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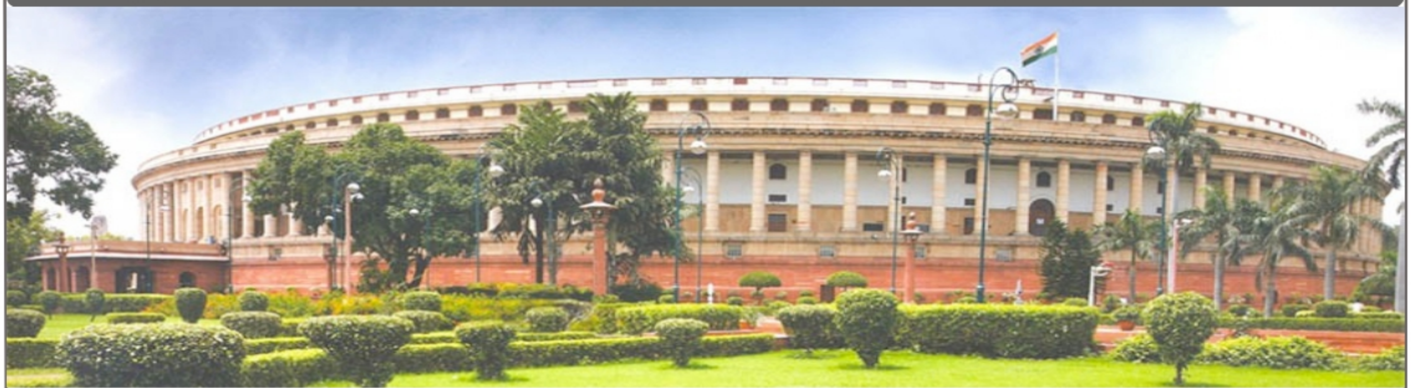

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Q.1) Financial Stability and Development Council is chaired by

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 (Revised Estimates)

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**
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 yeas 2019-20 (Revised Estimates)

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 or 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)

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.

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

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	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.

tax on salary earned.		

Q.9) Consider the following statements regarding Disinvestment

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)

Statement 1	Statement 2	Statement 3
Correct	**Correct**	**Correct**
Setting up of a 'fiscal council', an independent	Public debt to GDP ratio to be considered as a	Debt management and fiscal responsibility Act to replace the

body which will be tasked with monitoring the government's fiscal announcements for any given year	medium-term anchor for fiscal policy. A debt-to-GDP ratio of 38.7% for the central government, 20% for the state governments	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

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
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
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 Monitory 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

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
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 Crypto-currency & 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.

- 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	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

employment.		deductions. The taxable salary for the salaried employees will come down on account of the standard deduction.

Q.21) Consider the following statements regarding Pension Fund Regulatory and Development Authority (PFRDA)

1. It is a statutory body established under the PFRDA Act, 2003.
2. It administers and regulates National Pension System (NPS).

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.21) Solution (c)

Statement 1	Statement 2
Correct	**Correct**
It is a statutory body established under the PFRDA Act, 2003. It is under the administrative control of the Department of Financial Services, Ministry of Finance.	PFRDA is a pension regulator of India. It administers and regulates National Pension System (NPS) and also administers Atal Pension Yojana (APY).

Q.22) Consider the following statements regarding the National Financial Reporting Authority (NFRA)

1. It is to be an independent regulator overseeing the auditing profession.
2. It will have powers similar to a civil court.
3. It will have the power to investigate any company registered under the Companies Act 2013.

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.22) Solution (a)

- Audit firms have recently under the scanner for alleged lapses in various corporate scams such as Punjab National Bank fraud case.
- Thus the Union Cabinet has approved the proposal for the establishment of National Financial Reporting Authority (NFRA).
- Creation of NFRA was one of the key changes brought in by the Companies Act, 2013.
- NFRA will act as an independent regulator for the auditing profession.

