

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

**QUESTION :** GISAT-1 Geo Imaging Satellite can be used for:

- (1) Agriculture
- (2) Mineralogy
- (3) Disaster Warning
- (4) Border Infiltration

**Correct codes:**

- (A) 1 and 2 only
- (B) 2, 3 and 4 only
- (C) 1, 3 and 4 only
- (D) 1, 2, 3 and 4

**Ans:** (D) 1, 2, 3 and 4

It will be the first of two planned Indian EO spacecraft to be placed in a geostationary orbit of around 36,000 km.

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The image will be taken from its 36,000 km orbital home. These images are likely to help in various sectors and its applications will be utilised in mineralogy, agriculture, forestry as well as disaster warning among others, said ISRO.

It will apparently be in a fixed spot looking over the Indian continent at all times.

It will have high-resolution cameras which will help to monitor any changes in borders and the overall geographical condition of the country, etc.

**QUESTION :** Consider the following statements regarding Group of Monuments at Hampi :

- (1) It is a UNESCO world heritage site.
- (2) It was a part of the Mauryan Empire back in the third century BC.

Select the correct codes given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) Neither 1 nor 2

Ans: (C) Both 1 and 2

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

It is a UNESCO world heritage site.

It was a part of the Mauryan Empire back in the third century BC.

Hampi was the capital city during the four different dynasties altogether in the Vijayanagar city that came into existence in the year 1336 AD.

The Vijayanagara Empire reached unfathomable heights under the guidance of King Krishnadeva Raya of the Tuluva Dynasty.

‘Kishkindha Kaand’ in Ramayana has special significance concerning Hampi.

It is located near the Tungabhadra river.

SC recently backed the move of Karnataka government to demolish restaurants near Hampi site.

**QUESTION :** Consider the following statements regarding Pesticide Management Bill 2020:

(1) Union Cabinet has approved the Pesticide Management Bill 2020 to promote the use of organic pesticides in the country.

(2) The bill plans to ban pesticides-related advertisements.

Select the correct codes given below:

(A) 1 only

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(B) 2 only

(C) Both 1 and 2

(D) Neither 1 nor 2

**Ans: (A) 1 only**

**The bill will empower farmers to get all the information regarding pesticides including their strengths and weaknesses and the risk and alternatives involved, as the data would be made available in open source, in a digital format and in all languages.**

**The bill will also include the provision of compensating the farmers in case of losses due to the use of spurious or low quality of pesticides.**

**The union government may form a central fund to take care of the compensation.**

**Any person who wants to import, manufacture, or export pesticides would have to register under the new bill and provide all details regarding any claims, expected performance, efficacy, safety, usage instructions, and infrastructure available to stock that pesticide. The information will also include details on the pesticide's potential effects on the environment.**

**The bill also plans to regulate pesticides-related advertisements to check misleading claims by industries and manufacturers.**

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

Union Cabinet has approved the Pesticide Management Bill 2020 to promote the use of organic pesticides in the country.

**QUESTION :** Recently, 'SUTRA-PIC' was seen in the news. Consider the following statements regarding it.

- (1) It is a programme to research 'indigenous' cows.
- (2) It is led by the Department of Science and Technology (DST).

Select the correct codes given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) Neither 1 nor 2

**Ans:** (C) Both 1 and 2

It is led by the Department of Science and Technology (DST).

It is supported by the Department of Biotechnology, the Council of Scientific and Industrial Research, the Ministry for AYUSH (Ayurveda, Unani, Siddha, Homoeopathy) among others and the Indian Council of Medical Research as partners.

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It has five themes:

The uniqueness of Indigenous Cows.

Prime-products from Indigenous Cows for Medicine and Health.

Prime-products from Indigenous Cows for Agricultural Applications.

Prime-products from Indigenous Cows for Food and Nutrition.

Prime-products from indigenous cows-based utility items.

It is a recent initiative by the Government.

**QUESTION :** The prominent guidelines for a state to get Special Category Status is/are:

- (1) economically backward with poor infrastructure.
- (2) states must be located in hilly and challenging terrain.
- (3) Literacy rate of the population must be below 70%.
- (4) should have low population density and a significant tribal population.

Correct codes:

- (A) 1, 2 and 4 only

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(B) 1, 2, 3 and 4

(C) 1, 3 and 4 only

(D) 1 and 3 only

Ans: (A) 1, 2 and 4 only

For a state to get Special Category Status, It must be economically backward with poor infrastructure.

The states must be located in hilly and challenging terrain.

They should have low population density and a significant tribal population. Should be strategically situated along the borders of neighbouring countries.

Andhra Pradesh has revived its demand for Special Category Status (SCS) recently.

