Q.1) Which of the following defines inflationary gap?

a) When the potential GDP is higher than the real GDP, the gap is referred to as an 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 of the above

Q.1) 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.

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.

Q.2) 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.2) 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.

Q.3) 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.3) 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.4) 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.4) 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.5) 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.5) 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.6) 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.6) 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.7) Consider the following statements about Aggregate Measurement of Support (AMS)

1. It is the measure for domestic subsidies for agriculture under the WTO Agreement of Agriculture
2. It consists of Amber Box
3. It is associated with product specific subsidies only

Select the correct statements

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

Q.7) Solution (a)

Aggregate measurement of support (AMS) is the indicator on which the domestic support discipline for the Uruguay Round Agreement on Agriculture is based. It is determined by calculating a market price support estimate for each commodity receiving such support, plus non-exempt direct payments or any other subsidy not exempted from reduction commitments, less specific agricultural levies or fees paid by producers.

The 'current aggregate measurement of support' (AMS) is the measure for domestic subsidies for agriculture under the WTO Agreement of Agriculture. It consists of the socalled Amber Box which includes all internal support measures considered to distort production and trade that are not excluded pursuant to other provisions of the Agreement.

AMS has two components viz., (i) 'product-specific' or the excess of price paid to farmers over international price or ERP (external reference price) multiplied by quantum of produce; (ii) 'non-product specific' or money spent on schemes to supply inputs such as fertilisers, seed, irrigation, electricity at subsidised rates.

Under Agreement on Agriculture (AoA), developing countries can give agricultural subsidies or aggregate measurement support (AMS) up to 10 per cent of the value of agricultural production.

Q.8) Which of the following are the Non-Banking Financial Company (NBFC) in India as per RBI?

1. Asset Finance Company (AFC)
2. Infrastructure Finance Company (IFC)
3. Peer to Peer (P2P) lending

4. Account Aggregators

Select the correct answer using the codes given below.

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

Q.8) Solution (d)

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.

A non-banking institution which is a company and has principal business of receiving deposits under any scheme or arrangement in one lump sum or in installments by way of contributions or in any other manner, is also a non-banking financial company (Residuary non-banking company).

Different types of NBFCs are as follows:

- Asset Finance Company (AFC)
- Investment Company (IC)
- Loan Company (LC)
- Infrastructure Finance Company (IFC)
- Infrastructure Debt Fund: Non- Banking Financial Company (IDF-NBFC)

Non-Banking Financial Companies (NBFCs) bring in diversity and efficiency to the financial sector and make it more responsive to the needs of the customers. Peer to Peer (P2P) and

Account Aggregators are the new categories of NBFC that have been introduced recently.

Reserve Bank has introduced a new category of Non-Banking Financial Company (NBFC) called NBFC-P2P (NBFC- Peer to Peer Lending Platform) with light touch regulation and emphasis on adequate disclosures.

Q.9) Consider the following pairs:

1. Capital Adequacy Ratio (CAR) : : the ratio of liquid assets to net demand and time liabilities (NDTL)
2. Cash Reserve Ratio (CRR) : : minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank
3. Statutory Liquidity Ratio (SLR) : : expressed as a percentage of a bank's risk weighted credit exposures

Which of the pairs given above is/are not correct?

a) 1 only
b) 1 and 3 only
c) 2 only
d) None of the above

Q.9) Solution (b)

Statutory Liquidity Ratio (SLR)

- The ratio of liquid assets to net demand and time liabilities (NDTL) is called statutory liquidity ratio (SLR)
- Apart from Cash Reserve Ratio (CRR), banks have to maintain a stipulated proportion of their net demand and time liabilities in the form of liquid assets like cash, gold and unencumbered securities.
- Treasury bills, dated securities issued under market borrowing programme and market stabilisation schemes (MSS), etc also form part of the SLR. Banks have to report to the RBI every alternate Friday their SLR maintenance, and pay penalties for failing to maintain SLR as mandated.

Cash Reserve Ratio (CRR)

- CRR is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank. CRR is set according to the guidelines of the central bank of a country.
- The amount specified as the CRR is held in cash and cash equivalents, is stored in bank vaults or parked with the Reserve Bank of India.
- The aim here is to ensure that banks do not run out of cash to meet the payment demands of their depositors. CRR is a crucial monetary policy tool and is used for controlling money supply in an economy.
- CRR specifications give greater control to the central bank over money supply.

- Commercial banks have to hold only some specified part of the total deposits as reserves. This is called fractional reserve banking.

Capital Adequacy Ratio (CAR)

- The capital adequacy ratio (CAR) is a measure of a bank's capital. It is expressed as a percentage of a bank's risk weighted credit exposures.
- Also known as capital-to-risk weighted assets ratio (CRAR), it is used to protect depositors and promote the stability and efficiency of financial systems around the world.

Q.10) 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 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.10) Solution (a)

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.11) Tax Terrorism has been in the news for quite some time 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.11) Solution (c)

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.12) 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.12) 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.