Statement 1	Statement 2	Statement 3
Correct	**Correct**	**Incorrect**
NFRA is to be an independent regulator overseeing the auditing profession. It will take over all the powers from Institute of Chartered Accountants of India (ICAI).	It will have powers similar to a civil court.	It will have the power to **investigate auditors** registered under the Chartered Accountants Act, 1949

Q.23) Consider the following pairs

	Committee	*Chairman*
1.	Municipal Bonds Development Committee	Sujith Prasad
2.	Primary Market Advisory Committee	Jayanth R Varma
3.	Secondary Market Advisory Committee	T V Mohandas Pai

Which of the pairs given above are **incorrectly** matched?

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

Q.23) Solution (c)

Pair 1	Pair 2	Pair 3
Correct	**Incorrect**	**Incorrect**
It is headed by **Sujith Prasad** Terms of reference of the Committee: a. To advise SEBI on issues related to regulation and development of primary and secondary market of	It is headed by **T V Mohandas Pai** Terms of reference of the Committee: 1. To advise SEBI on issues related to regulation and development of primary	It is headed by **Jayanth R Varma** Terms of reference of the Committee: 1. To review the developments in Secondary market;

municipal debt securities. b. To advise SEBI on matters required to be taken up for changes in legal framework to introduce simplification and transparency in systems and procedures in the primary and secondary market. c. To advise SEBI on matters relating to regulation of intermediaries for ensuring investor protection in the primary and secondary market. d. To recommend SEBI on measures to facilitate issuers (i.e. municipalities) for issuance of municipal debt securities.	market in India. 2. To advise SEBI on matters required to be taken up for changes in legal framework to introduce simplification and transparency in systems and procedures in the primary market. 3. To advise SEBI on matters relating to regulation of intermediaries for ensuring investor protection in the primary market.	2. To recommend measures for changes and improvements in market structure in view of the impending changes; 3. To recommend measures for improving market safety, efficiency, transparency and integrity; 4. To suggest measures for reducing transaction costs; 5. To recommend changes if required in the risk management / margin system; 6. To recommend changes if required in the regulatory framework in secondary market;

Q.24) Consider the following statements about Varishtha Pension Bima Yojana

1. The Life Insurance Corporation of India (LIC) would be the implementing body of the scheme
2. It aims to provide social security to elderly persons aged 60 years during their old age
3. Under the scheme, an assured pension with guaranteed rate of return of 8% per annum would be provided for a period of ten years

Which of the above statements are correct?

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

Q.24) Solution (d)

As a part of government's commitment for financial inclusion and social security the Union Cabinet has given its post-facto approval to launch Varishtha Pension Bima Yojana.

Statement 1	Statement 2	Statement 3
Correct	**Correct**	**Correct**
The Life Insurance Corporation of India (LIC) would be the implementing body of the	The scheme aims to provide social security to elderly persons aged 60 years during their old age.	Under the scheme, an assured pension with guaranteed rate of return of 8% per annum would be provided for a period of ten years.

scheme during the current financial year.		Besides, the nominee would have an option for pension on a monthly / quarterly / half yearly and annual basis.

Q.25) Arrange the following countries in the increasing order of their FDI equity inflows to India in 2018-19

1. USA
2. Mauritius
3. Singapore
4. Netherlands

Choose the correct code

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

Q.25) Solution (a)

India's foreign direct investment (FDI) equity inflows fell for the first time in six years in 2018-19 with a steep decline in foreign funds in telecom, pharmaceuticals and power.

Data released by the department for promotion of industry and internal trade on Tuesday showed FDI equity inflows into India declined 1% to $44.4 billion 2018-19 from $44.8 billion in the previous fiscal.

FDI inflows fell 56% in telecommunications to $2.7 billion and 74% in pharmaceuticals to $266 million.

Further, **Singapore replaced Mauritius as the top source of foreign investment** with FDI inflows twice that from Mauritius during the year at $16.2 billion, compared with $8.1 billion from Mauritius.

Netherlands (3,870 million $) followed by USA (3,139 million $) and Japan stood fifth (2,965 million $)

Q.26) Which of the following published the World Investment Report 2019?

a) UNCTAD
b) World Economic Forum
c) World Bank
d) UNDESA

Q.26) Solution (a)

The World Investment Report supports policymakers by monitoring global and regional foreign direct investment trends and documenting national and international investment policy developments.

