

IASbaba 60 Day plan 2020 – Day 33 Economics

Q.1) Financial Stability and Development Council is chaired by

- a) Finance Minister
- b) RBI governor
- c) Finance Secretary
- d) Prime Minister

Q.1) Solution (a)

Financial Stability and Development Council

- The FSDC is the apex body of sectoral regulators, headed by the Finance Minister.
- Heads of all financial sector regulatory authorities such as RBI, SEBI, IRDA, PFRDA etc. are members of FSDC.
- Minister of State, in charge of Department of Economic Affairs and Secretary, Ministry of Electronics and Information Technology have been newly added to the council.

Q.2) Consider the following statements regarding India's tax collection

1. The share of Personal Income tax has steadily increased for the last five years.
2. The share of Corporate Tax is higher than the share of Goods and Services Tax for the year 2019-20.

Choose the correct answer using the codes given below

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

Q.2) Solution (a)

Statement 1	Statement 2
Correct	Incorrect

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The share of Personal Income tax has steadily increased for the last five years.

The share of Corporate Tax is lower than the share of Goods and Services Tax for the years 2019-20

Q.3) Money raised through the small saving schemes, provident fund schemes are held in

- a) Consolidated Fund of India
- b) Public Accounts of India
- c) Contingency fund of India
- d) Consolidated Fund of respective states

Q.3) Solution (b)

- Public Accounts of India is established under Article 266 (2) of the Constitution.
- All public money received other than those included in the Consolidated Fund of India are held in Public Accounts of India.
- This account mainly consists of money raised through small saving schemes, provident fund schemes etc.
- Government is just custodian of these funds. It has to repay either on the maturity date or whenever claimed by people.

Q.4) Which of the following are considered as Non-Tax Revenue receipts of the Government

1. Receipts due to disposal of permanent assets.
2. Profit from the circulation of currency and coins.
3. Dividends from the shares held by governments in private enterprises.

Which of the statements given above is/are correct?

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

Q.4) Solution (c)

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Option 1	Option 2	Option 3
Incorrect	Correct	Correct
Receipts due to disposal of permanent assets are part of Capital receipts.	Currency, coinage and mint come under fiscal services of Other non-tax receipts.	Non-Tax Revenue - Dividends are income from the shares held by governments in private enterprises.

Non-tax Revenue receipts

- Interest receipts
- Dividends and Profits
- Currency, Coinage, Mint
- Social services
- Grants in Aid Contributions
- Economic Services

Capital Receipts

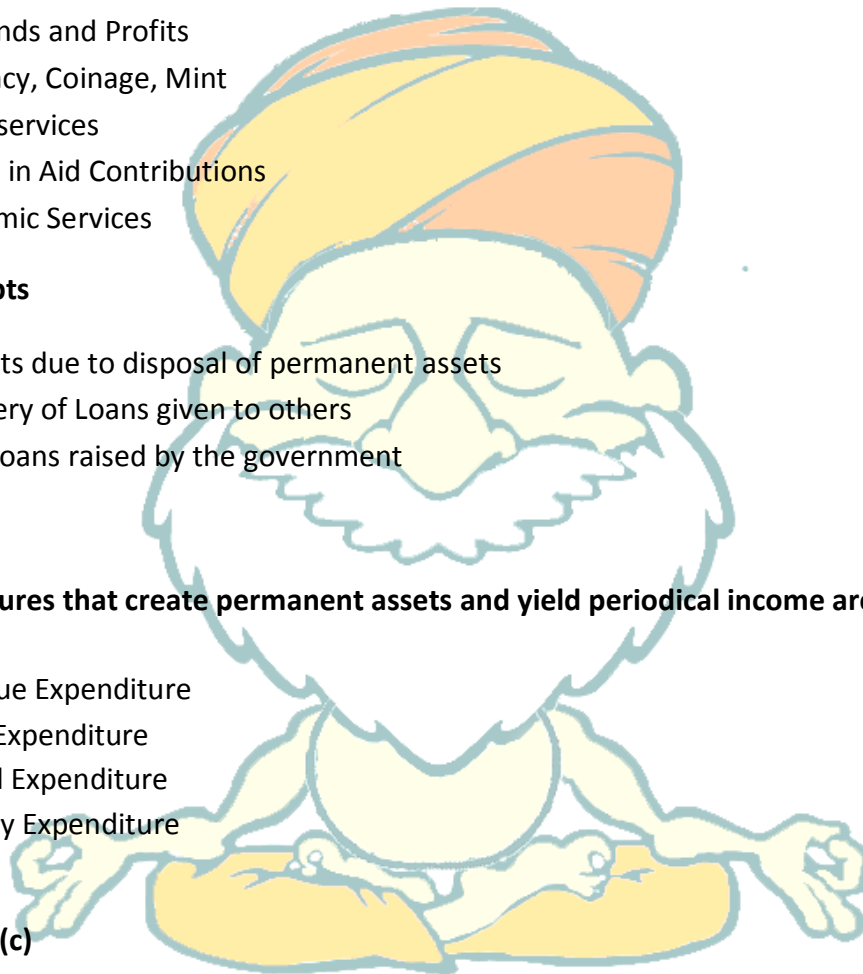
- Receipts due to disposal of permanent assets
- Recovery of Loans given to others
- Fresh loans raised by the government