Q.13) 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.13) 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.14) The concept of "economic convergence" is used in many different domains of economics and business. Consider the below with regard to it –

1. According to this theory/concept, the poorer economies are expected to grow more rapidly than wealthier economies.
2. The concept is alternatively known as 'Catch Up Effect'.
3. Developing countries with more protectionist and closed economy policies play a role in economic convergence's manifesting.

Which of the statements above is/are correct?

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

Q.14) Solution (b)

The theory or concept of "economic convergence" (also sometimes known as the catch-up effect) is the hypothesis that poorer economies' per capita incomes will tend to grow at faster rates than richer economies. As a result, all economies should eventually converge in terms of per capita income.

In other words, the poorer economies will literally "catch-up" to the more robust economies.

Developing countries have the potential to grow at a faster rate than developed countries because diminishing returns (in particular, to capital) are not as strong as in capital-rich countries. Furthermore, poorer countries can replicate the production methods, technologies, and institutions of developed countries. Developing countries with more openness and national economic policies on free trade play a role in the catch-up effect's manifesting. Developing countries with more protectionist and closed economy policies show less economic convergence.

Q.15) Consider the following statements about 'Graded Surveillance Measure'

1. It is developed by Reserve Bank of India

2. It is launched in order to enhance market integrity and safeguard interest of investors
3. It is aimed at advising market participants to carry out necessary due diligence while dealing in identified securities

Select the correct statements

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

Q.15) Solution (c)

Securities and Exchange Board of India (SEBI) and Exchanges in order to enhance market integrity and safeguard interest of investors, have introduced Graded Surveillance Measures (GSM) wherein certain identified securities shall be subjected to enhanced monitoring and surveillance actions

The main objective of these measures is to:

- alert and advice investors to be extra cautious while dealing in these securities and
- advice market participants to carry out necessary due diligence while dealing in these securities.

Q.16) Which of the following statements is correct with respect to 'Zero effect, Zero defect' which is often seen in news?

a) Zero effect on the health of workers and Zero defect in the Finance Sheet.
b) Zero defect in the manufactured goods by the industry and zero effect on the environment.
c) Zero defect in the process of manufacturing and zero effect in inflation
d) Zero defect in agricultural produce and zero effect on productivity.

Q.16) Solution (b)

'Zero effect, Zero defect'

PM Modi urged the industry, especially the Micro, Small and Medium Enterprises (MSMEs) of India, to manufacture goods in the country with "zero defects" and to ensure that the goods have "zero effect" on the environment. "We should manufacture goods in such a way that they carry zero defect and that our exported goods are never returned to us. We should manufacture goods with zero effect that they should not have a negative impact on the environment".

Q.17) Term 'Fragile Five' is often in news. Identify the appropriate definition of the term:

a) It is a term coined to represent association of five major emerging national economies.
b) It is a term coined to represent emerging market economies that have become too dependent on unreliable foreign investment to finance their growth ambitions.
c) It is a term coined to represent five of the most economically weak eurozone nations during the European debt crisis.
d) It is a term being used to describe markets which have witnessed economic turmoil in recent years.

Q.17) Solution (b)

Fragile Five is a term coined in August of 2013 by a financial analyst at Morgan Stanley to represent emerging market economies that have become too dependent on unreliable foreign investment to finance their growth ambitions.

The five members of the Fragile Five include:

- Turkey
- Brazil
- India
- South Africa
- Indonesia

Q.18) Which of the following refers to Invisible balance in the context of BoP?

a) It refers to import of Capital Goods.
b) It refers to the amount of goods imported in the country on lease.
c) It refers to services and other products that do not result in the transfer of physical object.
d) It refers to the interest paid by importers if they have borrowed money for imports.

Q.18) Solution (c)

The invisible balance or balance of trade on services is that part of the balance of trade that refers to services and other products that do not result in the transfer of physical objects.

Examples include consulting services, shipping services, tourism, and patent license revenues. This figure is usually generated by tertiary industry. The term 'invisible balance' is especially common in the United Kingdom.

For countries that rely on service exports or on tourism, the invisible balance is particularly important. For instance the United Kingdom and Saudi Arabia receive significant international income from financial services, while Japan and Germany rely more on exports of manufactured goods.

Types of Invisibles

- Invisibles are both international payments for services (as opposed to goods), as well as movements of money without exchange for goods or services. These invisibles are called 'transfer payments' or 'remittances' and may include money sent from one country to another by an individual, business, government or non-governmental organisations (NGO) – often charities.

Q.19) The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. FSB has been established by

a) World Bank
b) IMF
c) World Economic Forum
d) G 20

Q.19) Solution (d)

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. It was established after the G20 London summit in April 2009 as a successor to the Financial Stability Forum (FSF). The Board includes all G20 major economies, FSF members, and the European Commission. Hosted and funded by the Bank for International Settlements, the board is based in Basel, Switzerland.

