

Q.1) Which of the following policy measures can be taken by the Reserve Bank of India in order to increase money supply in the Economy?

1. Decrease the Repo rate
2. Increase the Reverse Repo rate
3. Decrease the Bank Rate
4. Selling of Government Bonds under Open Market operations (OMOs)

Select the correct answer using the code given below:

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

Q.1) Solution (c)

Explanation:

- The interest at which banks borrow funds from RBI by selling their securities and bonds is called **“Repo Rate”**. In other words, it is simply the rate at which the RBI lends funds to commercial banks when they are facing a financial crunch and are unable to take care of their expenses. If the economy needs less money supply, RBI increases the repo rate, making it difficult for banks to borrow funds. Likewise, to pump funds into the system, the central bank may reduce the repo rate, encouraging banks to borrow funds. **Hence statement 1 and 3 are correct.**
- **Reverse Repo** is the interest rate offered by RBI to banks who deposit money into its treasury. Simply put, when banks have excess funds, they choose to deposit it with RBI which is safer than lending it to their account holders or other companies. The rate of interest earned by the depositing bank is called reverse repo rate. An increase in reverse repo rate means that commercial banks will get more incentives to park their funds with the RBI, thus decreasing the supply of money in market. **Hence statement 2 is incorrect.**
- Similarly, When **RBI buys a Government bond** in the open market, it leads to **increase in the money supply**. Selling of a bond by RBI (to private individuals or institutions) leads to reduction in the money supply. **Hence statement 4 is incorrect.**

Q.2) Consider the following statements related to “Calibrated Tightening”:

1. It is one of the monetary policy stances of the RBI.
2. Under this policy stance, the repo rate either remains unchanged or increases.
3. This policy stance is adopted to increase the money supply in the economy.

Which of the statements given above are correct?

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

Q.2) Solution (a)

Explanation:

- **The RBI mainly follows three types of Policy stances.**
 - Calibrated Tightening (**Hence statement 1 is correct**)
 - Neutral stance
 - Accommodative stance
- **Calibrated Tightening stance:** The central bank uses often is calibrated tightening. Calibrated tightening means during the current rate cycle, a cut in the repo rate is off the table. But, the rate hike will happen in a calibrated manner. This means the RBI would either keep the rates constant or increase the rates. Usually, this policy is adopted when there are concerns of higher rate of inflation. (**Hence statement 2 is correct and 3 is incorrect**)
- **Neutral stance** means the RBI would have the flexibility to either increase or decrease the policy rates by taking into account the macroeconomic conditions. Under this stance, key policy rates would move in either direction. Usually, this policy is adopted when the inflation rate is stable.
- **Accommodative stance** means RBI may reduce the policy rates to increase the money supply in the economy. Under this stance, policy rates normally decrease. Usually, this policy is adopted when there is slowdown in the economy.

Q.3) Which of the following is/are considered as assets of the RBI?

1. Government securities held by the RBI.
2. Currency Notes in circulation.
3. RBI's deposits with Bank for International Settlement
4. Loans and Advances to Central and State Governments.

Select the correct answer using the code given below:

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

Q.3) Solution (b)

Explanation:

The following are considered as the assets of the RBI:

- Gold, banknotes and coins kept in the vaults of the RBI.
- Foreign currency assets and balances with foreign entities like Bank for International Settlements (BIS), foreign commercial banks etc. **(Hence statement 3 is correct)**
- Government Bonds, Treasury Bills and Special Oil Bonds. **(Hence statement 1 is correct).**
- Loans and Advances to Central and State Governments to meet the temporary gap between receipts and payments. **(Hence statement 4 is correct)**
- Loans and advances to Commercial, Co-operative Banks, NABARD and others.
- The currency note in circulation is considered as **liabilities** of the RBI and not as assets. **(Hence statement 2 is incorrect)**

Q.4) Consider the following statements with respect to inflation:

1. Inflation is good for those who lend money, than for those who borrow money.
2. Inflation is good for those who borrow money than for those who lend money.
3. Inflation is good for those who buy the products than for those who make it.
4. Inflation is not good for those who make the products.

