax buoyancy was 3 for the year. We can imagine that had the GDP growth came down further in the next year, to say 4 per cent, tax revenue growth would have fell to 8 per cent; indicating a tax buoyancy of 2.

Tax elasticity

A similar looking concept is tax elasticity. It refers to changes in tax revenue in response to changes in tax rate. For example, how tax revenue changes if the government reduces corporate income tax from 30 per cent to 25 per cent indicate tax elasticity.

Q.14) Tax Terrorism has been in the news for quite sometime now. Which of the following statements correctly defines 'Tax Terrorism'?

- a) It is the act of tax evasion using illegal means.
- b) It is the term given for tax avoidance using loop holes in the Tax laws.
- c) It refers to unjustified demand of tax by the government to increase the tax revenue.
- d) It refers to the use of disposable income in funding terrorist activities.

Q.14) Solution (c)**Tax Terrorism**

The enthusiasm of the government to collect higher taxes has been dubbed by critics as **tax terrorism**.

A government imposes taxes on individuals and firms to generate revenue. And this revenue is used by the government to fund its own running expenses and to carry out development work in the country. While the government's intent is to maximize revenue, taxpayers look for lower rate of taxation and rules that are easy to comply. Therefore, it is important for the government that it avoids changing rates and rules frequently which causes inconvenience for taxpayers. For example, if the government arbitrarily changes tax laws and rate of taxation, it can discourage businesses as they will not be able to plan properly before making real investments in plant and machinery.

Q.15) Consider the following:

1. Market borrowing
2. G-Secs issued by the Government
3. Treasury Bills

Which of the above is/are not included in the 'internal debt' of India?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.15) Solution (d)

All are counted in the 'internal debt' of India. Here, while Treasury Bills are the short-term part of the internal debt, the other two, i.e., market borrowing and G-Secs are the long-term part.

Internal debt

Internal debt or domestic debt is the part of the total government debt in a country that is owed to lenders within the country. Internal debt's complement is external debt. Commercial banks, other financial institutions etc. constitute the sources of funds for the internal debts.

It is the money the government borrows from its own citizens. The government borrows by issuing the Government Bonds and T-Bills (Treasury Bills). It also includes the Market borrowings by the government. The government bonds and T-Bills are traded in the market which is also known as Gilt Market. When government borrows from the domestic sources, the increase in inflation is less in comparison to simply printing the money.

External Debt

External debt is owed to creditors outside the country. The outsider creditors can be foreign governments, International Financial Institutions such as World Bank, Asian Development Bank etc., corporate and foreign private households.

External debt may be of several kinds such as multilateral, bilateral, IMF loans, Trade credits, External commercial borrowings etc. When the non-resident Indians park their funds in India, it is also a type of external debt and is called NRI deposits. If the external debt is denominated in Indian Rupee, it is called Rupee Debt.

Q.16) Which of the below statements best describes the term 'Goldilocks economy'?

- a) An economy that is too hot with inflation and driven by market-friendly monetary policy.
- b) An economy that is struck between hot and cold, in other words doesn't sustain moderate economic growth and that has high inflation.
- c) An economy that's neither cold enough to support stimulus measures, nor hot enough to sustain growth.
- d) An economy that is not so hot that it causes inflation, and not so cold that it causes a recession, which allows a market-friendly monetary policy.

Q.16) Solution (d)

A Goldilocks economy is an economy that is not too hot or cold, in other words sustains moderate economic growth, and that has low inflation, which allows a market-friendly monetary policy.

A Goldilocks Economy describes an economy that is not so hot that it causes inflation, and not so cold that it causes a recession. The term describes an economy that is operating in an optimal state by providing full employment and economic stability.

An anti-goldilocks economy, however, is one that's neither cold enough to support stimulus measures, nor hot enough to sustain growth.

Is Goldilocks economy a reality?

- Such a state of economy may occur during the recovery phases. For example, the US economy of the later part of 90s was considered a Goldilocks economy because it was "not too hot, not too cold, but just right". Because we have business cycles, a Goldilocks economy should be considered a temporary state.

Q.17) Consider the below statements about Foreign Institutional investors (FIIs):

1. FIIs are entities established or incorporated outside India and make proposals for investments in India.
2. The nodal point for FII registrations is SEBI and hence all FIIs must register themselves with SEBI and should also comply with the exchange control regulations of the central bank.
3. In order to act as a banker to the FIIs, the SEBI has designated banks that are authorised to deal with them.

Select the correct statements from the codes given below:

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

Q.17) Solution (b)

Foreign Institutional investors (FIIs) are entities established or incorporated outside India and make proposals for investments in India. These investment proposals by the FIIs are made on behalf of sub accounts, which may include foreign corporates, individuals, funds etcetera. In order to act as a banker to the FIIs, the RBI (not SEBI) has designated banks that are authorised to deal with them.

FIIs can invest in the stocks and debentures of the Indian companies. In order to invest in the primary and secondary capital markets in India, they have to venture through the portfolio investment scheme (PIS).