Q.20) Bangkok Agreement, which was signed in 1975 as an initiative of ESCAP, has been rechristened as –

a) ASEAN Free Trade Area (AFTA)

b) Raisina Dialogue
c) Fortaleza Declaration
d) Asia-Pacific Trade Agreement (APTA)

Q.20) Solution (d)

Bangkok Agreement, signed in 1975 as an initiative of ESCAP, has been rechristened as AsiaPacific Trade Agreement (APTA). It is a preferential tariff arrangement that aims at promoting intra-regional trade through exchange of mutually agreed concessions by member countries.

APTA has six members namely Bangladesh, China, India, Republic of Korea, Lao People's Democratic Republic and Sri Lanka. ESCAP functions as the secretariat for the Agreement.

Q.21) Select the most appropriate statement regarding Domestic Systemically Important Banks (D-SIBs)

a) Banks whose assets exceed 1% of GDP are considered part of this group.
b) D-SIB means that the bank is too big to fail.
c) D-SIB means all the nationalized banks
d) D-SIB means banks that work on behalf of Government's foreign dealings.

Q.21) Solution (b)

D-SIB means that the bank is too big to fail.

According to the RBI, some banks become systemically important due to their size, crossjurisdictional activities, complexity and lack of substitute and interconnection. Banks whose assets exceed 2% of GDP are considered part of this group. The RBI stated that should such a bank fail, there would be significant disruption to the essential services they provide to the banking system and the overall economy.

The too-big-to-fail tag also indicates that in case of distress, the government is expected to support these banks. Due to this perception, these banks enjoy certain advantages in funding. It also means that these banks have a different set of policy measures regarding systemic risks and moral hazard issues.

Q.22) Green Accounting is seen as an important step towards Sustainable development. Which of the following statements correctly defines Green Accounting?

a) It accounts for all the biological resources in monetary terms.
b) It is a type of accounting that attempts to factor environmental costs into the financial results of operations.
c) It is a type of accounting that extrapolates the impact on environment in monetary terms of the proposed Greenfield projects.
d) It is the accounting of wildlife resources so that a quota can be maintained for exploitation of these resources.

Q.22) Solution (b)

Green accounting is a type of accounting that attempts to factor environmental costs into the financial results of operations. It has been argued that gross domestic product ignores the environment and therefore policymakers need a revised model that incorporates green accounting.

The major purpose of green accounting is to help businesses understand and manage the potential quid pro quo between traditional economics goals and environmental goals. It also increases the important information available for analyzing policy issues, especially when those vital pieces of information are often overlooked. Green accounting is said to only ensure weak sustainability, which should be considered as a step toward ultimately a strong sustainability.

Q.23) Incremental Capital Output Ratio (ICOR) is calculated to know the production efficiency of an economy. Which of the following statements are correct about ICOR?

a) There is no relation between the value of ICOR and efficiency.
b) It depends on the type of economic system.
c) Higher the value of ICOR higher is the efficiency
d) Lower the value of ICOR higher is the efficiency

Q.23) Solution (d)

The incremental capital output ratio (ICOR) is a metric that assesses the marginal amount of investment capital necessary for an entity to generate the next unit of production.

Overall, a higher ICOR value is not preferred because it indicates that the entity's production is inefficient. The measure is used predominantly in determining a country's level of production efficiency.

The ICOR indicate additional unit of capital or investment needed to produce an additional unit of output. The utility of ICOR is that with more and more investment, the capital output ratio itself may change and hence the usual capital output ratio will not be useful.

Q.24) Perform, Achieve and Trade (PAT) Scheme is often in news. It deals with –

a) reducing energy consumption and promoting enhanced energy efficiency among specific energy intensive industries in the country.
b) project financing, wherein a private entity receives a concession from the private or public sector to finance, design, construct, own, and operate a facility stated in the concession contract.
c) public-private partnership (PPP) project model in which a private organization builds, performs, achieves and trades some facility or structure with some degree of encouragement from the government.
d) benefits under Startup India Action Plan.

Q.24) Solution (a)

The Perform, Achieve and Trade (PAT) Scheme is a programme launched by the Bureau of Energy Efficiency (BEE) to reduce energy consumption and promote enhanced energy efficiency among specific energy intensive industries in the country.

Q.25) Recently, Foreign Investment Promotion Board (FIPB) was abolished. Consider the following statements about FDI approving authorities after abolition of FIPB

1. FDI from Pakistan and Bangladesh has to be approved by the Ministry of Home Affairs
2. Foreign investments by non-resident Indians has to be approved by Department of Industrial Policy and Promotion (DIPP)

Select the correct statements

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

Q.25) Solution (c)

FIPB was an inter-ministerial body housed in the Department of Economic Affairs in the finance ministry responsible for processing foreign direct investment (FDI) proposals and recommending for approval to the finance minister and subsequently to the Cabinet Committee on Economic Affairs if the investment amount exceeded Rs3,000 crore.