Select the correct answer using the code given below:

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

Q.4) Solution (d)

Explanation:

- Inflation is good for those who borrow money as once the inflation eases out the reduced inflation will offset the interest rate charged and thus, **in effect reduces the cost of borrowing** for the borrower. **(Hence statement 1 is incorrect and 2 is correct)**
- Inflation will have the same effect on those who make the product and those who buy it. This is because for those who make the product, the **factor cost will increase** and for those who buy the product, the **cost of the product is increased**. **(Hence statement 3 is incorrect and 4 is correct)**

Q.5) Consider the following statements in the context of money supply in the economy:

1. A Central Bank adopts cheap money policy in order to reduce inflation in the economy.
2. A dear money policy is often adopted in order to revive growth in the economy.

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.5) Solution (d)

Explanation:

- Cheap money policy implies that the Central Bank **reduces the interest rates** at which credit is available. This is often done in order to spur growth in the economy. **(Hence statement 1 is incorrect)**
- Dear money policy implies that the Central Bank is **raising the interest rates**. This is in order to mop up excess money in the market and thus, to tackle inflation. **(Hence statement 2 is incorrect)**

Q.6) Which of the following statements is/are correct with regarding steps taken by the Government to reduce inflation?

1. Imposing export duties on commodities.
2. Implementation of the Essential Commodities Act, 1955.
3. Implementation of the Price Stabilization Fund (PSF) Scheme.

Select the correct answer using the code given below:

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

Q.6) Solution (d)

Explanation:

- Inflation is considered to be a complex situation for an economy. It is not easy to control inflation by using a particular measure or instrument. The main aim of every measure is to reduce the inflow of cash in the economy or reduce the liquidity in the market.
- **The major steps taken by the Government in this regard are:**
 - Imposing a export price will increase the availability of commodities for domestic markets, thereby reducing inflationary pressures **(Hence statement 1 is correct)**
 - Regular review meetings on price and availability situation at the highest level.
 - The states take strict action against hoarding and black marketing (as advised by the Government) and effectively enforce the Essential Commodities Act, 1955 and the Prevention of Black-Marketing and Maintenance of Supplies of Essential Commodities Act, 1980 for commodities in short supply. **(Hence statement 2 is correct)**
 - The Price Stabilization Fund (PSF) Scheme is being implemented to control price volatility of agricultural commodities, like pulses, onions, etc. **(Hence statement 3 is correct)**

Q.7) Which of the following statements is/are correct?

1. Stagflation is a situation of high inflation and low unemployment.
2. Skewflation is price rise of a small group of commodities over a sustained period of time.
3. Hyperinflation is accelerating inflation that takes place over a very short period of time.

Select the correct answer using the code given below:

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

Q.7) Solution (b)

Explanation:

- Stagflation is a situation in an economy when inflation and unemployment **both are at higher levels**, contrary to the conventional belief. When the economy is passing through the cycle of stagnation (i.e., long period of low aggregate demand in relation to its productive capacity) and the government shuffles with the economic policy, a sudden and temporary price rise is seen in some of the goods—such inflation is also known as stagflation. Stagflation is basically a combination of **high inflation and low growth**. The side effect of stagflation is increase in unemployment. **(Hence statement 1 is incorrect)**

- Skewflation is one in which there is a price rise of one or a small group of commodities over a sustained period of time, without a traditional designation. **(Hence statement 2 is correct)**
- Hyperinflation is a form of inflation that is 'large and accelerating', which might have the annual rates in million or even trillion. In such inflation, not only the range of increase is very large, but the increase takes place in a very short span of time, prices shoot up overnight. **(Hence statement 3 is correct)**

Q.8) Which of the following statements are correct about Wholesale Price Index (WPI) and the Consumer Price Index (CPI)?

1. Wholesale Price Index is used to calculate inflation in India
2. Ministry of Statistics and Program Implementation publishes the Wholesale Price Index figures.
3. WPI gives more weightage to manufactured goods, whereas CPI gives more weightage to food items.
4. Wholesale Price Index includes only the goods and not services.