**QUESTION :** Kala Kumbh exhibition was recently seen in the news. consider the following statements regarding it.

(1) It is an initiative by the Ministry of commerce and industries.

(2) It aims to promote Geographical Indication (GI) crafts and heritage of India

Select the correct codes given below:

(A) 1 only

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(B) 2 only

(C) Both 1 and 2

(D) Neither 1 nor 2

**Ans: (B) 2 only**

With an objective to promote Geographical Indication (GI) crafts and heritage of India, the Ministry of Textiles is organizing Kala Kumbh - Handicrafts Thematic Exhibition in various parts of the country through the Office of Development Commissioner (Handicrafts).

The exhibitions are sponsored by the Export Promotion Council for Handicrafts (EPCH). EPCH was established under the Companies Act in the year 1986-87 and is a non-profit organisation, with an object to promote, support, protect, maintain and increase the export of handicrafts.

It is a recent initiative by the government.

**QUESTION :** Consider the following statements regarding Pradhan Mantri Fasal Bima Yojana:

(1) Central Subsidy under PMFBY/RWBCIS to be limited for premium rates upto 30% for unirrigated areas/crops and 25% for irrigated areas/crops.

(2) Enrolment under the Scheme to be made voluntary for all farmers.



## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

Select the correct codes given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) Neither 1 nor 2

**Ans: (C) Both 1 and 2**

**Allocation of business to Insurance Companies to be done for three years.**

**Central Subsidy under PMFBY/RWBCIS to be limited for premium rates upto 30% for unirrigated areas/crops and 25% for irrigated areas/crops.**

**Districts having 50% or more irrigated area will be considered as irrigated area/district.**

**Flexibility to States/UTs to implement the Scheme with option to select any or many of additional risk covers/features like prevented sowing, localised calamity, mid-season adversity, and post-harvest losses.**

**For estimation of crop losses/admissible claims, two-Step Process to be adopted based on defined Deviation matrix” using specific triggers like weather indicators, satellite indicators, etc. for each area along with normal ranges and deviation ranges.**

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

Enrolment under the Scheme to be made voluntary for all farmers.

Central Share in Premium Subsidy to be increased to 90% for North Eastern States from the existing sharing pattern of 50:50.

Cabinet Approves Changes in Pradhan Mantri Fasal Bima Yojana to address the existing challenges in implementation.

**QUESTION :** Consider the following statements regarding Chatbot ASKDISHA:

- (1) It will be used by truck drives for navigation along the highways.
- (2) It is an Artificial Intelligence-based chatbot developed by national highway authority of India.

Select the correct codes given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) Neither 1 nor 2

**Ans:** (D) Neither 1 nor 2

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It is an Artificial Intelligence-based chatbot. It is a special computer programme designed to simulate conversation with users, especially over the internet. Initially launched in the English language in October 2018.

Developed by Indian Railway Catering and Tourism Corporation (IRCTC). The aim is to resolve queries of railway passengers over the internet pertaining to various services offered.

The Indian Railways Catering & Tourism Corporation Limited (IRCTC) has powered voice-enabled ASKDISHA Chatbot to converse with customers in the Hindi language. The customers can now ask queries to ASKDISHA in Hindi by voice as well as text.

**QUESTION :** Consider the following statements regarding Artemis Program which is often seen in the news:

- (1) It is NASA's next mission to the Moon.
- (2) It was launched To measure what happens when the Sun's radiation hits our rocky moon, where there is no magnetic field to protect it.

Select the correct codes given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(D) Neither 1 nor 2

Ans: (C) Both 1 and 2

Artemis- Acceleration, Reconnection, Turbulence and Electrodynamics of Moon's Interaction with the Sun.

It is NASA's next mission to the Moon.

Objective: To measure what happens when the Sun's radiation hits our rocky moon, where there is no magnetic field to protect it.

Artemis was the twin sister of Apollo and goddess of the Moon in Greek mythology.

Significance of the mission is With the Artemis program, NASA will land the first woman and next man on the Moon by 2024.

United States space agency National Aeronautics and Space Administration (NASA) started accepting applications for astronauts under its Artemis programme.

**QUESTION :** Consider the following statements regarding Yongle Blue Hole (YBH):

- (1) YBH is located on Xisha Islands of Indian Ocean.
- (2) Blue holes are marine caverns filled with limestone.

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(3) Recently Carbon more than 8,000 years old has been found inside the world's deepest blue hole – the Yongle Blue Hole (YBH).