Q.5) Expenditures that create permanent assets and yield periodical income are called

- a) Revenue Expenditure
- b) Asset Expenditure
- c) Capital Expenditure
- d) Primary Expenditure

Q.5) Solution (c)

- Capital Expenditures are expenditures
 - that create permanent assets and yield periodical income.
 - that are given out as loans to state governments and local bodies.
- It is a two-way payment. It means spent money can be recovered through periodical income and/or by the disposal of assets created.



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Q.6) The term Fiscal deficit refers to

- a) Difference between the government's total receipts, excluding borrowing, and total expenditure.
- b) Difference between the revenue receipts and the revenue expenditure.
- c) Difference between the government's total income and expenditure after excluding interest earnings and payments.
- d) None of the above

Q.6) Solution (a)

Fiscal Deficit	Difference between the government's total receipts, excluding borrowing, and total expenditure.
Revenue Deficit	Difference between the revenue receipts and the revenue expenditure.
Primary Deficit	Difference between the government's total income and expenditure after excluding interest earnings and payments.

Fiscal Deficit

- Fiscal deficit is an economic phenomenon, where the government's total expenditure surpasses the revenue generated.
- Fiscal deficit gives the signal to the government about the total borrowing requirements from all sources.

Q.7) Consider the following statements

1. Tax Buoyancy refers to the responsiveness of tax revenue growth to changes in GDP.
2. Tax elasticity refers to changes in tax revenue in response to changes in the tax rate.

Choose the correct answer using the codes given below

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

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Q.7) Solution (c)

Statement 1	Statement 2
Correct	Correct
Tax Buoyancy refers to the responsiveness of tax revenue growth to changes in GDP. Tax Buoyancy = Proportionate change in the tax revenue/ Proportionate change in GDP.	Tax elasticity refers to changes in tax revenue in response to changes in the tax rate.

Q.8) Goods and Services Tax (GST) is applicable to which of the following options

1. Services by an employee to the employer in relation to his employment.
2. Services by a builder in the construction of a new building.
3. Flavoured milk available in milk booths and grocery shops.

Which of the statements given above is/are correct?

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

Q.8) Solution (c)

Option 1	Option 2	Option 3
Incorrect	Correct	Correct
Services by an employee to the employer in relation to his employment do not fall under GST. The employee will, however, pay income tax on salary earned.	Construction of a new building is subject to GST (being works contract).	Non-flavoured milk and milk powder are exempt from GST but flavoured milk is charged GST tax under 12% slab.

Q.9) Consider the following statements regarding Disinvestment

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1. Proceeds are maintained separately in the National Investment Fund.
2. Transfer of the ownership and control to the private sector is known as Strategic Disinvestment.

Choose the correct answer using the codes given below

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

Q.9) Solution (c)

Statement 1	Statement 2
Correct	Correct
Proceeds are maintained separately in the National Investment Fund. The earnings of the Fund were to be used for selected Central social welfare Schemes. This fund is kept outside the consolidated fund of India.	Strategic disinvestment is the transfer of the ownership and control of a public sector entity to some other entity (mostly to a private sector entity). Unlike simple disinvestment, strategic sale implies a kind of privatization.

Q.10) Which of the following statements are recommendations of the FRBM Act review committee

1. Formation of Fiscal Council to give advice to the government.
2. Public debt to GDP ratio to be considered as a medium-term anchor for fiscal policy.
3. Debt management and fiscal responsibility Act should replace the FRBM act.