The policy chapter of this year's report takes stock of efforts being made towards the reform of international investment agreements and surveys new measures.

Inclusive sustainable development depends on a global policy environment that is conducive to cross-border investment.
World Investment Report 2019 provides an overview of the global SEZ landscape and offers advice on how to respond to fundamental challenges for zones posed by the sustainable development imperative, the new industrial revolution and changing patterns of international production.

Q.27) With reference to India, the components of Shadow Banking is / are

1. Money Market Funds
2. Credit investment Fund
3. Hedge Funds
4. NBFCs

Choose the correct code

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

Solution (d)
Shadow Banking in Indian Context
The term 'shadow banking system' was first used in 2007 and refers to the bank-like functions performed by entities outside the regular banking system.
The more comprehensive definition, as adopted by the Financial Stability Board (FSB), i.e., 'credit intermediation involving entities and activities (fully or partially) outside the regular banking system' has been globally accepted. This definition has two important components:
Non-bank financial entities or entities outside the banking system that engage in the 'bank like' activities of maturity transformation, undertaking credit risk transfer and using direct or indirect financial leverage.
Activities such as securitization, securities lending and repo transactions that act as important sources of funding for non-bank entities. Thus, shadow banks comprise entities which conduct financial intermediation directly, such as finance companies or NBFCs, and entities which provide finance to such entities, such as mutual funds. Globally, shadow banking entities could be covered under the broad heads of

- Money Market Funds,
- Credit investment Fund
- Hedge Funds
- Finance Companies accepting deposits or deposit like funding
- Securities brokers dependent on wholesale funding
- Credit insurers, financial guarantee providers
- Securitisation vehicles.

The Shadow banking institutions function as intermediaries between the investors and the borrowers, providing credit and generating liquidity in the system. Although these entities do not accept traditional demand deposits offered by banks, they do provide services similar to what commercial banks offer. And this was one reason why they escaped regulation abroad. The shadow banking system had overtaken the regular banking system in offering loans in US before the financial crisis erupted in 2008.

Q.28) Consider the following statements about 'Sector Funds'

1. Sector funds are Open-ended mutual funds
2. Sector funds carry higher risk than equity mutual funds

Which of the above statements is/are correct?

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

Solution (b)

Statement 1	**Statement 2**
Incorrect	**Correct**
Sector funds are those mutual funds which invest solely in businesses that operate in a particular industry or sector of the economy. First statement is incorrect because sector funds are closed-end funds	Since they are closed ended funds, they have lack of diversification associated with them, and are more risky than diversified equity mutual funds.

Q.29) Consider the following statements about Participatory Notes in India

1. Participatory Notes are issued by RBI to overseas investors to invest in the Indian stock market.
2. Any entity investing in participatory notes is not required to register with SEBI.

Which of the above statements is/are correct?

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

Solution (b)

Statement 1	**Statement 2**
Incorrect	**Correct**
Participatory Notes are issued by registered foreign institutional investors (FII) to overseas investors to invest in the Indian stock market. Participatory Notes enables large hedge funds to carry out their operations without disclosing their identity.	P-notes have attracted significant market attention recently because of huge inflow of foreign funds into Indian stock markets through this route. Any entity investing in participatory notes is not required to register with SEBI since it is purchased from registered FII's

Q.30) Which of the following are the main legislation governing the securities market in India?

1. SEBI Act, 1992
2. Companies Act, 1956
3. Securities Contracts (Regulation) Act, 1956
4. Depositories Act, 1996

Choose the correct code

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

Solution (d)

The four main legislations governing "the securities markets are:

1. the SEBI Act, 1992 which establishes SEBI to protect investors and develop and regulate securities market;
2. the Companies Act, 1956, which sets out the code of conduct for the corporate sector in relation to issue, allotment and transfer of securities, and disclosures to be made in public issues;
3. the Securities Contracts (Regulation) Act, 1956, which provides for regulation of transactions in securities through control over stock exchanges; and
4. the Depositories Act, 1996 which provides for electronic maintenance and transfer of ownership of demat securities.

