Q.1) Which of the following are the measures to control inflation?

1. Enforce the Essential Commodities Act, 1955 & the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980.
2. Price Stabilization Fund (PSF)
3. Higher Minimum Support Price (MSP)

Select the correct answer using the codes given below.

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

Q.1) Solution (d)

Central Government monitors the price situation on a regular basis as controlling inflation is a priority area. It has taken a number of measures to control inflation especially food inflation which, inter alia, include the following:

- Advisories are being issued, as and when required, to State Governments to take strict action against hoarding & black marketing and effectively enforce the **Essential Commodities Act, 1955** & the **Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980** for commodities in short supply.
- **Higher MSP has been announced so as to incentivize production** and thereby enhance availability of food items which may help moderate prices.
- A scheme titled **Price Stabilization Fund (PSF)** is being implemented to control price volatility of agricultural commodities like pulses, onions, etc.
- Government approved enhancement **in buffer stock of pulses from 1.5 lakh MT to 20 Lakh MT to enable effective market intervention for moderation of retail prices**. Accordingly, a dynamic buffer stock of pulses of up to 20 lakh tonnes has been built under the **Price Stabilization Fund (PSF) Scheme through both domestic procurement as well as imports**. Of this, 3.26 lakh MT has been released for market intervention and buffer management.

Do you know?

- Export of edible oils was allowed only in branded consumer packs of up to 5 kg. with a minimum export price of USD 900 per MT. With a view to incentivizing domestic production **this restriction has been removed on oil except for palm oil, mustard oil and sunflower oil.**

THINK!

- Measures to check Inflation.

Q.2) Which of the following defines inflationary gap?

a) When the potential GDP is higher than the real GDP, the gap is referred to as a inflationary gap.
b) It is the difference between inflation and deflation.
c) The real GDP exceeding the potential GDP, resulting in an inflationary gap.
d) None.

Q.2) Solution (c)

An inflationary gap is a macroeconomic concept that describes the difference between the current level **of real gross domestic product (GDP)** and the **anticipated GDP** that would be experienced if an economy is at full employment, also referred to as the potential GDP. For the gap to be considered inflationary, the current real GDP must be the higher of the two metrics.

The inflationary gap exists when the demand for goods and services exceeds production due to factors such as higher levels of overall employment, increased trade activities or increased government expenditure. **This can lead to the real GDP exceeding the potential GDP, resulting in an inflationary gap**. The inflationary gap is so named because the relative increase in real GDP causes an economy to increase its consumption, which causes prices to rise in the long run.

Do you know?

A government may choose to use fiscal policy to help reduce an inflationary gap, often through decreasing the number of funds circulating within the economy. This can be accomplished through

- Reductions in government spending,
- Tax increases,
- Bond and securities issues,
- Interest rate increases and
- Transfer payment reductions.

THINK!

- Deflationary gap.

Q.3) The base year of All-India WPI has been revised from 2004-05 to 2011-12 by the Office of Economic Advisor (OEA), Consider the following statements about new series of WPI.

1. The new series of WPI strives to remove the impact of fiscal policy.
2. A new "WPI Food Index" will be compiled to capture the rate of inflation in food items.
3. The item basket has been revised with inclusion of new items and exclusion of old ones.

Which of the above statements is/are correct?

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

Q.3) Solution (d)

The Government periodically reviews and revises the base year of the macroeconomic indicators as a regular exercise to capture structural changes in the economy and improve the quality, coverage and representativeness of the indices. **In this direction, the base year of All-India WPI has been revised from 2004-05 to 2011-12 by the Office of Economic Advisor (OEA),** Department of Industrial Policy and Promotion, Ministry of Commerce and Industry to align it with the base year of other macroeconomic indicators like the Gross Domestic Product (GDP) and Index of Industrial Production (IIP).

- Updated item basket and weighting structure conforming to the structure of economy in 2011-12.
- Increase in number of items from 676 to 697. In all 199 new items have been added and 146 old items have been dropped.
- The new series is more representative with increase in number of quotations from 5482 to 8331, an increase by 2849 quotations (52%).

New Features

- In the new series of WPI, prices used for compilation do not include indirect taxes in order to remove impact of fiscal policy. **This is in consonance with international practices and will make the new WPI conceptually closer to 'Producer Price Index'.**
- A **new "WPI Food Index**" will be compiled to capture the rate of inflation in food items.
- Seasonality of fruits and vegetables has been updated to account for more months as these are now available for longer duration.