Which of the statements given above is/are correct?

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

Q.10) Solution (d)

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Statement 1	Statement 2	Statement 3
Correct	Correct	Correct
Setting up of a 'fiscal council', an independent body which will be tasked with monitoring the government's fiscal announcements for any given year	Public debt to GDP ratio to be considered as a medium-term anchor for fiscal policy. A debt-to-GDP ratio of 38.7% for the central government, 20% for the state governments	Debt management and fiscal responsibility Act to replace the FRBM act.

Q.11) Consider the following statements regarding Advance pricing Agreement

1. It is a Prospective agreement between a taxpayer and a tax authority.
2. It is used for determining the transfer pricing methodology and liabilities in case of taxpayers' international transactions to avoid future disputes.

Choose the correct answer using the codes given below

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

Q.11) Solution (c)

Statement 1	Statement 2
Correct	Correct
It is a Prospective agreement between a taxpayer and a tax authority. Recently Central Board of Direct taxes signed an APA with several entities.	It is used for determining the transfer pricing methodology and liabilities in case of taxpayers' international transactions to avoid future disputes. This helps in both better compliance as well as better tax monitoring.

Q.12) Which of the following are the terms of reference of the Fifteenth Finance Commission

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1. Adoption of Direct Benefit Transfer by state governments
2. Elimination of losses in the power sector
3. Effort made for expanding GST

Which of the statements given above is/are correct?

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

Q.12) Solution (d)

15th Finance Commission – Terms of reference

- Effort made for expanding GST
- Population control measures
- Elimination of losses in the power sector
- Adoption of Direct Benefit Transfer
- Grants to Local bodies
- Progress made in sanitation and solid waste management
- Control of populist measures.

Q.13) Consider the following statements regarding the Financial Inclusion Index

1. It rates states on their performance on last-mile banking service availability.
2. It is released by the Reserve bank of India.

Choose the correct answer using the codes given below

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

Q.13) Solution (a)

Statement 1	Statement 2
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Correct	Incorrect
FII rates states on their performance on last-mile banking service availability. 3 dimensions – Access, usage & quality	It is released by the Department of Financial Services, Ministry of Finance.

Q.14) Consider the following statements regarding Base erosion and profit shifting (BEPS) Project

1. The project is an outcome of OECD to tackle BEPS.
2. India has ratified the multilateral convention to implement OECD's project on checking tax evasion.

Choose the correct answer using the codes given below

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

Q.14) Solution (c)

Statement 1	Statement 2
Correct	Correct
The project is an outcome of the Organisation for Economic Co-operation and Development (OECD) / G20 to tackle Base Erosion and Profit Shifting.	India was the founding member of this project. India signed this convention in 2016.

Q.15) Which of the following is considered as a Pigovian tax

- a) Wealth Tax on the rich
- b) Clean energy cess on coal
- c) Goods and Services Tax on Luxury items

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d) None of the above

Q.15) Solution (b)

Pigovian Tax

- A Pigovian (Pigouvian) tax is a tax assessed against private individuals or businesses for engaging in activities that create adverse side effects for society.
- These include environmental pollution, strains on public healthcare from the sale of tobacco products, and any other side effects that have an external, negative impact.
- The Pigovian tax is meant to discourage activities that impose a cost of production onto third parties and society as a whole.

Q.16) Consider the following statements regarding the Basel Committee on Banking Supervision (BCBS)

1. It is a committee under the International Monetary Fund (IMF).
2. Basel III measures, developed by BCBS, aims to strengthen the regulation, supervision and risk management of banks.

Choose the correct answer using the codes given below

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

Q.16) Solution (b)

Statement 1	Statement 2
Incorrect	Correct
It is a committee under Bank for International Settlements. Basel Committee on Banking Supervision (BCBS) is the primary global standard-setter for the prudential regulation of banks	Basel III measures, developed by BCBS, aims to strengthen the regulation, supervision and risk management of banks.

Q.17) Consider the following statements

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1. Vote on account is passed in Lok Sabha without any discussion
2. Full Budget deals with both expenditure and revenue side but Vote-on-account deals only with the expenditure side of the government's budget
3. It is not mandatory for the government to present a vote on account in an election year

Which of the above statements are correct?