Select the correct answer using the code given below:

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

Q.8) Solution (b)

Explanation:

- In India inflation is calculated by using Wholesale Price Index. WPI calculates the price paid by the manufacturers and wholesalers in the market. **(Hence statement 1 is correct)**
- Figures related to Wholesale Price Index are published by the **Office of Economic Advisor** (Ministry of Commerce & Industry). **(Hence statement 2 is incorrect)**
- In WPI, more weightage is given to manufactured goods, while in CPI, more weightage is given to food items. **(Hence statement 3 is correct)**
- WPI tracks inflation at the producer level and CPI captures changes in prices levels at the consumer level. WPI does not capture changes in the prices of services, it includes only the goods. **(Hence statement 4 is correct)**

Q.9) Under which of the following situations, core inflation in an economy is said to increase?

1. The salaries of the employees have increased.
2. There is an increase in international crude oil prices.
3. Increased onion prices due to heavy flooding in the onion-producing states.

Select the correct answer using the code given below:

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

Q.9) Solution (a)

Explanation:

- Core inflation is an indicator of long-term inflation in an economy.
- This inflation shows the relationship between consumers' income and the prices of goods and services. In the sense that when income increase, the purchasing power of consumers will increase because the value of their income is higher than the changes in prices of goods and services. **(Hence statement 1 is correct)**
- Core inflation, also called as structural inflation, is that part of 'headline inflation', which excludes the effects of seasonal factors on increase in price level, like fluctuations in food and energy.
- More specifically, the supply side inflation is related to the fact that since crude oil is a basic input in production, an increase in its price leads to an increase in production costs that induces a firm to lower output. **(Hence statement 2 is incorrect)**
- It represents the '**underlying inflation**' and does not include temporary rises in the price level due to seasonal factors. **(Hence statement 3 is incorrect)**

Q.10) Which of the following is/are the effect/s of inflationary trends in an economy?

1. It leads to unemployment in short term.
2. Nominal growth in an economy increases.
3. The cost of borrowing increases.

Select the correct answer using the code given below:

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

Q.10) Solution (b)

Explanation:

- Inflationary trends lead to unemployment in the short term, in order to offset the high cost of factors of production. **(Hence statement 1 is correct)**
- Nominal growth is not adjusted for inflation and, thus, it is said to increase during high inflation. When there is inflation usually high prices, which means nominal growth in an economy increases, because in nominal growth, **growth rate calculated on the basis of current year prices. (Hence statement 2 is correct)**
- Inflation is good for those who borrow, as the nominal interest is offset by high inflation, resulting in low cost of borrowing. **(Hence statement 3 is incorrect)**

Q.11) Consider the following statements:

1. The Monetary Policy Committee (MPC) is constituted by the Reserve Bank of India.
2. The Reserve Bank's Monetary Policy Department (MPD) assists the MPC in formulating the monetary policy.
3. The responsibility of Monetary Policy is explicitly mandated under the Reserve Bank of India Act, 1934.

Which of the statements given above are correct?

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

Q.11) Solution (a)

Explanation:

- The Monetary Policy Committee (MPC), constituted by the **Central Government**, under Section **45ZB**, determines the policy interest rate required to achieve the inflation target. **(Hence statement 1 is incorrect)**
- The Reserve Bank's Monetary Policy Department (MPD) assists the MPC in formulating the monetary policy. Views of key stakeholders in the economy, and analytical work of the Reserve Bank contribute to the process for arriving at the decision on the policy repo rate. **(Hence statement 2 is correct)**
- Monetary policy refers to the policy of the central bank with regard to the use of monetary instruments under its control to achieve the goals specified in the Act.

- The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934. **(Hence statement 3 is correct)**

Q.12) Which of the following statements are correct about the recommendations of the Urjit Patel Committee?

1. The headline Consumer Price Index (CPI) should be the nominal anchor for monetary policy and the Reserve Bank of India (RBI) should make this the predominant objective.
2. Monetary policy decisions should be vested in a Monetary Policy Committee (MPC), comprising the Governor, the Deputy Governor and Executive Director in charge of monetary policy, and two external full-time members.
3. There should be a remunerated standing deposit facility at the RBI to sterilize excess liquidity.
4. All sector specific refinance should be phased out.