Now individual departments of the government have been empowered to clear FDI proposals in consultation with DIPP which will also issue the standard operating procedures for processing applications.

All FDI from Pakistan and Bangladesh and FDI proposals requiring approval of private security agencies and manufacture of small arms will require to be approved by Ministry of Home Affairs. While foreign investments by non-resident Indians and FDI in retail and export oriented units will be approved by DIPP, FDI in banks will be approved by the Department of Financial Services. DIPP or Department of Economic Affairs will undertake a quarterly review of FDI proposals.

Financial Services not regulated by a regulator or where there is more than one regulator or in respect of which there is a doubt about the regulator will be approved by Department of Economic Affairs, Ministry of Finance.

Q.26) Consider the following statements about Qualified Institutional Placement (QIP)

1. It is a designation of a securities issue given by the Securities and Exchange Board of India (SEBI)
2. It allows both listed and non-listed companies to raise capital from its domestic markets without the need to submit any pre-issue filings to market regulators

Select the correct statements

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

Q.26) Solution (a)

A qualified institutional placement (QIP) is a designation of a securities issue given by the Securities and Exchange Board of India (SEBI) that allows an Indian-listed company to raise capital from its domestic markets without the need to submit any pre-issue filings to market regulators. Companies are only permitted to raise capital through issuing securities.

For the issuing company, QIPs are less cumbersome than IPOs and FPOs. It doesn't have to file a pre-issue document with the capital markets regulator, and only a placement document with the stock exchanges, which only has details of the issue.

QIP is a less expensive mode of raising capital than, say, an IPO, FPO or rights issue.

SEBI introduced the QIP process through a circular issued on May 8, 2006, to prevent listed companies in India from developing an excessive dependence on foreign capital.

Q.27) India's Distance to Frontier score is 60.7 in 2018. 'Distance to Frontier' score is associated with which of the following organisations?

a) World Economic Forum
b) World Bank
c) World Trade Organisation
d) International Monetary Fund

Q.27) Solution (b)

Distance to Frontier

- The distance to frontier score helps assess the absolute level of regulatory performance over time.
- It measures the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005.
- One can both see the gap between a particular economy's performance and the best performance at any point in time and assess the absolute change in the economy's regulatory environment over time as measured by Doing Business.
- An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. For example, a score of 75 in 2017 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time. A score of 80 in 2018 would indicate the economy is improving. Read the methodology, explaining how the ease of doing business rankings and the distance to frontier measure are calculated (PDF).

Q.28) Consider the following statements about Systematic Country Diagnostic (SCD)

1. It looks at a range of issues in a particular country, and seeks to identify barriers to and/or opportunities for sustainable poverty reduction and shared prosperity
2. It is an analytical exercise conducted by World Economic Forum

Select the correct statements

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

Q.28) Solution (a)

Systematic Country Diagnostic (SCD)

- World Bank Group's first Systematic Country Diagnostic (SCD) for India.
- The SCD is an analytical exercise World Bank conducts in all countries.
- It articulates, from the perspective of the World Bank Group, an analysis of the most important opportunities and challenges to achieving, in that country, the two goals the Bank Group holds itself accountable for – eliminating extreme poverty and boosting shared prosperity.
- Introduced in July 2014, the SCD looks at a range of issues in a particular country, and seeks to identify barriers to and/or opportunities for sustainable poverty reduction and shared prosperity.
- Systematic Country Diagnostic (SCD) reports are prepared by World Bank Group staff in close consultation with national authorities and other stakeholders.

Q.29) Consider the following statement about Exchange Traded Fund (ETF)

1. It has higher daily liquidity and lower fees than mutual fund shares
2. It trades like a common stock on a stock exchange
3. It experiences price changes throughout the day

Select the correct statements

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

Q.29) Solution (d)

An ETF, or exchange-traded fund, is a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund. Unlike mutual funds, an ETF trades like a common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold.

ETFs experience price changes throughout the day as they are bought and sold. ETFs typically have higher daily liquidity and lower fees than mutual fund shares, making them an attractive alternative for individual investors

Q.30) Consider the following statements about Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

1. It offers a renewable one year accidental death cum disability cover to all subscribing bank account holders in the age group of 18 to 70 years
2. A premium of Rs.12/- per annum per subscriber is to be auto debited from subscriber's bank account

Select the correct statements

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

Q.30) Solution (d)

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY)

- These Schemes are offered/administered through both Public and Private Sector Insurance companies, in tie-up with scheduled commercial banks, Regional Rural Banks and Cooperative Banks.
- PMJJBY and PMSBY provide insurance cover to common people, especially poor and the under-privileged sections of the society.

PMJJBY

- It offers a renewable one year term life cover of Rupees Two Lakh to all subscribing bank account holders in the age group of 18 to 50 years, covering death due to any reason, for a premium of Rs.330/- per annum per subscriber, to be auto debited from subscriber's bank account.