Select the incorrect codes given below:

- (A) 1 and 2 only
- (B) 2 and 3 only
- (C) 1 and 3 only
- (D) 1, 2 and 3

Ans: (B) 1 and 2 only

The deepest known marine cavern is the Yongle blue hole, which measures roughly 300 metres from top to bottom.

Blue holes are marine caverns filled with water and are formed following the dissolution of carbonate rocks, usually under the influence of global sea-level rise or fall.

Its waters are mostly isolated from the surrounding ocean and receive little fresh water from rainfall, making it a rare spot to study the chemistry of oxygen-deprived marine ecosystems.

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What distinguishes them from other aquatic caverns is that they are isolated from the ocean and don't receive fresh rainwater. They are generally circular, steep-walled and open to the surface.

YBH is located in the Xisha Islands of the South China Sea (SCS). YBH has a depth of 300 metres, far deeper than the previously recorded deepest blue hole, Dean's Blue Hole in the Bahamas, which had a depth of 202 metres.

However, like most blue holes, it is anoxic i.e. depleted of dissolved oxygen below a certain depth. This anaerobic environment is unfavourable for most sea life.

Recently Carbon more than 8,000 years old has been found inside the world's deepest blue hole – the Yongle Blue Hole (YBH).

**QUESTION :** Recently, Bengal Eastern Frontier Regulation (BEFR) was in the news. It is related with:

- (A) Enclaves exchange between India and Bangladesh
- (B) Partition of Bengal
- (C) Maoist defending initiative.
- (D) The inner line Permit system

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**Ans: (D) Inner Line Permit System**

The BEFR allows Arunachal Pradesh, Manipur, Mizoram and Nagaland not to let non-resident Indians in without an inner-line permit for a temporary stay.

The Mizoram government has sought the revision of the boundary with Assam, based on the Bengal Eastern Frontier Regulation (BEFR), 1873 and the Inner Line of the Lushai Hills Notification of 199 (3)

**QUESTION :** Recently, ICoSDiTAUS-2020 was in the news. It is related to:

- (A) Joint Naval Conference of Indian Ocean Rim Nations.
- (B) Science and Technology Exhibition
- (C) Defence exercise between India and China
- (D) Conference of AYUSH Ministry.

**Ans: (D) Conference of Ayush Ministry**

It is an international conference on standardisation of Diagnosis and Terminologies in AYUSH held recently in Delhi.

The Conference adopted the “New Delhi Declaration on Collection and Classification of Traditional Medicine (TM) Diagnostic Data”.

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The declaration emphasised the commitment of the countries to Traditional Medicine as a significant area of health care. It further sought the opportunity for including traditional systems of medicine like Ayurveda, Unani, and Siddha in the International Classification of Diseases of WHO, which is the standard diagnostic tool for health management across the world.

ICoSDiTAUS-2020 is the biggest ever international event dedicated to standardisation of Diagnosis and Terminologies of Traditional Medicine in terms of the broad level of participation covering virtually all the continents.

**QUESTION :** Consider the following statements regarding National Science Day 2020:

(1) NSD is celebrated to commemorate discovery of the ‘Raman Effect’, which led to Sir C.V. Raman winning the Noble Prize.

(2) The theme for National Science Day 2020 is “Women in Science”, which aims to appreciate the contribution of women in the field of science.

Select the correct codes given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2



## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

(D) Neither 1 nor 2

Ans: (C) Both 1 and 2

28th February is celebrated as National Science Day (NSD) in India. NSD is celebrated to commemorate discovery of the 'Raman Effect', which led to Sir C.V. Raman winning the Noble Prize.

The first National Science Day was celebrated on February 28, 1987.

This year, the theme for National Science Day 2020 is "Women in Science", which aims to appreciate the contribution of women in the field of science.

**QUESTION :** Consider the following statements regarding to Curative Petition:

(1) The concept was first evolved by the Supreme Court of India in Rupa Ashok Hurra vs. Ashok Hurra and another case (2002).

(2) The concept of the curative petition is not supported by the Indian Constitution.

(3) Such a petition needs to be filed within 30 days from the date of judgement or order.

Select the correct codes:

(A) 1 and 2 only

(B) 2 and 3 only

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(C) 1 and 3 only

(D) 1, 2 and 3

Ans: (C) 1 and 3 only

The concept was first evolved by the Supreme Court of India in Rupa Ashok Hurra vs. Ashok Hurra and another case (2002) on the question whether an aggrieved person is entitled to any relief against the final judgement/order of the Supreme Court, even after the dismissal of a review petition.

The concept of the curative petition is supported by Article 137 of the Indian Constitution.

It provides that in the matter of laws and rules made under Article 145, the Supreme Court has the power to review any judgement pronounced (or order made) by it.

Such a petition needs to be filed within 30 days from the date of judgement or order.