Select the correct answer using the code given below:

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

Q.12) Solution (d)

Explanation:

The key recommendations of the Urjit Patel Committee (2014) are:

- The headline Consumer Price Index (CPI) should be the nominal anchor for monetary policy and the Reserve Bank of India (RBI) should make this the predominant objective. **(Hence statement 1 is correct)**
- The nominal anchor for inflation should be set for a two-year horizon at 4 per cent, with a band of plus or minus 2 per cent.
- The Central Government needs to reduce the fiscal deficit to 3.0 per cent of GDP by 2016-17.
- Monetary policy decisions should be vested in a Monetary Policy Committee (MPC), comprising the Governor, the Deputy Governor and Executive Director in charge of monetary policy, and two external full-time members. The decisions of the MPC will be by voting. Members will be accountable for failure to attain the target – failure being defined as inability to attain the target for three successive quarters. **(Hence statement 2 is correct)**
- The real policy rate should be positive. In the first phase the weighted average call rate would be the operative target and the repo rate would be the single policy rate. The funds available at the

repo rate would be restricted and increasingly liquidity would be provided at the 14 day term repo; longer-term repo auctions should be introduced.

- In the second phase, the 14-day repo rate would be the operative target and recourse to outright two-way open market operations (OMOs) would determine liquidity. OMOs should not be used to manage yields on government securities.
- There should be a remunerated standing deposit facility at the RBI to sterilize excess liquidity. **(Hence statement 3 is correct)**
- With an independent debt management office, the market stabilization scheme and cash management bills should be phased out.
- All sector specific refinance should be phased out as committed to the **Asian Development Bank in 1992. (Hence statement 4 is incorrect)**

Q.13) The condition in which unemployment and inflation exist together is called as:

- a) Reflection
- b) Deflation
- c) Skewflation
- d) Stagflation

Q.13) Solution (d)

Explanation:

- The condition of a country's economy in which unemployment and inflation exist together is called 'stagflation' or 'filtration'. In this condition of the economy, the rate of inflation is very high and the rate of unemployment remains permanently high. **(Hence option d) is correct answer)**
- **'Reflation' or 'currency inflation'** is a mechanism to control currency deflation. In this, an attempt is made to gradually increase the prices of the currency to bring it to the normal level.
- The condition of the economy in which the supply of goods and services is more than the demand is called **'Deflation' or 'Currency Deflation'**. This represents the exact opposite of inflation.
- The condition prevailing in the economy in which inflation and deflation are present simultaneously is called 'skewflation'.

Q.14) Which of the following measures can control inflation in India?

1. Avoiding deficit financing by the government.
2. By selling government securities through Open Market Operation.
3. By decreasing Cash Reserve Ratio.
4. By preventing black marketing.

Select the correct answer using the code given below:

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

Q.14) Solution (c)

Explanation:

Inflation can be controlled by different measures.

Fiscal Measures:

The Government uses fiscal measures to control inflation. The two main components of fiscal policy are government revenue and government expenditure. Under fiscal policy, the government (not RBI) controls inflation and in the following ways:

- By reducing private spending (by enhancing taxes on private businesses), i.e. when the government reduces private spending by increasing taxes, individuals decrease their total expenditure; and the money supply in the economy is reduced.
- By decreasing non-developmental government expenditure.
- By avoiding deficit financing as far as possible. **(Hence statement 1 is correct)**

Monetary Measures:

These measures are taken by the RBI (not GOI) to check inflation by controlling supply of money, and it consists of the following:

(a) Quantitative Measures

- By selling Government securities through Open Market Operation (OMO) **(Hence statement 2 is correct)**
- By increasing Cash Reserve Ratio (CRR) **(Hence statement 3 is incorrect)**
- By increasing Statutory Liquidity Ratio (SLR)
- By increasing Bank Rate (thereby making borrowings costlier) By increasing Repo Rate and Reverse Repo Rate

(b) Qualitative Measures

- Margin requirements.
- Moral suasion, etc.

Administrative Measures:

- Prevention of black marketing and prevention of hoarding. Banning export of constrained materials. **(hence statement 4 is correct)**
- Suspending future trading, etc.
- Facilitating supply of goods and services in case of demand-pull inflation.

Q.15) Which of the following best describes the concept of "Inflation Tax"?

- a) Increase in tax burden due to higher rate of inflation.
- b) Increase in inflation due to decrease in tax rates.
- c) Increase in the tax revenue of the government due to higher rate of inflation.
- d) Decrease in purchasing power of the currency.