PMSBY

- It offers a renewable one year accidental death cum disability cover to all subscribing bank account holders in the age group of 18 to 70 years for a premium of Rs.12/- per annum per subscriber to be auto debited from subscriber's bank account.
- The scheme provides a cover of Rs. two Lakh for accidental death or total permanent disability and Rs One Lakh in case of permanent partial disability.

Q.31) Which of the following banks are insured by Deposit Insurance and Credit Guarantee Corporation (DICGC)?

1. Foreign banks functioning in India
2. Regional Rural Banks (RRBs)
3. Nationalised Banks

Select the correct code:

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

Q.31) Solution (d)

Deposit Insurance and Credit Guarantee Corporation (DICGC)

- It is a very old subsidiary of RBI which provides insurance to all the banks registered under the guidelines of the RBI Act.
- The aim of the DICGC Act, 1961 is to provide for the establishment of a corporation for the purpose of insurance of deposits and guaranteeing of credit facilities and various other matters which are incidental to any event occurring DICGC Act.
- No insured banks can withdraw themselves from the DICGC coverage. The deposit insurance scheme is mandatory for all the banks.
- All commercial banks including branches of foreign banks functioning in India, nationalized/local banks and RRB's are insured by the DICGC.
- At present all the co-operative banks other than those from the Union Territories of Chandigarh, Lakshadweep, the State of Meghalaya and Dadra and Nagar Haveli are covered by the DICGC.
- Primary cooperative societies are also not insured by the DICGC. Deposit insurance premium is borne entirely by all the insured banks, respectively.

What comes under DICGC insurance?

- It is important to know that the DICGC insures all the deposits such as savings, current, fixed, recurring, etc.

- Deposits which are not covered are deposits of the foreign governments, deposits of the central or the state governments, deposits of the state land development banks with the state co-operative banks, various inter-bank deposits, any amount due on account of and deposit received outside India and any amount, which has been specifically exempted by the corporation with the previous approval of RBI.

Maximum amount of deposit insured under DICGC

- Each of the depositor, who has an account in a bank, is insured up to a maximum of Rs 1 lakh for both principal and interest amount held by them as on the date of cancellation or liquidation of bank's license or the date on which the scheme of amalgamation/merger/reconstruction takes place.

DICGC liable to pay the insurance amount

- When a bank goes into liquidation then in such a case the DICGC is liable to pay to each depositor through the liquidator, the amount of his deposit up to Rs 1 lakh within two months from the date of claim list from the liquidator.
- If a bank is reconstructed or amalgamated or merged with another bank then in such a case the DICGC pays to the bank concerned.

Q.32) The term 'Digital Single Market Strategy' seen in the news refers to

a) ASEAN
b) BRICS
c) EU
d) G20

Q.32) Solution (c)

The Digital Single Market strategy aims to open up digital opportunities for people and business and enhance Europe's position as a world leader in the digital economy.

Q.33) What is/are the most likely advantages of implementing 'Goods and Services Tax (GST)'?

1. It will replace multiple taxes collected by multiple authorities and will thus create a single market in India.
2. It will drastically reduce the 'Current Account Deficit' of India and will enable it to increase its foreign exchange reserves.
3. It will enormously increase the growth and size of economy of India and will enable it to overtake China in the near future.

Select the correct answer using the code given below:

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

Q.33) Solution (a)

Statement 2 and 3 – Extreme statements.

Q.34) Which one of the following best describes the term "Merchant Discount Rate" sometimes seen in news?

a) The incentive given by a bank to a merchant for accepting payments through debit cards pertaining to that bank.
b) The amount paid back by banks to their customers when they use debit cards for financial transactions for purchasing goods or services.
c) The charge to a merchant by a bank for accepting payments from his customers through the bank's debit cards.
d) The incentive given by the Government, to merchants for promoting digital payments by their customers through Point of Sale (PoS) machines and debit cards.

Q.34) Solution (c)

MDR is a fee charged from a merchant by a bank for accepting payments from customers through credit and debit cards in their establishments.

Q.35) Consider the following statements about 'Generalized System of Preferences (GSP)'

1. It is a framework under which developed countries give preferential tariff treatment to goods imported from certain developing countries.
2. The Enabling Clause is the WTO legal basis for the Generalized System of Preferences (GSP)

Select the correct statements

a) 1 Only
b) 2 Only

c) Both 1 and 2
d) Neither 1 nor 2

Q.35) Solution (c)

Generalised System of Preferences (GSP)

- It is a preferential tariff system extended by developed countries (also known as preference giving countries or donor countries) to developing countries (also known as preference receiving countries or beneficiary countries).
- It involves reduced MFN Tariffs or duty-free entry of eligible products exported by beneficiary countries to the markets of donor countries.