- Item level aggregates for new WPI are compiled using Geometric Mean (GM) following international best practice and as is currently used for compilation of All India CPI.
- A high level Technical Review Committee has been set up for the first time to carry out dynamic review process in order to keep pace with the changing structure of the economy.

Do you know?

- A new "Food Index" is being compiled combining the "Food Articles" under "Primary Articles" and "Food Products" under "Manufactured Products". Together with the Consumer Food Price Index released by Central Statistics Office, this would help monitor the price situation of food items better.

THINK!

- CPI and IIP

Q.4) Which of the following increases the inflation?

1. Increase in the Forex reserve.
2. Higher revenue deficits and fiscal deficits.
3. Increase in crude oil prices.

Select the correct answer using the codes given below.

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

Q.4) Solution (d)

Once the foreign exchange (Forex) reserves started increasing with a faster pace by the early 2000–01 fiscal, its cost of maintenance has been translated into higher prices, as the RBI purchases the foreign currencies it supplies into equivalent rupees into the economy, **which creates extra demand and the prices go up (inflation).**

The higher revenue deficits (driven by high interest payments, subsidies, salaries and pensions, basically) **and fiscal deficits make the government supply** more money which push the inflation in the upward direction.

Oil price increases are generally thought to increase inflation and reduce economic growth. In terms of inflation, oil prices directly affect the prices of goods made with petroleum products. Oil prices indirectly affect costs such as transportation, manufacturing, and heating. **The increase in these costs can in turn affect the prices of a variety of goods and services, as producers may pass production costs on to consumers.** The extent to which oil price increases lead to consumption price increases depends on how important oil is for the production of a given type of good or service.

Do you know?

- The survey said that the oil price is expected to grow by average 12% in the FY19. The Economic Survey estimated that **every $10 per barrel increase in the price of oil reduces growth by 0.2-0.3 percentage points**, **increases WPI inflation by about 1.7** percentage points and **worsens the CAD by about $9-10 billion dollars**. India imports 82% of its total oil requirement and Brent crude oil makes up around 28% of India's total imports.

THINK!

- Monsoon and inflation.

Q.5) Which of the following are the measures to be adopted to recover from recession?

1. Direct and indirect taxes should be cut down.
2. Salaries and wages should be revised by the government.
3. The government usually goes on to follow a dear money supply policy.
4. Tax breaks are announced for new investments in the productive areas, etc.

Select the correct answer using the codes given below.

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

Q.5) Solution (c)

What may a government do to rescue the economy from the phase of recession?

The usual remedies are given below:

- **Direct and indirect taxes should be cut down,** so that the consumers have higher disposable incomes (income after paying direct tax, i.e., income tax) on the one hand and the goods should become cheaper on the other hand, thus there is hope that the demand might pick up.

- The burden of direct taxes, especially the income tax, dividend tax, interest tax **are slashed to enhance the disposable income** (i.e, income after direct tax payment)—
- **Salaries and wages should be revised** by the government to encourage general spending by the consumers (as the Government of India implemented the recommendations of the fifth pay commission without much deliberation in 1996–97).
- Indirect taxes such as custom duty, excise duty (cenvat), sales tax, etc., **should be cut down so that produced goods** reach the market at cheaper prices.
- The government usually goes on to follow a **cheap money supply policy by slashing** down interest rates across the board and the lending procedure is also liberalized.
- Tax breaks are announced for new investments in the productive areas, etc.

Do you know?

- **Recession is somewhat similar to the phase of 'depression'** — we may call it a mild form of depression — fatal for economies as this may lead to depression if not handled with care and in time. **The financial crises which followed the US 'sub-prime crisis' in almost the whole Euro-American economies** has basically brought in 'severe recessionary' trends there.

THINK!

- Boom and Recovery
- Dear Money and Cheap Money

Q.6) An inflation measure which excludes transitory or temporary price volatility as in the case of some commodities such as food items, energy products etc. It reflects the inflation trend in an economy, is called?

a) Headline inflation
b) Biflation
c) Core inflation
d) None

Q.6) Solution (c)

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

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

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

Do you know?