Q.15) Solution (d)

Explanation:

Inflation tax is not a tax paid to the government. Instead "inflation tax" refers to the penalty for holding cash at a time of high inflation. When the government prints more money or reduces interest rates, it floods the market with cash, which raises inflation in the long run. If an investor is holding securities, real estate or other assets, the effect of inflation may be negligible. But, if a person is holding cash, the purchasing power of this cash reduces during higher rate of inflation.

Q.16) "Base Effect" in the measurement of the rate of inflation in an economy refers to which of the following?

- a) Change in the basket of commodities for the measurement of inflation.
- b) The rate of inflation in the present year depends upon the rate of inflation in the previous year.
- c) Change in the base year for the measurement of inflation.
- d) Change in the rate of inflation due to increase in the monetary base.

Q.16) Solution (b)

Explanation:

The "Base Effect" refers to the impact of the rise in the price level (i.e., last year's inflation) in the previous year over the corresponding rise in the price levels in the current year (i.e., current inflation). If the previous year rate of inflation is higher, then the current year rate of inflation would be lower. On the

other hand, if the inflation rate was too low in the corresponding period of the previous year, even a relatively smaller rise in the Price Index will arithmetically give a high rate of inflation in the current year.

Q.17) Match the following List - I (Type of Inflation) with List - II (Characteristic)

	List - I (Type of Inflation)		List - II (Characteristic)
1	Deflation	A	Slow growth and a high unemployment rate accompanied by inflation.
2	Disinflation	B	An act of stimulating the economy by reducing taxes or by increasing the money supply
3	Reflation	C	Temporary slowing of the pace of price inflation
4	Stagflation	D	A situation where inflation is negative.

Select the correct answer using the codes given below.

- a) 1-D 2-C 3-B 4-A
 b) 1-A 2-B 3-C 4-D
 c) 1-D 2-C 3-B 4-A
 d) 1-B 2-C 3-A 4-D

Q.17) Solution (a)

Explanation:

- **Deflation:** When the overall price level decreases so that **inflation rate becomes negative**. It is a process where prices of consumer goods and services fall and money increases in value. Longer periods of deflation can lead to higher unemployment, a decrease in demand, and a reduction in economic activity.
- **Disinflation:** It is a **temporary slowing of the pace of price inflation** and is used to describe instances when the inflation rate has reduced marginally over the short term. This is not much harmful to the economy because the inflation rate is reduced marginally over a short-term period.
- **Reflation:** An act of stimulating the economy by **reducing taxes or by increasing the money supply**. To curb the effects of deflation, a monetary or fiscal policy is designed by the Government or Central Bank to stimulate spending and expand output.

- **Stagflation:** It is an economic cycle characterized by slow growth and a **high unemployment rate accompanied by inflation**. The term stagflation is combined effects of inflation and stagnation a "stagflation situation."

Q.18) Which of the following factors are considered as causes for cost-push inflation?

1. Higher Price of Commodities
2. Imported Inflation
3. More money in the system
4. Government spending
5. Higher Taxes
6. Higher Wages

Select the correct answer using the code given below:

- a) 1, 2, 5 and 6 only
- b) 2, 3, 4 and 6 only
- c) 1, 2, 4 and 6 only
- d) 1, 2, 3, and 4 only

Q.18) Solution (a)

Explanation:

Causes for cost push inflation:

- **Higher Price of Commodities:** A rise in the price of oil would lead to higher petrol prices and higher transport costs. All firms would see some rise in costs. As the most important commodity, higher oil prices often lead to cost-push inflation (e.g. 1970s, 2008, 2010-11)
- **Imported Inflation:** Devaluation will increase the domestic price of imports. Therefore, after devaluation, we often get an increase in inflation due to rising cost of imports.
- **Higher Wages:** Wages are one of the main costs facing firms. Rising wages will push up prices as firms have to pay higher costs (higher wages may also cause rising demand)
- **Higher Taxes:** Higher VAT and Excise duties will increase the prices of goods. This price increase will be a temporary increase.
- **Profit-push inflation:** If firms gain increased monopoly power, they are in a position to push up prices to make more profit
- **Higher Food Prices:** In western economies, food is a smaller % of overall spending, but in developing countries, it plays a bigger role. (food inflation)

Causes of Demand-Pull Inflation

- There are five primary causes of demand-pull inflation:
- **A growing economy:** When consumers feel confident, they spend more and take on more debt. This leads to a steady increase in demand, which means higher prices.
- **Increasing export demand:** A sudden rise in exports forces an undervaluation of the currencies involved.
- **Government spending:** When the government spends more freely, prices go up.
- **Inflation expectations:** Companies may increase their prices in expectation of inflation in the near future.
- **More money in the system:** An expansion of the money supply with too few goods to buy makes prices increase.