Benefits

- Indian exporters benefit indirectly - through the benefit that accrues to the importer by way of reduced tariff or duty free entry of eligible Indian products
- Reduction or removal of import duty on an Indian product makes it more competitive to the importer - other things (e.g. quality) being equal.
- This tariff preference helps new exporters to penetrate a market and established exporters to increase their market share and to improve upon the profit margins, in the donor country.

Enabling Clause

- The Enabling Clause officially called the "Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries" was adopted under GATT in 1979 and enables developed members to give differential and more favourable treatment to developing countries.
- The Enabling Clause is the WTO legal basis for the Generalized System of Preferences (GSP). Under the Generalized System of Preferences, developed countries offer non-reciprocal preferential treatment (such as zero or low duties on imports) to products originating in developing countries. Preference-giving countries unilaterally determine which countries and which products are included in their schemes.
- The Enabling Clause is also the legal basis for regional arrangements among developing countries and for the Global System of Trade Preferences (GSTP), under which a number of developing countries exchange trade concessions among themselves.

Q.36) Recently, Government has declared Minimum Support Price (MSP) by adopting 'A2+FL cost formula'. The 'A2+FL formula' takes into account which of the following?

1. Hired labour
2. Cost of seeds

3. Imputed rent on land

Select the correct code:

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

Q.36) Solution (a)

CACP has three different definitions of productions costs

- A2 formula is actual paid out cost which includes cost of seeds, fertilisers, pesticides, hired labour, fuel etc
- A2+FL formula takes into account actual cost plus imputed value of family labour in the production of a crop.
- The C2 formula factors in a lot of costs, including imputed rent on land and interest on capital, which makes the cost of production much higher than the level on which the Commission for Agricultural Costs and Prices bases its recommendations.
- **C2 > A2+FL > A2**

Q.37) Consider the following statements about the term 'Base Erosion and Profit Shifting (BEPS)'

1. It is concerned with exploitation of genetic resources of a country by multinational companies
2. BEPS Project is formulated by World Economic Forum and United Nations Environment Programme (UNEP)

Select the correct statements

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

Q.37) Solution (d)

Base erosion and profit shifting (BEPS)

- It refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.
- The Inclusive Framework on BEPS brings together over 115 countries and jurisdictions to collaborate on the implementation of the OECD/ G20 Base Erosion and Profit Shifting (BEPS) Package.
- OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and its members tackles tax avoidance by ensuring the implementation of the measures agreed through the BEPS Project, which targets multinational enterprises' aggressive tax planning practices.
- In particular, four "minimum standards" are at the core of the BEPS measures: harmful tax practices, treaty abuse, country-by-country reporting and dispute resolution mechanisms.

Q.38) 'Reverse Charge Mechanism', recently in news, is associated with

a) Goods and Services Tax (GST)
b) Initial Public Offering (IPO)
c) Litigation over bounced cheques
d) Regional Connectivity Scheme (RCS)

Q.38) Solution (a)

GST Reverse Charge Mechanism (RCM) basically means that the GST is to be paid and deposited with the Govt by the recipient of Goods/ Services and not by the supplier of Goods/Services.

Q.39) Consider the following statements about 'Fair and Remunerative Price (FRP)'

1. Under the FRP system, the farmers are not required to wait till the end of the season or for any announcement of the profits by sugar mills or the Government.
2. FRP is approved by the Cabinet Committee on Economic Affairs (CCEA)

Select the correct statements

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

Q.39) Solution (c)

FRP is the minimum price that the sugar mills have to pay to farmers. It is supposed to signal to farmers the need to plant more or less cane for the coming year.

Under the FRP system, the farmers are not required to wait till the end of the season or for any announcement of the profits by sugar mills or the Government. The new system also assures margins on account of profit and risk to farmers, irrespective of the fact whether sugar mills generate profit or not and is not dependent on the performance of any individual sugar mill.

In order to ensure that higher sugar recoveries are adequately rewarded and considering variations amongst sugar mills, the FRP is linked to a basic recovery rate of sugar, with a premium payable to farmers for higher recoveries of sugar from sugarcane.

It is approved by the Cabinet Committee on Economic Affairs.

Q.40) Consider the following statements about 'Anti-dumping duty'

1. It is an additional import duty imposed by the Central Government when a country is paying the subsidy to the exporters who are exporting goods to India
2. The Department of Commerce recommends the anti-dumping duty, while Ministry of Finance levies such duty

Select the correct statements

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

Q.40) Solution (b)

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.

Countervailing duty (CVD) is an additional import duty imposed on imported products (by the importing country) when such products enjoy benefits like export subsidies and tax concessions in the country of their origin (i.e. where it is produced and exported). CVD is thus an import tax by the importing country on imported products. It is an attempt to ensure fair and market oriented pricing of imported products and thereby protecting domestic industries and firms. The most popular example for CVD is the imposition of additional duty by an importing country when the product has given export subsidy by the exporter/producer country.