Q.31) Which of the following institutions is involved in providing guaranteed clearing and settlement functions for transactions in Money, G-Secs, Foreign Exchange and Derivative markets?

a) Clearing Corporation of India Ltd.
b) SEBI
c) National Stock Exchange
d) RBI

Q.31) Solution (a)

The Clearing Corporation of India Ltd. (CCIL) was set up in April, 2001 to provide guaranteed clearing and settlement functions for transactions in Money, G-Secs, Foreign Exchange and Derivative markets. The introduction of guaranteed clearing and settlement led to significant improvement in the market efficiency, transparency, liquidity and risk management/measurement practices in these market along with added benefits like reduced settlement and operational risk, savings on settlement costs, etc.

CCIL also provides non-guaranteed settlement for Rupee interest rate derivatives and cross currency transactions through the CLS Bank. CCIL's adherence to the stringent principles governing its operations as a Financial Market Infrastructure has resulted in its recognition as a Qualified Central Counterparty (QCCP) by the Reserve Bank of India in 2014. It has also set up a Trade Repository to enable financial institutions to report their transactions in OTC derivatives.

CCIL has continuously evolved over the years with the shifting paradigms of the financial arena to take on various roles in the financial market. Through its fully owned subsidiary, Clearcorp Dealing Systems Limited (CDSL), CCIL has introduced various platforms for electronic execution of deals in various market segment. Further, CDSL has developed, implemented and manages the NDS-OM - the RBI owned anonymous electronic trading system for dealing in G-Secs and also for reporting of OTC deals as well as the NDS-CALL platform which facilitates electronic dealing in the Call, Notice & Term Money market.

Q.32) The Foreign Investment Facilitation Portal comes under the administrative control of which of the following ministries?

a) Ministry of Finance
b) Ministry of Commerce and Industry
c) Ministry of External affairs
d) Ministry of Corporate affairs

Q.32) Solution (b)

One can invest in India - either under Automatic Route which does not require approval from RBI or under Government Route, which requires prior approval from the concerned Ministries/Departments via a single window - Foreign Investment Facilitation Portal (FIFB) administered by Department for Promotion of Industry and Internal Trade (DPIIT).

Foreign Investment Facilitation Portal

- The Foreign Investment Promotion Board (FIPB) was replaced by the Foreign Investment Facilitation Portal (FIFP) to speed up the FDI inflow and to increase the transparency in the FDI approvals in the country. FIFP replaced FIPB in May, 2017.
- The Foreign Investment Facilitation Portal (FIFP) is the new online single point interface of the Government of India for investors to facilitate Foreign Direct Investment. This portal is being administered by the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry.
- This portal will continue to facilitate the single window clearance of applications which are through approval route. Upon receipt of the FDI application, the concerned Administrative Ministry/Department shall process the application as per the Standard Operation Procedure (SOP).

Q.33) Consider the following statements about Infrastructure Investment Trusts (InvITs)

1. They are mutual fund like institutions which enable investments into the infrastructure sector by pooling small sums of money from multitude of individual investors
2. They are regulated by Real Estate Regulatory Authority(RERA)
3. InvITs can invest in infrastructure projects only through a special purpose vehicle (SPV)

Which of the above statements is/are correct?

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

Q.33) Solution (a)

Statement 1	Statement 2	Statement 3
Correct	**Incorrect**	**Incorrect**
Infrastructure Investment Trusts (InvITs) are mutual fund like institutions that enable investments into the infrastructure sector by pooling small sums of money from multitude of individual investors for directly investing in infrastructure so as to return a portion of the income (after deducting expenditures) to unit holders of InvITs, who pooled in the money. Types of InviTs Two types of InvITs have been allowed, one which is allowed to invest mainly in completed and revenue generating infrastructure projects and other which has the flexibility to invest in completed/under-construction projects. While the former has to undertake a public offer of its units, the latter has to opt for a private placement of its units. Both the structures are required to be listed. The Infrastructure Investment Trusts (InvITs) for the monetisation of select state-run companies was announced in the budget 2018-19	InvITs are regulated by the securities market regulator in India- Securities and Exchange Board of India (SEBI). SEBI notified SEBI (Infrastructure Investment Trusts) Regulations, 2014 on September 26, 2014, providing for registration and regulation of InvITs in India. The objective of InvIT is to facilitate investment into the infrastructure sector in India. InvITs are very much similar to the Real Estate investment Trusts (REITs) in structure and operations. InvITs are modified REITs designed to suit the specific circumstances in India.	InvITs can invest in infrastructure projects, either directly or through a special purpose vehicle (SPV). In case of Public Private Partnership (PPP) projects, such investments can only be through SPV.