It was in news related to Nirbhaya Case.

**QUESTION :** If a spot is declared as a World Heritage Site, the possible benefits are:

(1) It will be a heavy onus on the government of the country in which the Site is located for its conservation and upkeep.

(2) It will give free entry to domestic tourists who visit the site.

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(3) It drives up demand for travel and tourism from around the world to the site.

Correct codes:

(A) 1 only

(B) 2 and 3 only

(C) 1 and 3 only

(D) 1, 2 and 3

Ans: (C) 1 and 3 only

When getting featured on the list of World Heritage Sites it affords the location a coveted status, driving up demand for travel and tourism from around the world geared towards it.

At the same time, a heavy onus is placed on the government of the country in which the Site is located for its conservation and upkeep.

The Committee conducts regular audits at declared Sites, and can place a spot that is seriously threatened on the List of World Heritage in Danger.

If the Outstanding Universal Value of the property is destroyed, the Committee can consider deleting the property from the World Heritage List.

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The Government of India has submitted two nomination dossiers namely ‘Dholavira: A Harappan City’ and ‘Monuments and Forts of Deccan Sultanate’ for inclusion in the World Heritage List for the year 2020.

**QUESTION :** Recently, Ekam Fest was in news. Consider the following statements regarding it:

- (1) It aims to promote craftsmanship & products of divyang (physically-challenged) artisans and entrepreneurs.
- (2) It is being organised by National Handicapped Finance Development Corporation (NHFDC) under M/o Social Justice & Empowerment.

Select the correct codes given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) Neither 1 nor 2

**Ans:** (C) Both 1 and 2

Exhibition-cum-Fair “EKAM Fest” was organised by National Handicapped Finance Development Corporation (NHFDC) under M/o Social Justice & Empowerment.

**Aim:** To promote craftsmanship & products of divyang (physically-challenged) artisans and entrepreneurs.

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

It was a recent initiative.

**QUESTION :** Consider the following statements regarding Deen Dayal Upadhyaya Grameen Kaushlaya Yojana:

- (1) DDU-GKY is being undertaken as PPP Project all over the country through Project Implementing Agencies (PIAs) registered with the Ministry of Rural Development.
- (2) It is a youth employment scheme aimed at rural youth of 15 to 35 years of age.
- (3) It is managed by the Ministry of Rural Development.

Select the correct codes given below:

- (A) 1 and 2 only
- (B) 2 and 3 only
- (C) 1 and 3 only
- (D) 1, 2 and 3

**Ans:** (D) 1, 2 and 3

It is a placement linked skill development program which allows skilling in a PPP mode and assured placements in regular jobs in an organization not owned by the skilled person. DDU-GKY is being undertaken

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

as PPP Project all over the country through Project Implementing Agencies (PIAs) registered with the Ministry of Rural Development.

Further, Guidelines of the scheme mandate State Governments to take up skill training projects with Corporate Social Responsibility funding.

DDU-GKY Guidelines provide for setting apart 15% of the funds of the funds at for national level beneficiaries from among minority groups.

**Beneficiary Eligibility is:**

**Rural Youth: 15 - 35 Yrs**

**SC/ST/Women/PVTG/PWD: upto 45 Yrs**

The National Institute of Rural Development and Panchayati Raj (NIRDPR) will soon undertake real-time assessment of government's flagship youth employment scheme the Deen Dayal Upadhyaya Grameen Kaushlya Yojana (DDU-GKY).

**QUESTION :** Recently, Sukhna Lake was in news. Consider the following statements regarding this lake.

(1) It is located in the foothills of the Shivalik Hills.

(2) It is a natural lake.

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

Select the correct codes given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) Neither 1 nor 2

Ans: (A) 1 only

The man-made Sukhna Lake was built in 1958 by Le Corbusier, the architect of Chandigarh. Located in the foothills of the Shivalik Hills, it was designed to collect runoff water from the Hills. The Lake, which is in the process of being officially notified as a wetland, also has a nearby wildlife sanctuary that is home to sambar, pangolin, wild boars, red jungle fowl, cobras and other species.

The Punjab and Haryana high court has declared Sukhna Lake a “living entity” or “legal person” with rights, duties and liabilities of a living person.

It also declared all citizens of Chandigarh as loco parentis (in the place of a parent) to save the lake from extinction.

**QUESTION :** Consider the following statements regarding Pradhan Mantri Bhartiya Janaushadhi Pariyojana:

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- (1) Bureau of Pharma PSUs of India (BPPI) is the implementing agency of PMBJP.
- (2) It provides free medicine to all BPL category people.
- (3) It creates awareness about generic medicines through education and publicity.