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

Q.17) Solution (d)

Vote on Account is a grant in advance to enable the government to carry on until the voting of demands for grants and the passing of the Appropriation Bill and Finance Bill. This enables the government to fund its expenses for a short period of time or until a full-budget is passed. As a convention, a vote-on-account is treated as a formal matter and passed by Lok Sabha without discussion.

Difference between Full Budget and Vote on Account

Full Budget deals with both expenditure and revenue side but Vote-on-account deals only with the expenditure side of the government's budget.

The vote-on-account is normally valid for two months but a full budget is valid for 12 months (a financial year).

A vote-on-account cannot alter direct taxes since they need to be passed through a finance bill. Under the regular Budget, fresh taxes may be imposed and old ones may go.

An interim budget in all practical sense is a full budget but made by the government during the last year of its term – i.e. just before the election. An interim Budget is a complete set of accounts, including both expenditure and receipts. But it may not contain big policy proposals.

It is not mandatory for the government to present a vote on account in an election year.

Q.18) Inter-Ministerial Committee on Virtual Currencies was headed by

- a) Uday Kotak Committee

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- b) Nandan Nilekani Committee
- c) Nachiket Mor Committee
- d) Subhash Chandra Garg

Q.18) Solution (d)

- Inter-Ministerial Committee on Virtual Currencies was headed by finance secretary Subhash Chandra Garg.
- Key recommendations
 - Ban on all forms of private crypto-currencies.
 - Look into the introduction of an official digital currency in the country.
 - Data localisation requirements proposed in the draft Data Protection Bill may need to be applied carefully.
- The committee set up by Centre has also proposed a draft bill 'Banning of Cryptocurrency & Regulation of Official Digital Currency Bill, 2019'.

Q.19) Government of India has recently issued draft rules to set up New Delhi International Arbitration Centre (NDIAC). Consider the following statements regarding NDIAC

1. The NDIAC will facilitate conducting of arbitration and conciliation in a professional manner.
2. The NDIAC Act declares the NDIAC as an institution of national importance.

Choose the correct answer using the codes given below

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

Q.19) Solution (c)

Statement 1	Statement 2
Correct	Correct
The NDIAC will facilitate conducting of arbitration and conciliation in a professional, cost-effective and timely manner.	The NDIAC Act was passed by the parliament in 2019. It declares the NDIAC as an institution of national importance.

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- The NDIAC Act transferred the existing International Centre for Alternative Dispute Resolution (ICADR) to the central government.
- NDIAC will establish a Chamber of Arbitration which will maintain a permanent panel of arbitrators.
- NDIAC may also establish an Arbitration Academy for training arbitrators and conducting research in the area of alternative dispute resolution.

Q.20) Consider the following statements about Standard Deduction

1. It allows salaried individuals to claim a flat deduction from income towards expenses that would be incurred with relation to his or her employment
2. There is no proof required in order to claim this deduction
3. It was introduced for the first time in budget 2019

Which of the above statements are correct?

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

Q.20) Solution (a)

Statement 1	Statement 2	Statement 3
Correct	Correct	Incorrect
In his Budget 2018 speech, Finance Minister proposed to provide (reintroduce) a standard deduction of Rs 40,000 from salary income to employees. Standard deduction allows salaried individuals to claim a flat deduction from income towards expenses that would be incurred with relation to his or her employment.	There is no proof required in order to claim this deduction.	Standard deduction was introduced for the salaried taxpayers under Section 16 of the Income Tax Act in the year 1974, but later abolished with effect from Assessment Year 2006-07. This decision to withdraw standard deduction by former Union Minister of Finance P. Chidambaram was taken on the grounds that there laid an equivalent increase in the basic exemption limit and Section 80C deductions. The taxable salary for the salaried

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		employees will come down on account of the standard deduction.
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Q.21) Consider the following statements about International Union for Protection of New Plant Varieties (UPOV):

1. It is established by the International Treaty on Plant Genetic Resources for Food and Agriculture.
2. It is an intergovernmental organization with its headquarters in Geneva.
3. It grants an intellectual property right to breeders of new plant varieties.

Which of the statements given above is/are *INCORRECT*?