Q.19) Consider the following statements about the Phillips Curve:

1. It depicts relation between inflation and unemployment.
2. In the long-run Phillips curve is seen as a vertical line, where the rate of inflation has no effect on unemployment.

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.19) Solution (c)

Explanation:

- A.H. Phillips (1914-75) proposed that there was relationship **between inflation and unemployment**. The lower the unemployment rate, the higher the inflation rate. Governments simply need to choose the right balance between the two evils. **(Hence statement 1 is correct).**
- Philips curve states that inflation and unemployment have a stable and inverse relationship.
- It claims that with economic growth comes inflation, which in turn should lead to more jobs and less unemployment. But this is said to be true only in the short run.
- In the long run, rising inflation will not decrease unemployment. The long-run Phillips curve is seen as a vertical line at the natural rate of unemployment, where the rate of inflation has no effect on unemployment. **(Hence statement 2 is correct)**
- The non-accelerating inflation rate of unemployment (NAIRU) is the specific unemployment rate at which the rate of inflation stabilizes and inflation will neither increase nor decrease.

Q.20) Consider the following statements with respect to GDP Deflator:

1. The GDP Deflator measures the average change in prices of consumer goods only.
2. The GDP Deflator is published by the Ministry of Finance.

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.20) Solution (d)

Explanation:

- The GDP Deflator measures the average change in prices of all goods and services in the economy (all goods means both consumer and capital goods.) **(Hence statement 1 is incorrect)**
- However, the statistic does not account for the impact of inflation or rising prices when GDP rises and declines.
- The GDP price deflator tackles this by demonstrating the impact of price changes on GDP by first defining a base year and then comparing current prices to base year prices.
- Simply expressed, the GDP price deflator indicates how much a change in GDP is influenced by price increases.
- It tracks the prices paid by businesses, the government, and consumers to reflect the magnitude of price level fluctuations, or inflation, within the economy.
- The GDP Deflator is published by the Ministry of Statistics and Programme Implementation. **(Hence statement 2 is incorrect)**

Q.21) Consider the following statements about National Financial Reporting Authority

1. It is an independent regulator set up under the Companies Act of 2013
2. It can undertake investigation related to companies and bodies corporate called Public Interest Entities
3. The account of NFRA is monitored by the Comptroller and Auditor-General of India

Choose the correct code:

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

Q.21) Solution (d)

Explanation:

- National Financial Reporting Authority (NFRA) is an **independent regulator** set up to oversee the auditing profession and accounting standards in India under the **Companies Act 2013**. It came into existence in October 2018. **Hence statement 1 is correct.**
- **It can undertake investigation related to the following class of companies and bodies corporate called Public Interest Entities:** Companies whose securities are listed on any stock exchange in India or outside India.
- Unlisted public companies having paid-up capital of not less than Rs. 500 crores or having annual turnover of not less than Rs. 1,000 crores or having, in aggregate, outstanding loans, debentures and deposits of not less than Rs. 500 crores as on the 31st March of immediately preceding financial year. Insurance companies, banking companies, companies engaged in the generation or supply of electricity. **Hence statement 2 is correct.**
- The account of NFRA is **monitored by the Comptroller and Auditor General of India**. **Hence statement 3 is correct.**

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Q.22) Consider the following statements about 'East Asia Summit'

1. It consists of members from the Asian continent only.
2. India is one of the founding members of the East Asia Summit.