Q.34) Consider the following statements

1. The balance of payments takes into consideration the transaction between the citizens of the country and the rest of the world.
2. Big changes in the capital account can indicate of how attractive a country is to foreign investors and can have a big impact on exchange rates.
3. Capital account surpluses of a country necessarily indicate the increasing foreign ownership of its assets.

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

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

Q.34) Solution (b)

Statement 1	**Statement 2**	**Statement 3**
Incorrect	**Correct**	**Correct**
The balance of payments (BoP) records the transactions in goods, services and assets between residents of a country with the rest of the world for a specified time period typically a year. The balance of payments (BOP), also known as balance of international payments, summarizes all transactions that a country's individuals, companies and government bodies complete with individuals, companies and government bodies outside the country. These transactions consist of imports and exports of goods, services and	The balance of payments is composed of a capital account and a current account — though a narrower definition breaks down the capital account into a financial account and a capital account. In accounting, the capital account shows the net worth of a business at a specific point in time – and is otherwise known as shareholders' equity. Changes in the balance of payments can provide a lot of clues about a country’s relative level of economic health and future stability. The capital account indicates whether a country is importing or exporting capital. **Big changes in the capital**	Because all the transactions recorded in the balance of payments sum to zero, countries which run large trade deficits (current account deficits), must by definition also run large **capital account surpluses - which means more capital is flowing in than is going out, and increasing foreign ownership of its assets**. A country with a large trade surplus is exporting capital, and running a capital account deficit – which means money, is flowing out of the country.

capital, as well as transfer payments such as foreign aid and remittances.	**account can indicate of how attractive a country is to foreign investors and can have a big impact on exchange rates.**	

Q.35) Consider the following statements

1. India received its highest ever FDI investment in the financial year 2018-19
2. FDI investment into India has consistently increased in the last 5 years

Which of the above statements is/are correct?

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

Q.35) Solution (a)

Statement 1	**Statement 2**
Correct	**Incorrect**
FDI is a major driver of economic growth and a source of non-debt finance for the economic development of the country. The government has put in place an investor-friendly policy on FDI, under which investment up to 100 per cent is permitted on the automatic route in most sectors/ activities. These reforms have led to total FDI into India reaching USD 286 billion in five years from 2014-15 to 2018-19 as compared to USD 189 billion in the previous five-years, he said. At USD 64.37 billion, FDI in 2018-19 is the highest ever investment received for any financial year.	Due to a stable and predictable regulatory regime, a growing economy and strong fundamentals, India could attract massive amount of foreign direct investment during the last five years, as much as USD 239 billion worth received as FDI. This period also witnessed a rapid liberalization of the FDI policy allowing most FDI to come through the automatic route. But the FDI has not increased consistently.

Q.36) Net Invisibles is the difference between the value of exports and value of imports of invisibles of a country in a given period of time. In this context what does the non-factor income constitutes of

1. International earnings on labour
2. International earnings on Capital
3. Shipping
4. Banking
5. Tourism

Choose the correct code

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

Q.36) Solution (c)

Net Invisibles is the difference between the value of exports and value of imports of invisibles of a country in a given period of time. Invisibles include services, transfers and flows of income that take place between different countries. Services trade includes both factor and non-factor income. Factor income includes net international earnings on factors of production (like labour, land and capital). **Non-factor income is net sale of service products like shipping, banking, tourism, software services, etc**.

Q.37) The degree of 'openness of an economy' is measured by which of the following factors?

a) Exports and imports share in world GDP
b) Exports and imports of goods and services as a percentage of GDP
c) Balance of Payments as a percentage of GDP
d) Trade balance as a percentage of GDP

Q.37) Solution (b)

Openness is measured as Exports and Imports of goods and services of a country as a percentage of its GDP. So, option b is correct
Trade balance means Exports - Imports, so statement d is incorrect.