Select the correct codes given below:

- (A) 1 only
- (B) 2 and 3 only
- (C) 1 and 3 only
- (D) 1, 2 and 3

Ans: (C) 1 and 3 only

‘Pradhan Mantri Bhartiya Janaushadhi Pariyojana’ is a campaign launched by the Department of Pharmaceuticals, Govt. Of India, to provide quality medicines at affordable prices to the masses through special kendra’s known as Pradhan Mantri Bhartiya Jan Aushadhi Kendra.

Bureau of Pharma PSUs of India (BPPI) is the implementing agency of PMBJP.

**SALIENT FEATURES OF THE SCHEME:**

Ensure access to quality medicines.



## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

Extend coverage of quality generic medicines so as to reduce the out of pocket expenditure on medicines and thereby redefine the unit cost of treatment per person.

Create awareness about generic medicines through education and publicity so that quality is not synonymous with only high price.

A public programme involving Government, PSUs, Private Sector, NGO, Societies, Co-operative Bodies and other Institutions.

Create demand for generic medicines by improving access to better healthcare through low treatment cost and easy availability wherever needed in all therapeutic categories.

Janaushadhi week is being celebrated across the country from 1st March to 7th March 2020.

**QUESTION :** The report “Freedom in the World 2020” is released by :

- (A) Transparency international
- (B) United Nations Human Rights Council.
- (C) Freedom House
- (D) World Economic forum

**Ans:** (C) Freedom House

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

Freedom in the World 2020 has been released by America based Freedom House.

Finland, Norway, Sweden, the Netherlands and Luxembourg are the top five countries in the free category.

The report has placed India at 83rd position along with Timor-Leste and Senegal among the bottom five of “free democracies”.

India witnessed the worst score decline among the world’s 25 largest democracies.

It is a recently released report

**QUESTION :** Considering the following pairs:

(1) Hamari Dharohar- A scheme to preserve rich heritage of minority communities of India under the overall concept of Indian culture implemented since 2014-1 (5)

(2) Nai Manzil - Scheme of interest subsidy to students of minority communities on educational loans for overseas higher studies.

(3) Nai Roshni - Leadership development of women belonging to minority communities.

(4) Padho Pardesh - A scheme for formal school education & skilling of school dropouts

Select the correct codes given below:

(A) 1 only

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

(B) 1 and 3 only

(C) 2 and 4 only

(D) 1, 2, 3 and 4

**Ans: (B) 1 and 3 only**

**Padho Pardesh - Scheme of interest subsidy to students of minority communities on educational loans for overseas higher studies.**

**Nai Roshni - Leadership development of women belonging to minority communities.**

**Seekho Aur Kamao - Skill development scheme for youth of 14 - 35 years age group and aiming at improving the employability of existing workers, school dropouts etc.**

**Nai Manzil - A scheme for formal school education & skilling of school dropouts launched in Aug. 201 (5)**

**Hamari Dharohar- A scheme to preserve rich heritage of minority communities of India under the overall concept of Indian culture implemented since 2014-1 (5)**

**These are schemes initiated for minorites in India.**

**QUESTION :** The possible benefits of Merger of banks are:

(1) Small banks can gear up to international standards.

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(2) Saving of considerable time in clearing and reconciliation of accounts.

(3) Reduction in the cost of doing business

Select the correct codes given below:

(A) 1 and 2 only

(B) 2 and 3 only

(C) 1 and 3 only

(D) 1, 2 and 3

Ans: (D) 1, 2 and 3

**Major Benefits of Mergers are:**

Small banks can gear up to international standards with innovative products and services with the accepted level of efficiency.

PSBs, which are geographically concentrated, can expand their coverage beyond their outreach.

Reduction in the cost of doing business.

Technical inefficiency reduces.

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

The size of each business entity after merger is expected to add strength to the Indian Banking System in general and Public Sector Banks in particular.

Synergy of operations and scale of economy in the new entity will result in savings and higher profits.

A great number of posts of CMD, ED, GM and Zonal Managers will be abolished, resulting in savings of crores of Rupee.

Customers will have access to fewer banks offering them wider range of products at a lower cost.

Mergers can diversify risk management.

The government has approved a scheme for the amalgamation of 10 state-owned banks into four.

**QUESTION :** Recently, a group of people 'Marakkars' was seen in the news. It is a:

- (A) Particularly vulnerable tribal group settled in Bastar
- (B) Tribal group in Southern India.
- (C) People of arab descent migrated to India from Tunisia
- (D) Craftsmen from Nagaland

**Ans:** (C) People of arab descent migrated to India from Tunisia

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

By some accounts, they were of Arab origin and had migrated from Tunisia to Panthalayani near Koyilandy in present-day Kozhikode.