Choose the incorrect statements:

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

Q.22) Solution (a)

Explanation:

- The East Asia Summit (EAS) is a **regional forum held annually by leaders of, initially, 16 countries** in the East Asian, Southeast Asian, South Asian and Oceanian regions, based on the ASEAN Plus Six mechanism. Membership **expanded to 18 countries** including Russia and the United States at the Sixth EAS in 2011. **Hence statement 1 is not correct.**
- **India is one of the founding members of the East Asia Summit.** The EAS has 18 members - the ten ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines,

Singapore, Thailand, Vietnam) along with Australia, China, India, Japan, New Zealand, the Republic of Korea, Russia and the United States. **Hence statement 2 is correct.**

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Q.23) Consider the following statements about 'Soil Carbon Stability'

1. Removal of grazing by herbivores from ecosystems can increase the fluctuations in the level of soil carbon
2. Soil contains more carbon than all plants and the atmosphere combined
3. Nitrogen always stabilizes the carbon pool in the terrestrial ecosystem

Choose the correct statements:

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

Q.23) Solution (a)

Explanation:

- Experimental **removal of grazing by herbivores** from such ecosystems was found to increase the **fluctuations in the level of soil carbon**, which can have negative consequences for the global carbon cycle. **Hence statement 1 is correct.**
- When plants and animals die, dead organic matter remains in the soil for a long duration before microbes break it down and release carbon into the atmosphere as carbon dioxide. **Soil contains more carbon than all plants and the atmosphere combined. Hence statement 2 is correct.**
- **A key factor underlying the carbon level fluctuations was nitrogen.** Depending on the soil conditions, nitrogen can either stabilise or destabilise the carbon pool. Grazing by herbivores, however, changes their interactions in ways that tip the balance in favour of the former. **Hence statement 3 is not correct.**

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Q.24) Consider the following statements about 'Digital Banking Units'

1. They are online portals which will help people access various banking facilities
2. They will help spread digital financial literacy and also offer real-time assistance

Choose the correct statements:

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

Q.24) Solution (b)

Explanation:

- **DBUs will be brick-and-mortar outlets which will provide a variety of digital banking facilities to people** such as opening savings accounts, balance-check, print passbooks, transfer of funds, investment in fixed deposits, loan applications, stop-payment instructions for cheques issued, applying for credit/debit cards, view statement of account, pay taxes, pay bills, make nominations, etc. **Hence statement 1 is not correct.**
- DBUs will enable customers to have **cost-effective, convenient access and enhanced digital experience of banking products and services throughout the year.** They will spread Digital Financial Literacy and special emphasis will be given to customer education on cyber security awareness and safeguards. Also, there shall be adequate digital mechanisms to offer **real-time assistance and redress customer grievances arising from business and services provided by the DBUs directly or through Business Facilitators/ Correspondents.** Hence statement 2 is correct.

Source: [CLICK HERE](#)

Q.25) The land cover in this national park changes with increasing elevation from tropical evergreenforest to temperate broadleaf and mixed forest. It is also home to three large cats – tiger, leopard and clouded leopard. There are settlements of Lisu tribe within this park. The national park is

- a) Nameri National Park
- b) Raimona National Park
- c) Manas National Park
- d) Namdapha National Park

Q.25) Solution (d)

Explanation:

Namdapha National Park is a 1,985 km² (766 sq mi) large protected area in Arunachal Pradesh of Northeast India. The land cover changes with increasing elevation from **tropical evergreen forest to temperate broadleaf and mixed forest**. **Three pantherine species** are found in the park: leopard (*Panthera pardus*), tiger (*P. tigris*) and clouded leopard (*Neofelis nebulosa*). There are a **few settlements of Lisu tribal people within the park**. Most of the Lisus are, however, located beyond the eastern border of the park towards the international border of India with Myanmar.

Source: [CLICK HERE](#)

Q.26) 40% of the women are above 30 years of age and 80 percent of the women are less than or equal to 50 years of age. 20 percent of all women play basketball. If 30 percent of the women above the age of 50 plays basketball, what percent of players are less than or equal to 50 years?

- a) 50%
- b) 60%
- c) 70%
- d) 80%

Q.26) Solution (c)

Explanation:

Let us assume the total number of women = 100

Thus out of 100, women less than or equal to 50 years = 80 and, women above 50 years = 20

Number of women plays basketball = 20% of 100 = 20

30% of the women above 50 plays basketball = 30% of 20 = 6

So, remaining 14 women who plays basketball are less than or equal to 50 years.