- The inflation process in India is dominated to a great extent by supply shocks. The **supply shocks (e.g., rainfall, oil price shocks, etc.) are transitory in nature** and hence produce only temporary movements in relative prices. The headline CPI inflation in India tends to increase whenever there is a surge in food and fuel prices. Since monetary policy is a tool to manage aggregate demand pressures, the response of the policy to such temporary shocks is least warranted according to traditional wisdom.

THINK!

- Biflation

(Source: https://www.livemint.com/Opinion/pTNOHKVn99I2GCqCBaj6FK/Headline-versus-core-CPI-inflation-in-India.html**)**

Q.7) Consider the following statements about Consumer Food Price Index (CFPI).

1. Consumer Food Price Index (CFPI) is a measure of change in retail prices of food products consumed by a defined population group in a given area with reference to a base year.
2. The Department of Consumer Affairs Ministry of Consumer Affairs, Food and Public Distribution started releasing Consumer Food Price Indices (CFPI).
3. Consumer Food Price Indices (CFPI) released for three categories -rural, urban and combined – separately.

Select the correct answer using the codes given below.

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

Q.7) Solution (a)

Consumer Food Price Index (CFPI) is a measure of change in retail prices of food products consumed by a defined population group in a given area with reference to a base year.

The **Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation** (MOSPI) started releasing Consumer Food Price Indices (CFPI) for three categories -**rural, urban and combined - separately** on an all India basis with effect from May 2014.

Do you know?

Department of Consumer Affairs (DCA) is one of the two Departments under the Ministry of Consumer Affairs, Food & Public Distribution. It was constituted as a separate Department in June 1997 as it was considered necessary to have a separate Department to give a fillip to the nascent consumer movement in the country

The Department has been entrusted with the following work

- Internal Trade
- The Essential Commodities Act, 1955 (10 of 1955) (Supply, Prices and Distribution of Essential Commodities not dealt with specifically by any other Department).
- Prevention of Black Marketing and Maintenance of Supply of Essential Commodities Act, 1980(7 of 1980).
- Regulation of Packaged Commodities.
- Training in Legal Metrology.
- The Emblems and Names (Prevention of Improper Use) Act, 1952.
- Implementation of Standards of Weights and Measures - The Legal Metrology Act, 2009.
- Implementation of Bureau of Indian Standards Act, 1986.
- Laying down specifications, standards and codes and ensuring quality control of bio-fuels for end uses.
- Consumer Cooperatives
- Implementation of Consumer Protection Act, 1986.
- Monitoring of prices and availability of essential commodities.
- National Test House.

THINK!

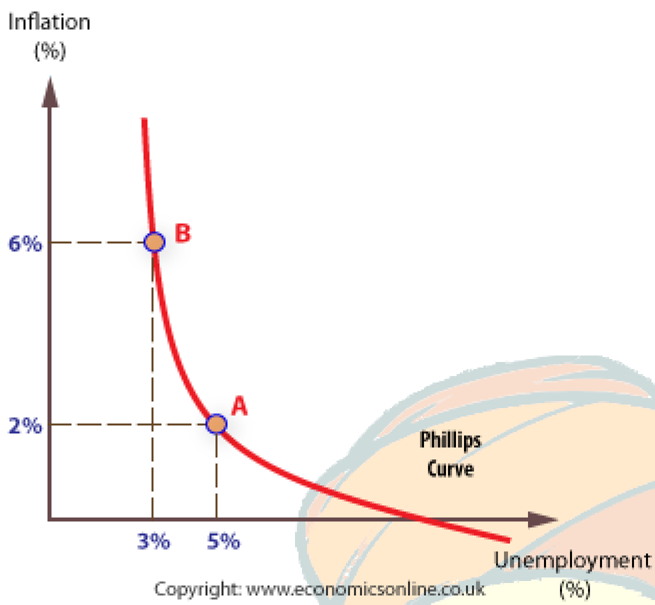
- Impact of GST on inflation.

(Source: http://www.financialexpress.com/opinion/gst-impact-on-inflation-here-is-all-you-want-to-know/749504/)

Q.8) Which of the following relationships are represented by Philips curve?

a) Inflation and unemployment
b) GDP and growth
c) Taxation and revenue receipts
d) Inflation and growth

Q.8) Solution (a)



The concept behind the Phillips curve states the change in unemployment within an economy has a predictable effect on price inflation. The inverse relationship between unemployment and inflation is depicted as a downward sloping, concave curve, with inflation on the Y-axis and unemployment on the X-axis. Increasing inflation decreases unemployment, and vice versa. Alternatively, a focus on decreasing unemployment also increases inflation, and vice versa.