They later moved to the region around present-day Kottakkal and Thikkodi near Payyoli.

By other accounts, the Marakkars were descendants of an affluent businessman from the Cochin kingdom who migrated later to Calicut.

The Marakkars were mostly Muslims, but in some parts, they have been found to be Hindus as well.

Recently, a petition was filed in the Kerala High Court against the film- Marakkar: The Lion of the Arabian Sea, alleging 'distortion of history' and demanding a stay on the release. It is said to be the most expensive Malayalam film ever made.

**QUESTION :** Recently, Sahyadri Megha was seen in the news. It is a:

- (A) Cloud computing initiative
- (B) Air Force Exercise
- (C) New variety of paddy
- (D) Rain bearing cloud named in Western Ghats.

**Ans:** (C) New variety of paddy

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It is a new variety of paddy resistant to blast disease and rich in nutrients.

It was developed by the University of Agricultural and Horticultural Sciences (UAHS), Shivamogga, as part of its initiative to prevent decline in the area under paddy cultivation.

It is a recent development.

**QUESTION :** Recently, Gender Social Norms Index was seen in the news It is released by :

- (A) Amnesty International
- (B) UNICEF
- (C) UN Development Programme (UNDP).
- (D) World Economic Forum.

**Ans:** (C) UN Development Programme (UNDP)

The first Gender Social Norms Index was recently released by the UN Development Programme (UNDP).

This index measures how social beliefs obstruct gender equality in areas like politics, work, and education, and contains data from 75 countries, covering over 80 per cent of the world's population.

The index found new clues to the invisible barriers women face in achieving equality - potentially forging a path forward to breaking through the so-called "glass ceiling".

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It is been released recently.

**QUESTION :** Recently, ‘Mac-binding’ was seen the news. It is associated with:

- (A) Cotton production
- (B) Satellite launch vehicle
- (C) Cryptocurrency
- (D) Internet connectivity

**Ans:** (D) Internet Connectivity

Every device has a Media Access Control (MAC) address, a hardware identification number that is unique to it. While accessing the Internet, every device is assigned an IP address.

Mac-binding essentially means binding together the MAC and IP addresses, so that all requests from that IP address are served only by the computer having that particular MAC address.

In effect, it means that if the IP address or the MAC address changes, the device can no longer access the Internet. Also, monitoring authorities can trace the specific system from which a particular online activity was carried out. According to a recent order issued by the government, Internet has been restored in Jammu and Kashmir, but the connectivity will be made available “with mac-binding”.

**QUESTION :** India has not ratified which of the following conventions?



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- 1) Convention against Torture
- 2) Convention on Cluster Munitions
- 3) Chemical Weapons Convention

Options:

- (A) 1 and 2 only
- (B) 3 only
- (C) 1 and 3 only
- (D) 1, 2 and 3

Answer: c

In 2017, the Central Government admitted in the Supreme Court that it was seriously considering the 273rd Report of the Law Commission that recommended ratification of the U.N. Convention against Torture and other Cruel, Inhumane or Degrading Treatment (CAT). CAT was signed by India but is yet to be ratified. India became one of the original signatories of the Chemical Weapons Convention (CWC) in 1993 and ratified it on 02 September 1996.

**QUESTION :** Consider the following statements about the footloose industry.

(1) The industry that can be placed at any location without being affected by factors like resources or transport.

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

- (2) These industries often have spatially fixed costs.
- (3) They generally depend on raw materials that are light and can be easily transported from another place.
- (4) These industries include computer chips, retail, entertainment etc.

Which of the above statements are correct?

- (A) Only 1, 2 & 3
- (B) Only 2, 3 & 4
- (C) Only 1, 2 & 4
- (D) All of the above

Ans: A

**EXPLANATION:**

**Advantages**

- Land on the edge of cities is often cheaper than in the centre. The out of town surroundings and easy access to workers in the suburbs provides an ideal location for building science and business parks.

- Motorway links and railways also provide access for commuters and for transporting components and products.

**Disadvantages**

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- Workers wanting to live near their place of work increases the demand for housing and puts pressure on green belt land.
  - As demand grows, house prices increase. This means that less skilled and lower paid workers are priced out of the market in desirable areas.

**QUESTION :** Consider the following statements

(1) Once a country gets Market Economy Status (MES), exports from it, will have to be accepted at the production costs as Benchmark.

(2) Anti-Dumping duty cannot be imposed on countries having Market Economy Status.

Which of the above is/are correct?