Q.38) Consider the following statements regarding purchasing power parity (PPP) exchange rates:

1. If two countries have zero rate of inflation, their PPP exchange rates will be constant
2. The prices of goods will be same in both the countries when converted at PPP exchange rate

Which of the above statements is/are incorrect?

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

Q.38) Solution (d)

Suppose Nominal Exchange Rate is $1 = Rs 70 and India and US produces just Pizza

	India	US
Pizza Price	Rs 35	$1

To calculate PPP exchange rate, we need to compare the prices of a basket of goods in India with US.
In the above case by comparing the prices of Pizza in India and US, we will get $1 = Rs 35
So, $1 = Rs 35 is the PPP exchange rate. It implies whatever Rs 35 can purchase in India, $1 can purchase in US i.e. purchasing power of Rs 35 in India is equal to purchasing power of $1 in US.
So, if the inflation rate is different in the countries then PPP exchange rate will change. But if there is no inflation (prices remains same) then PPP exchange rates will be constant.
So, statement 1 is correct.
When we use PPP exchange ($1 = Rs 35) rate to convert the price of Pizza in US in Indian currency then it is Rs 35 in US which is the same as in India also.
So, statement 2 is also correct.

Q.39) In the context of India, what does the depreciation of Rupee mean?

a) Increase in exchange rate where the price of foreign currency (dollar) in terms of domestic currency (rupees) has increased
b) Increase in exchange rate where the price of Indian currency (dollar) in terms of foreign currency (rupees) has increased
c) Decrease in exchange rate where the price of Indian currency (dollar) in terms of foreign currency (rupees) has increased
d) Decrease in exchange rate where the price of foreign currency (dollar) in terms of domestic currency (rupees) has decreased

Q.39) Solution (a)

Increase in exchange rate implies that the price of foreign currency (dollar) in terms of domestic currency (rupees) has increased. This is called Depreciation of domestic currency (rupees) in terms of foreign currency (dollars).
Similarly, in a flexible exchange rate regime, when the price of domestic currency (rupees) in terms of foreign currency (dollars) increases, it is called Appreciation of the domestic currency (rupees) in terms of foreign currency (dollars).

Q.40) Consider the following statement/s about Exchange traded fund (ETF)

1. Bharath 22 is a type of mutual fund consisting of 22 Public sector units(PSU) stocks only
2. Investments in ETFs are less liquid as they cannot be traded on a stock exchange like direct equity shares
3. The government of India has appointed ICICI Prudential AMC to manage Bharat 22 ETF

Which of the above statements is/are correct?

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

Q.40) Solution (d)

Statement 1	Statement 2	Statement 3
Incorrect	**Incorrect**	**Correct**
An ETF is an open-ended mutual fund scheme with an objective to track and reflect the performance of its underlying index. It achieves this through a passive investment strategy of investing in the same stocks and in the same proportion as they constitute the underlying index. The index is collectively comprised of 22 stocks of Central Public Sector Enterprises (CPSE), Public Sector Banks and private companies which are Strategic Holding of Specified Undertaking of Unit Trust of India (SUUTI). The said 22 stocks are spread across six sectors (Basic Materials, Energy, Finance, FMCG, Industrials and Utilities). The index invests a maximum of 15 per cent in a single stock and 20 per cent in a particular sector. Weights are rebalanced annually.	Investments in ETFs are highly liquid as they are held through a Demat account and can be traded on a stock exchange like direct equity shares. Also, being passively managed, they have lower expense ratios in comparison to actively managed mutual funds. The Bharat 22 ETF allows the Government to park its holdings in selected PSUs in an ETF and raise disinvestment money from investors at one go. It tracks the specially made S&P BSE Bharat 22 Index, managed by Asia Index Private Limited. This index is made up of 22 PSU stocks and with a few private sector companies.	The government of India has appointed ICICI Prudential AMC to create, launch and manage Bharat 22 ETF.