Q.9) Which of the following factors are responsible for demand pull inflation?

1. Increase in Per capita income
2. Deficit financing
3. Infrastructural deficiencies

Select the code from following:

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

Q.9) Solution (a)

Demand pull inflation occurs when there is a money flow in the market. If people have higher disposable income their purchasing capacity will increase and a situation will arise of too much money chasing too few goods. This condition is called demand pull condition.

Deficit financing and increase in per capita income will increase the money supply in the market.

Infrastructural deficiencies will cause increase in the cost of production. This will cause cost push inflation.

Q.10) Which of the following statements are correct regarding 'Disinflation'?

1. Reduction in the rate of inflation is called disinflation.
2. During disinflation the prices of commodities always goes down.

Select the code from following:

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

Q.10) Solution (a)

Disinflation

Disinflation means decrease in the rate of inflation. For example the rate of inflation decreasing from 6% to 3%. It means that if prices were increasing at 6%, now they will increase at 3%.

Reduction in the level of prices means negative inflation. This is called Deflation and not disinflation.

Think

- Deflation
- Depreciation
- Devaluation

Q.11) Which of the following are the conditions of Stagflation?

1. High inflation in the market
2. High economic growth
3. High unemployment in the economy

Select the code from following:

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

Q.11) Solution (c)

Stagflation

A condition of slow economic growth and relatively high unemployment – economic stagnation – accompanied by rising prices, or inflation, or inflation and a decline in Gross Domestic Product (GDP). Stagflation is an economic problem defined in equal parts by its rarity and by the lack of consensus among academics on how exactly it comes to pass.

Usually, when unemployment is high, spending declines, as do prices of goods. Stagflation occurs when the prices of goods rise while unemployment increases and spending declines. Stagflation can prove to be a particularly tough problem for governments to deal with due to the fact that most policies designed to lower inflation tend to make it tougher for the unemployed, and policies designed to ease unemployment raise inflation.

Q.12) Consider the following statements regarding the Monetary policy of India:

1. Monetary Policy is the responsibility of the Finance Ministry.
2. The main aim of the monetary policy in India is to increase growth of the economy.
3. According to monetary policy the inflation has to be maintained in the range of 4% +-2%.

Which of the above statements are NOT correct?

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

Q.12) Solution (a)

Monetary Policy

- Monetary policy refers to the policy of the central bank with regard to the use of monetary instruments under its control to achieve the goals specified in the Act.
- The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934.

The goal(s) of monetary policy

- The primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth. Price stability is a necessary precondition to sustainable growth.
- In May 2016, the Reserve Bank of India (RBI) Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework.
- The amended RBI Act also provides for the inflation target to be set by the Government of India, in consultation with the Reserve Bank, once in every five years. Accordingly, the Central Government has notified in the Official Gazette **4 per cent Consumer Price Index (CPI) inflation as the target for the period from August 5, 2016 to March 31, 2021 with the upper tolerance limit of 6 per cent and the lower tolerance limit of 2 per cent.**
- The Central Government notified the following as factors that constitute failure to achieve the inflation target:(a) the average inflation is more than the upper tolerance level of the inflation target for any three consecutive quarters; or (b) the average inflation is less than the lower tolerance level for any three consecutive quarters.
- Prior to the amendment in the RBI Act in May 2016, the flexible inflation targeting framework was governed by an Agreement on Monetary Policy Framework between the Government and the Reserve Bank of India of February 20, 2015.

Think

- Fiscal Policy of India

Q.13) Which of the following are instruments of Monetary Policy?

1. Repo Rate
2. Liquidity adjustment Facility
3. Cash Reserve Ratio

4. Open Market Operations

Select the code from below:

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

Q.13) Solution (d)

Instruments of Monetary Policy

There are several direct and indirect instruments that are used for implementing monetary policy.