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2
- (D) None

**Ans: C**

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**EXPLANATION:** Once a country gets MES status, exports from it, will have to accepted at the production costs and selling price as the benchmark. The definition of a country as a Non Market Economy (NME) allowed importing countries to use alternative methodologies for the determination of normal values, often leading to higher anti-dumping duties. If a country was granted MES Status, it will mean lesser chances of anti-dumping duties being imposed or lesser anti-dumping duties even if they are imposed

**QUESTION :** Consider the following statements regarding an economy facing cyclical unemployment:

- (1) It may lead to inflation in the economy
- (2) It may lead to deflation in the economy
- (3) It can be tackled through expansionary monetary policy
- (4) It can be tackled through expansionary fiscal policy

Select the correct answer using the code given below

- (A) 1 only
- (B) 2 only
- (C) 1, 3 & 4 only
- (D) 2, 3 & 4 only

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**Ans: D**

**EXPLANATION:** When the economy slows down or in recession (due to reduced demand) then production in the economy decreases and employers lay off workers which causes cyclical unemployment. It is a case of reduced demand. So it generally leads to deflation.

It can be tackled by increasing the demand in the economy. RBI can increase the demand through expansionary monetary policy in rep rate. And government can also increase the demand in the economy by expansionary fiscal policy i.e. increase in government expenditure or reduction in taxes. Through both these policies, more money reaches to the people and demand in the economy increases.

**QUESTION :** Consider the following statements regarding ‘Inverted Duty Structure’.

(1) It makes domestic manufactured goods less competitive against finished product imports in then domestic market.

(2) Finished goods are taxed at higher rate than the raw materials

(3) Raw materials are taxed at higher rate than the raw materials

(4) Raw materials are taxed at higher rate than the finished products

(5) The duty in the Inverted Duty Structure is Customs Duty

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

Select the correct answer using the code given below

- (A) 1 & 2 only
- (B) 1 & 3 only
- (C) 1 & 4 only
- (D) 1, 3 & 4 only

Ans: D

**EXPLANATION:** When the import duty on raw materials is quite higher than the import duty on finished goods then it makes the domestic manufactures less competitive because then traders start importing manufactured goods in the country rather than manufacturing the goods domestically India levies the highest duties on import raw rubber and one of the lowest duties on import of finished rubber goods. This has credited inverted by structure.

**QUESTION :** Consider the following statements regarding Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act: 2002:

- (1) It allows only RBI to classify an asset as non-performing
- (2) It allows RBI or any other authority or body as applicable to classify any asset as non-performing

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

- (3) It allows the banks and financial institutions to sell the security once it becomes non-performing
- (4) It allows the Banks and Financial institutions to sell the security in case of secured and unsecured debt.

Select the correct answer using the code given below:

- (A) 1 & 4 only
- (B) 2 & 4 only
- (C) 2& 3 only
- (D) 2, 3 & 4 only

Ans: C

**EXPLANATION:** Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002 allows the banks and financial institutions to seize the security ( collaterals for the loans ) and sell it in case the loan becomes non-performing (NPA but only if So, (iii) is true and (iv) is not true. The Act allows RBI or if the banks / financial institution is administered or regulated by any other authority then as per the classifications guidelines issued by such authority. So, statement (i) is not true (ii) is true.

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

**QUESTION :** Mergers and Acquisitions of commercial banks requires approval of which of the following agency?

- (1) Reserve Bank of India (RBI)
- (2) Competition Commission of India (CCI)

Select the correct answer using the code given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 & 2
- (D) Neither 1 nor 2

**Ans: C**

**EXPLANATION:** Mergers and Acquisitions of commercial banks require the approval of Competition Commission of India (CCI) and Reserve Bank of India (RBI) both. CCI is the “Fair Trade Regulator”. CCI looks in to the competition part of such deal and RBI looks in to the prudential aspects. The RBI is the sector regulator, so the health of banks is its concern. The CCI’ s concern is their behavior in the market and the consumers in the markets”. Kotak Mahindra Bank Limited and ING Vysya Bank Limited merger was approved by both CCI and RBI.





## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

**QUESTION :** Which of the following statements will be considered as part of Transfer Payments in balance of payment?

- (1) Money sent by an NRI to his friend in India
- (2) Money sent by an Indian employee who has gone abroad temporarily

Select the correct answer using the code given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 & 2
- (D) Neither 1 nor 2

**Ans:** A

**EXPLANATION:** BoP is basically transactions of the residents of the country with the rest of the world. In the (i) statement, the transaction between Indian resident and Non Resident (NRI) is for free, without any work done or consideration. So it is a case of free transfer rather it is factor income So, only (i) statement is true

**QUESTION :** Consider the following two statements:

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

- (1) Headline inflation measures price inflation arising due to all types of commodities in the economy
- (2) Core inflation measures the headline inflation excluding volatile components i.e. food and fuel items.