So the percentage of players who are less than or equal to 50 years = $14/20 \times 100 = 70\%$

Q.27) In a class of 120 students, 62 like English, 52 like Mathematics and 24 like both English and Mathematics. What percentage of students in the class do not like both the subjects?

- a) 30%
- b) 27%
- c) 25%

d) 21 %

Q.27) Solution (c)

Explanation:

Total Students in a class = 120

Number of students who like English = 62

Number of students who like Maths = 52

Number of students who like both English and Maths = 24

Number of students who like neither English nor Maths = $120 - (62 + 52 - 24) = 120 - 90 = 30$ Percentage of students who do not like both English and Maths = $(30/120) \times 100 = 1/4 = 25\%$ Hence, option (c) is the correct answer.

Q.28) There is a sample of milk with 50% water in it in one container and an equal volume of pure milk in another container. If $1/4$ th of the diluted milk from first container is added to half of the pure milk contained in the second container, then what will be the percent component of water in the new mixture?

- a) 16.67%
- b) 25%
- c) 30%
- d) 40%

Q.28) Solution (a)

Explanation:

Let the initial mixture be 1000 ml.

(This solution will have 500 ml milk and 500 ml water) $1/4$ of this mixture will have 125 ml of milk and 125 ml of water.

Amount of pure milk to be added into it = 500 ml.

So, Percentage of water in new mixture = $125/(250 + 500) = (125/750) \times 100 \% = 16.67\%$ Hence, option (a) is the correct answer.

Q.29) If the length of a rectangle is increased by 20% and the breadth is increased by 25%. What will be the net percentage increase in the area of the rectangle?

- a) 20%
- b) 25%
- c) 50%
- d) 40%

Q.29) Solution (c)

Explanation:

Method I: Let the initial length and breadth of a rectangle be l and b respectively. Initial area of rectangle $= l \times b = lb$

New Length after it got increased by 20% $= 120/100 \times l = 1.2l$

New Breadth after it got increased by 25% $= 125/100 \times b = 1.25b$

New Area $= 1.2l \times 1.25b = 1.5lb$

Net change in area $= \text{New Area} - \text{Initial area} = 1.5lb - lb = 0.5lb$

Percentage increase in area $= \text{Net increase in area} / \text{original area} \times 100 = 0.5lb/lb \times 100 = 50\%$ Hence, option (c) is the correct answer.

Method II: Use this formula $(x + y + xy/100)$ Where x and y are percentage changes Use positive for increment and negative for decrement and observe overall result.

In above question $x = 20$ and $y = 25$ So, net change $= (20 + 25 + 20 \times 25/100) = 50$

Result is positive so overall area increases by 50%. Hence, option (c) is the correct answer.

Read the following passage and answer the item that follow. Your answer to these items should be based on the passages only

Passage 1

Over the past thousands of years, we have generated an enormous amount of wealth. Living standards have improved dramatically. It is clear that the key driver behind all of this wealth is technological innovation that started with the ability to use tools.

There are three board steps in wealth creation: invent a new method, perfect it, apply it. Indian businesses and industry in general have generated most of their wealth from the last step, a little from the second

and almost nothing from the first. We tend to go backwards and end up with severely limited opportunities compared with those who start from the first step. That is a fundamental difference between Indian businesses and businesses of the highly developed world. Many of the things that define modern life were invented by Europeans and Americans. They created wealth not only from the first step, they also established first claim on the second and third steps. Unsurprisingly, then, their share dominates the global wealth. The Chinese, Japanese and Koreans excelled in perfecting production techniques; as a result they have managed to corner a substantial chunk of the wealth.

Q.30) How have Indian businesses generated most of their wealth?

- a) By selling their products at low margin
- b) By applying new methods
- c) By inventing new methods
- d) By setting up industries in foreign countries

Q.30) Solution (b)

Explanation:

Refer to, "There are three broad steps in wealth creation: invent a new method, perfect it, and apply it. Indian businesses and industry in general have generated most of their wealth from the last step..."

We can clearly infer from the 1st sentence of the 2nd paragraph that India businesses so far have kept their focus on applying new methods instead of inventing ones.

Option b hence is the correct answer.