Q.41) The term 'Domestic Content Requirement' is sometimes seen in the news with reference to

a) Developing solar power production in our country
b) Granting licenses to foreign T.V. channels in our country
c) Exporting our food products to other countries
d) Permitting foreign educational institutions to set up their campuses in our country

Q.41) Solution (a)

The Jawaharlal Nehru National Solar Mission (NSM) in India is an example; besides targeting an installation of 20 GW of grid-tied solar power capacity, it includes a domestic content requirement (DCR) to strengthen a solar photovoltaic manufacturing base.

Q.42) Consider the following statements about 'E-Way Bill' System

1. It offers the technological framework to track intra-state as well as inter-state movements of goods under the Goods and Services Tax (GST) regime
2. One e-way bill will be valid throughout the country for the movement of goods and it does away with the separate transit pass for every state

Select the correct statements

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

Q.42) Solution (c)

E-Way Bill

- An electronic way bill or 'e-way bill' system offers the technological framework to track intra-state as well as inter-state movements of goods of value exceeding Rs 50,000, for sales beyond 10 km in the new Goods and Services Tax (GST) regime.
- The E-way bill must be raised before the goods are shipped and should include details of the goods, their consignor, recipient and transporter.
- Under the e-way bill system, there will be no need for a separate transit pass for every state — one e-way bill will be valid throughout the country for the movement of goods.
- Every E-way bill generated by a sender or buyer of goods is to be automatically updated in the outward sales return (GSTR1) of the supplier
- Whether goods are transported on one's own or hired conveyance, by air, rail or road, the E-way bill has to be generated.
- Where the goods are handed over to a transporter for conveyance by road and neither the consignor nor the consignee has generated the E-way Bill, the transporter becomes liable to generate it.
- When the consignor or transporter generates the E-way bill, the recipient for the consignment has to either accept or reject it on the portal. If no action is taken by the recipient in 72 hours, it shall be taken as accepted.

Q.43) Consider the following statements with respect to 'Alternative Investment Funds (AIFs)' in India

1. It refers to any privately pooled investment fund from Indian sources only
2. Venture Capital Fund is a type of AIF
3. They are not taxable under the Income Tax Act

Select the correct statements

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

Q.43) Solution (c)

Alternative Investment Funds

- In India, alternative investment funds (AIFs) are defined in Regulation 2(1)(b) of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.
- It refers to any privately pooled investment fund, (whether from Indian or foreign sources), in the form of a trust or a company or a body corporate or a Limited Liability Partnership (LLP) which are not presently covered by any Regulation of SEBI governing fund management (like, Regulations governing Mutual Fund or Collective Investment Scheme)nor coming under the direct regulation of any other sectoral regulators in India-IRDA, PFRDA, RBI.
- Hence, in India, AIFs are private funds which are otherwise not coming under the jurisdiction of any regulatory agency in India.

Types of AIFs

- Category I AIF are those AIFs with positive spill over effects on the economy, for which certain incentives or concessions might be considered by SEBI or Government of India
- Category II AIF are those AIFs for which no specific incentives or concessions are given
- Category III AIF are funds that are considered to have some potential negative externalities in certain situations and which undertake leverage to a great extent

They are taxable.

Q.44) Consider the following statements about 'Public Financial Management System (PFMS)'

1. It is a web-based online software application developed and implemented by the Office of Controller General of Accounts (CGA)
2. The ambit of PFMS coverage includes Central Sector and Centrally Sponsored Schemes as well as other expenditures including the Finance Commission Grants
3. Use of PFMS is mandatory for all the Central Sector Schemes of the Government of India

Select the correct statements

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

Q.44) Solution (d)

The Public Financial Management System (PFMS),earlier known as Central Plan Schemes Monitoring System (CPSMS), is a web-based online software application developed and implemented by the Office of Controller General of Accounts (CGA).

The primary objective of PFMS is to facilitate sound Public Financial Management System for Government of India (GoI) by establishing an efficient fund flow system as well as a payment cum accounting network. PFMS provides various stakeholders with a real time, reliable and meaningful management information system and an effective decision support system, as part of the Digital India initiative of GoI.

Finance Ministry launched the mandatory use of Public Finance Management System (PFMS) for all Central Sector Schemes, stating that PFMS would ensure that the benefits of the various Government Schemes reach to the last mile.

Read More - http://pib.nic.in/newsite/PrintRelease.aspx?relid=171984

The PFMS Scheme has been rolled-out by the Controller General of Accounts (CGA) at the behest of Finance Ministry, Department of Expenditure as a cherished Public Finance Management (PFM) reform in the country. The Scheme aims at promoting transparency and bringing about tangible improvements in the overall Central Government Financial Management as well as implementation of various Central Government Schemes across the country. The ambit of PFMS coverage includes Central Sector and Centrally Sponsored Schemes as well as other expenditures including the Finance Commission Grants.

Q.45) Which of the following factors are contributing to the 'Turkish Lira's fall'?