- **Repo Rate:** The (fixed) interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government and other approved securities under the liquidity adjustment facility (LAF).
- **Reverse Repo Rate:** The (fixed) interest rate at which the Reserve Bank absorbs liquidity, on an overnight basis, from banks against the collateral of eligible government securities under the LAF.
- **Liquidity Adjustment Facility (LAF):** The LAF consists of overnight as well as term repo auctions. Progressively, the Reserve Bank has increased the proportion of liquidity injected under fine-tuning variable rate repo auctions of range of tenors. The aim of term repo is to help develop the inter-bank term money market, which in turn can set market based benchmarks for pricing of loans and deposits, and hence improve transmission of monetary policy. The Reserve Bank also conducts variable interest rate reverse repo auctions, as necessitated under the market conditions.
- **Marginal Standing Facility (MSF):** A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest. This provides a safety valve against unanticipated liquidity shocks to the banking system.
- **Corridor:** The MSF rate and reverse repo rate determine the corridor for the daily movement in the weighted average call money rate.
- **Bank Rate:** It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers. The Bank Rate is published under Section 49 of the Reserve Bank of India Act, 1934. This rate has been aligned to the MSF rate and, therefore, changes automatically as and when the MSF rate changes alongside policy repo rate changes.

- **Cash Reserve Ratio (CRR):** The average daily balance that a bank is required to maintain with the Reserve Bank as a share of such per cent of its Net demand and time liabilities (NDTL) that the Reserve Bank may notify from time to time in the Gazette of India.
- **Statutory Liquidity Ratio (SLR):** The share of NDTL that a bank is required to maintain in safe and liquid assets, such as, unencumbered government securities, cash and gold. Changes in SLR often influence the availability of resources in the banking system for lending to the private sector.
- **Open Market Operations (OMOs):** These include both, outright purchase and sale of government securities, for injection and absorption of durable liquidity, respectively.
- **Market Stabilisation Scheme (MSS):** This instrument for monetary management was introduced in 2004. Surplus liquidity of a more enduring nature arising from large capital inflows is absorbed through sale of short-dated government securities and treasury bills. The cash so mobilised is held in a separate government account with the Reserve Bank.

https://www.rbi.org.in/scripts/fs_overview.aspx?fn=2752

Q.14) Which of the following statements correctly explains the Marginal Standing Facility (MSF)?

a) It is the interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government
b) It is a facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank
c) It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers.
d) None of the above

Q.14) Solution (b)

Marginal Standing Facility (MSF):

A facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank by dipping into their Statutory Liquidity Ratio (SLR) portfolio up to a limit at a penal rate of interest. This provides a safety valve against unanticipated liquidity shocks to the banking system.

Q.15) An increase in the Bank Rate generally indicates that the

a) Central Bank is no longer making loans to commercial banks
b) Central Bank is following an easy money policy
c) Central Bank is following a tight money policy
d) Market rate of interest is likely to fall

Q.15) Solution (c)

A bank rate is the interest rate at which a nation's central bank lends money to domestic banks, often in the form of very short-term loans. Managing the bank rate is a method by which central banks affect economic activity. Lower bank rates can help to expand the economy by lowering the cost of funds for borrowers, and higher bank rates help to reign in the economy when inflation is higher than desired.

Tight monetary policy: when RBI raises the rates to decrease liquidity.

Q.16) In the context of Indian economy which of the following is/are the purpose/purposes of 'Statutory Reserve Requirements'?

1. To enable the Central Bank to control the amount of advances the banks can create
2. To make the people's deposits with banks safe and liquid
3. To prevent the commercial banks from making excessive profits
4. To force the banks to have sufficient vault cash to meet their day-to-day requirements

Select the correct answer using the code given below.

a) 1 only
b) 1 and 2 only
c) 2 and 3 only
d) 1, 2, 3 and 4

Q.16) Solution (b)

RBI requires commercial banks to keep reserves in order to ensure that banks have a safe cushion of assets to draw on when account holders want to be paid.

Third statement is wrong - Reserve requirements are designed as "precautionary measures" and not to prevent banks from "excessive" profit. [so (c) and (d) can't be the answer]

Statutory liquidity ratio (SLR) is the Indian government term for reserve requirement that the commercial banks in India require to maintain in the form of gold, government approved securities before providing credit to the customers. Statutory Liquidity Ratio is determined by Reserve Bank of India and maintained by banks in order to control the expansion of bank credit.