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

Q.21) Solution (c)

Statement 1	Statement 2	Statement 3
Incorrect	Correct	Incorrect
<p>UPOV is established by the International Convention for the Protection of New Varieties of Plants (UPOV Convention). The Convention provides the basis for members to encourage plant breeding by granting breeders of new plant varieties an intellectual property right: the breeder's right.</p>	<p>International Union for Protection of New Plant Varieties (UPOV) is an intergovernmental organization, with its headquarters in Geneva, Switzerland.</p>	<p>In the case of a variety protected by an authorization of the breeder is required to propagate the variety for commercial purposes. The breeder's right is granted by the individual UPOV members.</p>

Q.22) In which of the following state the Fakim Wildlife Sanctuary is located?

- a) Arunachal Pradesh

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- b) Nagaland
- c) Manipur
- d) Mizoram

Q.22) Solution (b)

- **Fakim Wildlife Sanctuary** is situated close to the India Myanmar border in **Nagaland**.
- Hornbill, the most popular bird in Nagaland also abundantly found in the Fakim Wildlife Sanctuary.

Q.23) The Biwako Millennium Framework for Action is related with

- a) Persons with Disabilities
- b) Reducing Gender inequality
- c) Environmental Refugees
- d) Human Trafficking

Q.23) Solution (a)

- The **Biwako Millennium Framework for Action** towards an inclusive, barrier-free and rights-based society for **persons with disabilities** in Asia and the Pacific.
- It provides policy guidelines for the Asian and Pacific region.

Q.24) National Company Law Appellate Tribunal (NCLAT) is the appellate tribunal for hearing appeals against the orders passed by which of the following?

1. National Company Law Tribunal
2. Insolvency and Bankruptcy Board of India
3. Competition Commission of India

Select the correct answer using the code given below:

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

Q.24) Solution (d)

- **National Company Law Appellate Tribunal (NCLAT)** was constituted under Section 410 of the **Companies Act, 2013** to hear appeals against the orders of the National Company Law Tribunal (NCLT).
- NCLT is a **quasi-judicial body** that adjudicates issues relating to companies.
- Any person aggrieved by any order of the NCLAT may file an appeal to the Supreme Court.
- NCLAT is the Appellate Tribunal for hearing appeals against the orders passed by –
 - i. **National Company Law Tribunal(s)** under Section 61 of the Insolvency and Bankruptcy Code, 2016 (IBC)
 - ii. **Insolvency and Bankruptcy Board of India (IBBI)** under Section 202 and Section 211 of IBC.
 - iii. **Competition Commission of India (CCI)** – as per the amendment brought to Section 410 of the Companies Act, 2013

Q.25) Consider the following statements:

1. The Hotspots of threatening locust activity are identified by International Union for Conservation of Nature (IUCN).
2. Southwest Asia is one of the three Hotspots of threatening locust activity.

Which of the statements given above is/are correct?

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

Q.25) Solution (b)

Statement 1	Statement 2
Incorrect	Correct
The Food and Agriculture Organisation (FAO) of the United Nations identifies Hotspots of	FAO currently identified three hotspots of threatening locust activity , where the situation has been called “extremely alarming” – the Horn of Africa, the

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threatening locust activity.

Red Sea area, and southwest Asia.

Q.26) KP Krishnan Committee was in news recently. It is associated with

- a) Cross-Border Insolvency
- b) Corporate Social Responsibility
- c) Corporate Governance
- d) Equal Remuneration

Q.26) Solution (a)

The committee was constituted to recommend rules and regulatory framework for the smooth implementation of cross-border insolvency provisions under the Insolvency Bankruptcy Code.

Ministry of Corporate Affairs (MCA) has now expanded the terms of reference of this panel headed by retired IAS officer KP Krishnan to cover aspects relating to enterprise group insolvency on a cross-border basis.

It will study and analyse the Uncitral Model Law for 'enterprise group insolvency' and make recommendations in the context of the Insolvency and Bankruptcy Code 2016 (IBC).

Q.27) Which of the following statements with respect to 'Air India' is/are correct?

- a) Air India was nationalised in 1991.
- b) It was founded by J. R. D. Tata as Tata Airlines in 1932.
- c) Both (a) and (b)
- d) Neither (a) nor (b)

Q.27) Solution (b)

The airline was founded by J. R. D. Tata as Tata Airlines in 1932.

After World War II, regular commercial service was restored in India and Tata Airlines became a public limited company on 29 July 1946 under the name Air India.