1. Increasing tensions with the US
2. Huge dollar debts
3. Rising inflation

Select the correct code:

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

Q.45) Solution (d)

Turkey's economy is grappling with high levels of debt in the private sector and significant foreign funding in the banking system. Turkey relies on foreign-currency debt more than any other major emerging market. Corporate, financial and other foreign currency debt, mostly dollar-denominated, represent about 70 percent of Turkey's economy.

According to data from the Bank for International Settlements (BIS), Turkish borrowers owe Spanish banks $83.3 billion, French banks $38.4 billion; Italian banks $17 billion; Japanese banks $14 billion; UK banks $19.2 billion; and the United States about $18 billion.

Besides, the country's inflation rose to an annual rate of 15.9 percent in July – more than five times the average rate for wealthy nations. According to a Guardian report, there are also fears of a crash in the construction sector, which has been growing at a scorching pace for the last many years. If that happens, banks that have lend money to these companies will be in trouble.

US doubled steel and aluminium tariffs on Turkey, aggravating the problems in the Turkish economy.

Q.46) Consider the following statements with respect to 'Employees' Provident Fund Organisation (EPFO)'

1. It is the nodal agency for implementing Bilateral Social Security Agreements with other countries on a reciprocal basis.
2. Universal Account Number (UAN) is an 8 digit alpha-numeric launched for Employees covered by EPFO to enable PF number portability
3. It is under the administrative control of the Ministry of Labour and Employment

Select the correct code:

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

Q.46) Solution (c)

Employees' Provident Fund Organisation (EPFO)

- It is an Organization tasked to assist the Central Board of Trustees, a statutory body formed by the Employees' Provident Fund and Miscellaneous Provisions Act, 1952
- It is under the administrative control of the Ministry of Labour and Employment
- It assists the Central Board in administering a compulsory contributory Provident Fund Scheme, a Pension Scheme and an Insurance Scheme for the workforce engaged in the organized sector
- It is the nodal agency for implementing Bilateral Social Security Agreements with other countries on a reciprocal basis.
- The EPFO's apex decision making body is the Central Board of Trustees (CBT)

Universal Account Number (UAN)

- It was launched for Employees covered by EPFO to enable PF number portability.
- It is a 12-digit number allotted to employee who is contributing to EPF will be generated for each of the PF member by EPFO.
- It does not change with the change in jobs. The idea is to link multiple Member Identification Numbers (Member Id) allotted to a single member under single Universal Account Number.

Q.47) 'Public Credit Registry (PCR)' will address which of the following issues?

1. Improve access to credit
2. Help raise India's rank in the global ease of doing business index
3. Flag early warnings on asset quality

Select the correct code:

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

Q.47) Solution (d)

Public Credit Registry (PCR)

- A public credit registry is an information repository that collates all loan information of individuals and corporate borrowers.
- A credit repository helps banks distinguish between a bad and a good borrower and accordingly offer attractive interest rates to good borrowers.
- PCR will address issues such as information asymmetry, improve access to credit and strengthen the credit culture among consumers.
- A PCR may also help raise India's rank in the global ease of doing business index.

Why PCR is necessary

- Credit information is now available across multiple systems in bits and pieces and not in one window.
- Data on borrowings from banks, non-banking financial companies, corporate bonds or debentures and external commercial borrowings, among others, are not available in one data repository.
- PCR will help capture all relevant information about a borrower, across different borrowing products.

- It can flag early warnings on asset quality by tracking performance on other credits.

Q.48) India has signed which of the following foundational agreements with United States of America?

1. General Security Of Military Information Agreement (GSOMIA)
2. Basic Exchange and Cooperation Agreement for Geo-spatial Cooperation (BECA)
3. Communications Compatibility and Security Agreement (COMCASA)
4. Logistics Exchange Memorandum of Agreement (LEMOA)

Select the correct code:

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

Q.48) Solution (b)

India has signed all but Basic Exchange and Cooperation Agreement for Geo-spatial Cooperation (BECA).

COMCASA

- India and the United States on Thursday sealed the landmark Communications Compatibility and Security Agreement (COMCASA)
- It will allow the U.S. to transfer specialised equipment for encrypted communications for U.S.-origin platforms like C-17, C-130 and P-8I aircraft.
- It comes into force immediately and is valid for 10 years.

General Security Of Military Information Agreement (GSOMIA)

- It allows sharing of classified information from the U.S. government and American companies with the Indian government and defence Public Sector Undertakings (PSUs) but not with Indian private companies.

Q.49) 'Broad-based Trade and Investment Agreement (BTIA)' is sometimes seen in the news in the context of negotiations held between India and

a) European Union
b) Gulf Cooperation Council
c) Organization for Economic Cooperation and Development
d) Shanghai Cooperation Organization

Q.49) Solution (a)

India-EU Broad Based Trade and Investment Agreement (BTIA) negotiations -
http://commerce.gov.in/international_nextDetail_WTO.aspx?LinkID=32&idwto=34

Q.50) 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.50) 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.