Q.17) Consider the following statements with reference to taxation

1. Higher direct taxes help in controlling Inflation in the economy
2. Higher indirect taxes help in controlling the Inflation in the economy

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.17) Solution (a)

Higher direct taxes will mean that the people will be left with smaller disposable incomes, lower disposable incomes do not generate higher demand. This causes the inflation to be controlled.

Whereas higher indirect taxes will increase the prices of the commodities because the cost of production will increase. This will lead to Cost-push inflation.

Q.18) Which of the following measures would result in an increase in the money supply in the economy?

1. Purchase of government securities from the public by the Central Bank
2. Deposit of currency in the commercial banks by the public
3. Borrowing by the government from the Central Bank
4. Sale of government securities to the public by the Central Bank

Select the correct answer using the codes given below:

a) 1 only

b) 2 and 4 only
c) 1 and 3 only
d) 2, 3 and 4

Q.18) Solution (c)

Any money that flows out of RBI leads to increase in the money supply.

When the RBI purchases government securities from Public, the money flows out of RBI, this will increase the money supply. So statement 1 is correct.

When currency is deposited by public in commercial banks, its mere transfer of money from public to commercial banks. The net effect on the money supply is nil. So statement 2 is incorrect.

When the Government borrows from RBI, the money again flows out of RBI. To fulfill the demand of the Government, RBI will print new money and this leads to increase in the money supply thus statement 3 is also correct.

Q.19) Which of the following are not correctly matched?

1. Lorenz Curve – Poverty estimation
2. J Curve – Taxation
3. Laffer Curve – Devalutaion
4. Philip's Curve – Inflation and uemployment

Select the correct answer:

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

Q.19) Solution (c)

In economics, the Lorenz curve is a graphical representation of the distribution of income or of wealth. It was developed by Max O. Lorenz in 1905 for representing inequality of the wealth distribution.

The J-curve effect is seen in economics when a country's trade balance initially worsens following a devaluation or depreciation of its currency.

The Phillips curve represents the relationship between the rate of inflation and the unemployment rate.
In economics, the Laffer curve is a representation of the relationship between rates of taxation and the resulting levels of government revenue.

Q.20) Consider the below statements in regard to WPI and IIP –

1. WPI is published by Ministry of Commerce and Industries, prepared monthly and is touching the price data at wholesale level.
2. The IIP is about industrial production and is published on a monthly basis by the CSO.

Which of the statements given above is correct?

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

Q.20) Solution (c)

Both the given statements are correct. WPI is published by Ministry of Commerce and Industries, prepared monthly and is touching the price data at wholesale level. The IIP is about industrial production and is published on a monthly basis by the CSO.

Q.21) Consider the following statements regarding "core inflation":

1. Core inflation is an indicator of long-term trend in the inflation.
2. While calculating core inflation transitory price changes are excluded.

Which of the above statement/s is/are correct?

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

Q.21) Solution (c)

Core inflation is the non-food manufacturing inflation. Core inflation shows price rise in all goods and services excluding energy and food articles.

In India, it was first time used in the financial year 2000–01. This was criticized by experts on account of excluding food articles and energy out of the inflation and feeling satisfied on the inflation front. Basically, in the western economies, food and energy are not the problems for the masses, while in India these two segments play the most vital role for them.

Q.22) 'Pulikali'is a recreational folk art from which of the following states?

a) Tamil Nadu
b) Kerala
c) Karnataka
d) Andhra Pradesh

Q.22) Solution (b)

Pulikali ("Puli" = Leopard/Tiger & "Kali" = Play in Malayalam language) is a recreational folk art from the state of Kerala. It is performed by trained artists to entertain people on the occasion of Onam, an annual harvest festival, celebrated mainly in Kerala. On the fourth day of Onam celebrations (Nalaam Onam), performers painted like tigers and hunters in bright yellow, red, and black dance to the beats of instruments like Udukku and Thakil. Literal meaning of Pulikkali is the 'play of the tigers' hence the performance revolve around the theme of tiger hunting. The folk art is mainly practiced in Thrissur district of Kerala.