In 1953, the Government of India passed the Air Corporations Act and purchased a majority stake in the carrier from Tata Sons though its founder J. R. D. Tata would continue as Chairman

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till 1977. The company was renamed as Air India International Limited and the domestic services were transferred to Indian Airlines as a part of a restructuring.

Q.28) As a common rule of thumb, 'Recession' is defined as

- a) Recession is two quarters of negative GDP growth.
- b) When the stock market falls over 40% in two weeks.
- c) When the employment rate in the country is over 10%
- d) When the global GDP falls by 10%.

Q.28) Solution (a)

A recession is characterised as a period of negative economic growth for two consecutive quarters. In a recession, unemployment will rise, output fall and government borrowing increase.

Q.29) The Human Development Index (HDI) measures average achievement in which of the following dimensions?

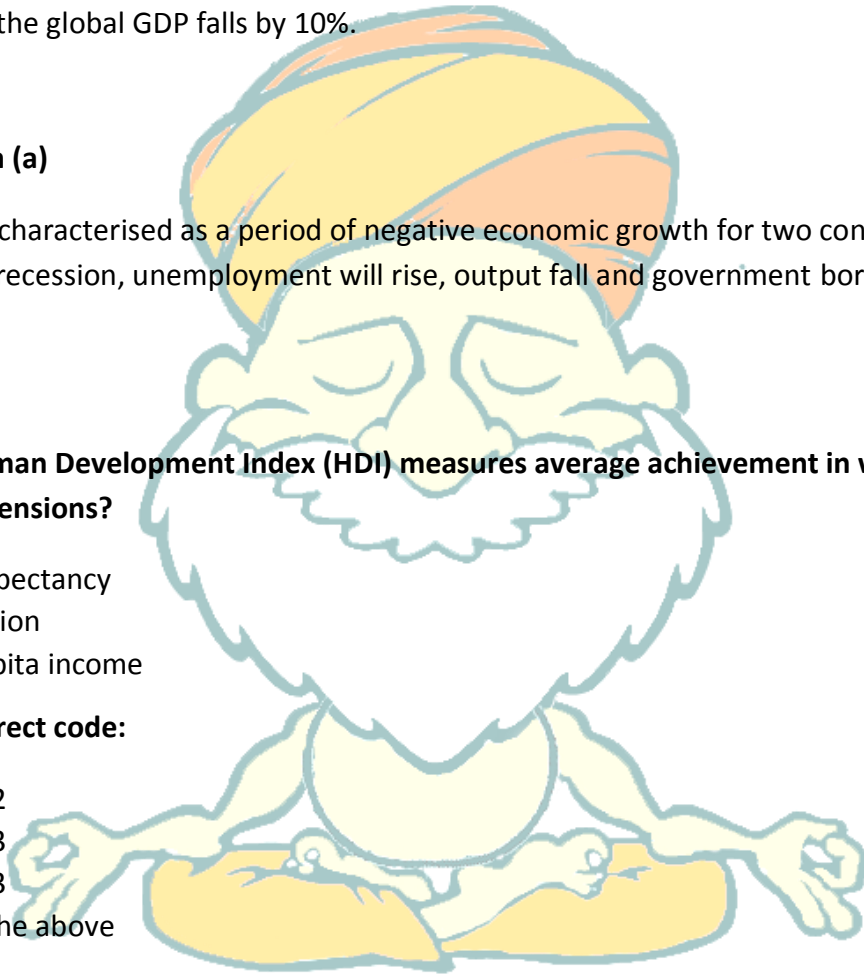
- 1. Life expectancy
- 2. Education
- 3. Per capita income

Select the correct code:

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

Q.29) Solution (d)

The Human Development Index (HDI) is a statistic composite index of life expectancy, education, and per capita income indicators, which are used to rank countries into four tiers of human development.



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Q.30) Consider the following statements with respect to 'Velocity of Money'.

1. It is taken as the number of times that a unit of currency is used to purchase goods and services in a defined period.
2. The velocity of money formula divides the gross domestic product (GDP) of an economy by the money supply.

Select the correct statements

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

Q.30) Solution (c)

The velocity of money is the rate at which consumers and businesses spend money in an economy. Generally, the velocity of money is taken as the number of times that a unit of currency is used to purchase goods and services in a defined period.

The velocity of money formula divides the gross domestic product (GDP) of an economy by the money supply, as demonstrated in the calculation below:

Velocity of money = $\text{GDP} \div \text{money supply}$