In fact, recently SEBI allowed FIIs to invest in unlisted exchanges as well, which means both BSE and NSE can now allot shares to FIIs also.

The nodal point for FII registrations is SEBI and hence all FIIs must register themselves with SEBI and should also comply with the exchange control regulations of the central bank. Apart from being allowed to invest in securities in primary and secondary markets, FIIs can

also invest in mutual funds, dated government securities, derivatives traded on a recognised stock exchange and commercial papers.

Q.18) Match List I with List II and select the correct answer by using the codes given below the lists:

List I
(Five Year Plans)

- A. First FYP
- B. Second FYP
- C. Third FYP
- D. Fourth FYP
- E. Fifth FYP

List II
(Highest priority/emphasis given)

- 1. establishment of a socialistic pattern of society in India
- 2. agriculture including irrigation and power projects
- 3. Promotion of equity
- 4. Promotion of equality
- 5. achieve self-reliance, direct measures for poverty alleviation

A-B-C-D-E

- a) 1-5-3-4-2
- b) 1-2-5-3-4
- c) 2-1-4-3-5
- d) 2-1-5-4-3

Q.18) Solution (c)

First FYP : : agriculture including irrigation and power projects

Second FYP : : led to establishment of a socialistic pattern of society in India and also emphasized on rapid industrialization and development of basic and heavy industries.

Third FYP : : Promotion of equality

Fourth FYP : : Promotion of equity

Fifth FYP : : achieve self-reliance, direct measures for poverty alleviation (Garibi Hatao)

Q.19) The Eighth Five-Year Plan could not take off and there were annual plans due to

- 1. Fast-changing political situation at the Centre
- 2. New economic policy
- 3. Indo-Pakistan conflict
- 4. Two successive years of severe drought

Choose appropriate code:

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

Q.19) Solution (a)

The Eighth Five-Year Plan (1990-95) could not take off due to the fast-changing political situation at the Centre. The Eighth five-Year Plan commence in 1992 and that 1990-91 and 1991-92 were treated as separate Annual Plans. Formulated within the framework of the Approach to the Eighth Five-Year Plan (1990-95), the basic thrust of these Annual Plans was on maximization of employment and social transformation.

The situation created by the Indo-Pakistan conflict in 1965, two successive years of severe drought, devaluation of the currency, general rise in prices and erosion of resources available for Plan purposes delayed the finalization of the Fourth Five Year Plan. Instead, between 1966 and 1969, three Annual Plans were formulated within the framework of the draft outline of the Fourth Plan.

Q.20) Which one of the following statements appropriately describes the “fiscal stimulus”?

- a) It is a massive investment by the Government in manufacturing sector to ensure the supply of goods to meet the demand surge caused by rapid economic growth
- b) It is an intense affirmative action of the Government to boost economic activity in the country
- c) It is Government's intensive action on financial institutions to ensure disbursement of loans to agriculture and allied sectors to promote greater food production and contain food inflation
- d) It is an extreme affirmative action by the Government to pursue its policy of financial inclusion

Q.20) Solution (b)

A 'stimulus' is an attempt by policymakers to kickstart a sluggish economy through a package of measures.

A monetary stimulus will see the central bank expanding money supply or reducing the cost of money (interest rates), to spur consumer spending.

A fiscal stimulus entails the Government spending more from its own coffers or slashing tax rates to put more money in the hands of consumers. It is an intense affirmative action of the Government to boost economic activity in the country.

Q.21) Consider the following statements about Global Wildlife Program (GWP)

1. It is funded by the Global Environment Facility (GEF)
2. All the partner countries of GWP are located in Asia and Africa only
3. It helps countries achieve their biodiversity goals

Select the correct statements

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

Q.21) Solution (d)

The GWP is a \$131 million global partnership on wildlife conservation, crime prevention and sustainable development led by the World Bank and funded by the Global Environment Facility that coordinates with partners in 19 countries across Asia and to improve wildlife and protected area management, enhance community livelihood benefits, strengthen law enforcement, reduce demand of illegal wildlife products and accelerate learning on relevant topics on the illegal trade of wildlife.

In Africa, the GWP has programs in Botswana, Cameroon, Ethiopia, Gabon, Kenya, Malawi, Mali, Mozambique, the Republic of Congo, South Africa, Tanzania, Zambia, and Zimbabwe. In Asia, programs are in Afghanistan, India, Indonesia, the Philippines, Thailand, and Vietnam.

India is hosted the Global Wildlife Programme (GWP) jointly with World Bank and United Nations Development Programme.

It is funded by the Global Environment Facility (GEF), and the United Nations Development Programme (UNDP)

It will support the implementation of country priorities identified in the National Biodiversity Strategy and Action Plan.

Associated institutions - (CITES TRAFFIC, WildAid, and Wildlife Conservation Society (WCS).

Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=171254>

Q.22) Consider the following statements about 'International Consortium on Combating Wildlife Crime'

1. It is aimed at strengthening criminal justice systems and provide coordinated support at national, regional and international level to combat wildlife and forest crime
2. It is collaboration between INTERPOL, the United Nations Environment Programme, and the World Customs Organization

Select the correct statements

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

Q.22) Solution (a)

ICCWC is the collaborative effort of five inter-governmental organizations working to bring coordinated support to the national wildlife law enforcement agencies and to the sub-regional and regional networks that, on a daily basis, act in defence of natural resources. The ICCWC partners are the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) Secretariat, INTERPOL, the United Nations Office on Drugs and Crime, the World Bank and the World Customs Organization. This powerful alliance was formally established on 23 November 2010 in St. Petersburg, Russia during the International Tiger Forum when the signatures of all partners were included on the Letter of Understanding.

ICCWC's mission is to strengthen criminal justice systems and provide coordinated support at national, regional and international level to combat wildlife and forest crime to ensure perpetrators of serious wildlife and forest crime will face a formidable and coordinated response.

In this context, ICCWC works for, and with, the wildlife law enforcement community, since it is frontline officers who eventually bring criminals engaged in wildlife crime to justice. ICCWC seeks to support the development of law enforcement that builds on socially and

environmentally sustainable natural resource policies, taking into consideration the need to provide livelihood support to poor and marginalized rural communities.

Q.23) Consider the following statements about Directorate General of Quality Assurance (DGQA)

1. It was jointly set up by the Government of India and Associated Chambers of Commerce and Industry of India (ASSOCHAM), Confederation of Indian Industry (CII) and Federation of Indian Chambers of Commerce and Industry (FICCI)
2. It is under the aegis of Department of Industrial Policy & Promotion, Ministry of Commerce & Industry

Select the correct statements

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

Q.23) Solution (d)

Directorate General of Quality Assurance (DGQA)

- The Directorate General of Quality Assurance (DGQA) is under Deptt. Of Defence Production, Ministry of Defence.
- This organisation is more than hundred years old and provides Quality Assurance (QA) cover for the entire range of Arms, Ammunitions, Equipments and Stores supplied to Armed Forces.
- Apart from QA activities, the organisation is responsible for import substitution and associates with Defence Research and Development Organisation (DRDO) in the development projects.
- It also ensures Documentation, Codification and Standardisation Action for minimizing the variety of components/equipments.
- The other services rendered are promotion of small scale industries, Post procurement services, Defect Investigations and Technical Consultancy to the users, Ministry and the Production Agencies.
- The establishments under this organisation are spread all over the country where mainly the Ordnance Factories, Defence Public Sector undertakings and Industrial base exist.

Do You Know?

- The origin of the Directorate General of Quality Assurance (DGQA) can be traced back to 1869, when the first Inspectorate was set up at Ammunition Factory, Kirkee.

Source: http://www.business-standard.com/article/government-press-release/directorate-general-of-quality-assurance-celebrates-its-diamond-jubilee-117092800636_1.html

Q.24) 'Mount Agung' was recently in news. Where is it located?

- a) Aleutian Islands
- b) Andean Mountains
- c) Cascade Volcanoes
- d) Bali

Q.24) Solution (d)**Mount Agung**

- It is a volcano in Bali in Indonesia
- It is the highest point on the island
- It is found towards the western edge of the island and southeast of Mount Batung volcano.
- Agung also plays an important role in Balinese culture and is integral to the islanders' religious beliefs.
- Balinese people who follow the Agama Tirta religion, a Shivaite sect of Hinduism, believe that the mountain is a replica of the Mt Meru, the central axis of the universe.
- The holy site of Pura Besakih, the most important temple complex on the island, is found on the eastern slopes of the volcano nearly 1,000 metres (3,280 feet) up.

Source: <http://indianexpress.com/article/technology/science/evacuations-from-bali-volcano-cross-57000-officials-expect-mount-agung-eruption-4862529/>

Q.25) Consider the following statements about 'SAUBHAGYA' Yojana

1. It is aimed at providing energy access to all by last mile connectivity and electricity connections to all un-electrified households in rural as well as urban areas

2. It has been launched to plug gaps of Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) & Integrated Power Development Scheme (IPDS)

Select the correct statements

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

Q.25) Solution (c)

SAuBHaGYa: Pradhan Mantri Sahaj Bijli Har Ghar Yojana

- To achieve universal household electrification in the country
- To provide last mile connectivity and electricity connections to all households in rural and urban areas.
- Free of cost electricity connections to all remaining un-electrified households with at least one deprivation on the basis of SECC data in rural areas and economically poor households in urban areas would be given.
- Others would be charged a sum of Rs. 500 per household in ten equal instalments with the bill.
- The households located in remote and inaccessible areas would be provided with Solar Photovoltaic (SPV) based standalone systems with LED lights, fan, power plug etc.
- The beneficiaries will be identified on the basis of socio economic conditions using SECC 2011 data.
- Target - universal household electrification in the country by 31st March 2019
- Saubhagya has been launched to plug gaps of DDUGJY & IPDS and comprehensively address the issues of entry barrier, last mile connectivity and release of electricity connections to all un-electrified households in rural and urban areas.

Source: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=171148>