Source: http://www.thehindu.com/news/national/kerala/A-small-step-for-women-a-big-crack-in-tradition/article14986802.ece

Q.23) Consider the following statements about 'Sahara Forest Project'

1. It is launched by the countries covered under the European Neighbourhood Policy (ENP)
2. It is funded by the European Union and Norway

Select the correct statements

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

Q.23) Solution (b)

Jordan has launched Sahara forest project, which will use innovative technology to produce food using, sun and sea water, in a bid to turn the desert land into a flourishing farmland.

The SFP is centred around the core technologies of saltwater-cooled greenhouses, concentrated solar power, and desert revegetation practices.

The Norwegian government and European Union are the two biggest donors to the project.

The project aims to produce 130 tons of organic vegetables per year and 10,000 litres of fresh water per day in the water-poor nation.

Source: http://www.thehindu.com/todays-paper/tp-life/sun-and-sea-water-powers-vegetable-farms-in-jordan/article19647529.ece

Q.24) Consider the following statements about 'Kaushal Panjee'

1. It is under the aegis of Ministry of Skill Development and Entrepreneurship
2. It provides a citizen centric end-to-end solution to aid mobilization of candidates for Deen Dayal Upadhaya Grameen Kaushal Yojana
3. It is connected to the Social Economic Caste Census (SECC 2011)

Select the correct statements

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

Q.24) Solution (c)

Kaushal Panjee or Skill Register aims to be the first step for any rural youth looking for getting skilled or starting a business. Rural Youth can register free of cost and be connected to Training Partners and Banks working in collaboration with the Ministry of Rural Development.

DDU-GKY (Deen Dayal Upadhaya Grameen Kaushal Yojana) is a demand driven placement linked skill training initiative of the Ministry of Rural Development. DDU-GKY functions in a PPP mode in collaboration with training partners. Rural Self Employment Training Institutes (RSETI) is a credit linked self-employment training initiative with the aim to hand hold trainees to setup micro-enterprises. It's managed by lead banks in rural districts.

By registering in Kaushal Panjee, one can be informed about nearby mobilization camps, training centres, Job Melas and start of batches. All of this is can be customized based on one's interest and aspirations.

Training Partners, PIAs and Banks can use Kaushal Panjee to contact registered candidates for training, counselling, or jobs – based on the geography and trades they offer.

Benefits under DDUGKY

- DDU-GKY is a free of cost placement linked skill training scheme for rural poor youth.
- Aptitude based choice of sector, IT and English training
- Government recognized 3 month, 6 month or 12 month skill training certificate courses with on-the-job Training
- Candidate is entitled to free uniform, course books and study material. Tablet and PC are provided for use during training
- Reimbursement of travel cost during training in case of Residential Training Centres.

Source: http://pib.nic.in/newsite/PrintRelease.aspx?relid=171070

Q.25) Consider the following statements about 'European Free Trade Association (EFTA)'

1. It is a trade agreement between non-EU countries, members of which are now mostly located in South-eastern Europe
2. They participate in the European Single Market
3. It was signed by the Visegrád Group countries

Select the correct statements

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

Q.25) Solution (b)

The European Free Trade Association (EFTA) is a regional trade organization and free trade area consisting of four European states: Iceland, Liechtenstein, Norway, and Switzerland. The organization operates in parallel with the European Union (EU), and all four member states participate in the European Single Market. They are not, however, party to the European Union Customs Union.

THINK!

- EFTA
- CEFTA
- CISFTA
- Visegrád Group

Source: **http://www.thehindu.com/business/Industry/switzerland-for-early-india-efta-pact/article19604210.ece**

Q.26) Consider the following statements about The Partnership for Land Use Science (Forest-PLUS)

1. It is a joint programme by Ministry of Environment, Forest and Climate Change and United Nations Environment Programme (UNEP)
2. It is aimed at strengthening the capacity for REDD (Reducing Emissions from Deforestation and Forest Degradation) implementation in India

Select the correct statements

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

Q.26) Solution (b)

The Partnership for Land Use Science (Forest-Plus) is a joint programme by the United States Agency for International Development (USAID) and Ministry of Environment, Forest and Climate Change (MoEF&CC) to strengthen capacity for REDD (Reducing Emissions from Deforestation and Forest Degradation) implementation in India.

The programme brings together experts from India and the United States to develop technologies, tools and methods of forest management to meet the technical challenges of managing forests for the health of ecosystem, carbon stocks, biodiversity and livelihood.

Source: **http://pib.nic.in/newsite/PrintRelease.aspx?relid=170685**