Select the correct answer using the code given below:

- (A) 1 only
- (B) 2 only
- (C) Both 1 & 2
- (D) Neither 1 nor 2

Ans: C

**QUESTION :** Consider the following statements regarding unemployment in India:

- (1) Christians in India have the highest rate of unemployment in both rural and urban areas.
- (2) Unemployment level in India is the highest among those people who are richer and more educated.

Which of the statements given above is/are correct?

- (A) 1 only
- (B) 2 only

## EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation

(C) Both 1 and 2

(D) Neither 1 nor 2

Answer: C

Exp:

**QUESTION :** Which among the following constitute Non-Tax Revenue Receipts?

(1) RTI Application Fees

(2) Spectrum Charges

(3) Dividends from the Reserve Bank of India

Select the correct Answer using the code given below:

(A) 1 and 3

(B) 2 and 3

(C) 1 and 2

(D) 1, 2 and 3

Answer: D

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

Exp: The biggest share flows from dividends paid by the Public Sector Undertakings, the Reserve Bank of India etc. The other major items of Non-Tax Revenue Receipts are interest receipts, spectrum charges, royalty, license fee, sale of forms, RTI application fee etc.

**QUESTION :** Consider the following statements regarding Reserve Bank of India (RBI):

(1) When RBI sells government securities to the general public, it decreases the stock of high powered money in the economy.

(2) The total liability of the RBI is called High Powered Money, which also consists of currency held by the public.

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

**Answer: C**

**Exp:**

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**HIGH POWERED MONEY:** The total liability of the monetary authority of the country, RBI, is called as the monetary base or high powered money. It consists of currency (notes and coins in circulation with the public and vault cash of commercial banks) and deposits held by the Government of India and commercial banks with RBI. If a member of the public produces a currency note to RBI the latter must pay him value equal to the figure printed on the note. Similarly, the deposits are also refundable by RBI on demand from deposit-holders. These items are claims which the general public, government or banks have on RBI and hence are considered to be the liability of RBI.

**QUESTION :** Consider the following statements regarding the SARFAESI Act :

- (1) SARFAESI Act stands for the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act.
- (2) It enables banks to reduce their non-performing assets (NPA), by adopting measures for recovery or reconstruction.
- (3) This act does not allow banks and financial institutions to auction properties when borrowers fail to repay their loans for residential or commercial properties on time.

Which of the statements given above is/are correct?

(A) 1 and 2

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(B) 2 only

(C) 3 only

(D) 1, 2 and 3

**Answer: A**

**EXPLANATION:** This Act allows banks and financial institutions to auction properties when borrowers fail to repay their loans for residential or commercial properties on time. If the auction price fetched is more than the bank's dues, then the excess amount is given to the borrower.

**QUESTION :** Consider the following statements about the FRBM Act :

(1) The objective of the Act is to ensure intergenerational equity in fiscal management, long run macro-economic stability, better coordination between fiscal and monetary policy, and transparency in fiscal operations of the Government.

(2) FRBM Act provides a legal institutional framework for fiscal consolidation.

(3) The Act prohibits borrowing by the government from the Reserve Bank of India, thereby, making monetary policy independent of fiscal policy.

Which of the statements given above is/are correct?

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- (A) 1 only
- (B) 2 only
- (C) 1 and 2
- (D) All of the above

**Answer: D**

**EXPLANATION:** - The FRBM Act is an important piece of legislation and it was in news recently during the budget session.

- The FRBM Act provides a legal institutional framework for fiscal consolidation. It is now mandatory for the Central government to take measures to reduce fiscal deficit, to eliminate revenue deficit and to generate revenue surplus in the subsequent years.

- The Act also requires the government to lay before the Parliament three policy statements in each financial year namely Medium Term Fiscal Policy Statement; Fiscal Policy Strategy Statement and Macroeconomic Framework Policy Statement.

**QUESTION :** Consider the following statements regarding the Organisation for Economic Co-operation and Development (OECD):

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

(1) The mission of the Organisation for Economic Co-operation and Development (OECD) is to promote policies that will improve the economic and social well-being of people around the world.

(2) The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems.

(3) India is a member of this Organisation.

Which of the statements given above is/are correct?

(A) 1 and 2

(B) 3 only

(C) 1 and 3

(D) 1, 2 and 3

**Answer: A**

**Exp - India is not a member of this organisation. - The OECD provides a forum in which governments can work together to share experiences and seek solutions to common problems. - The Organisation for European Economic Cooperation (OEEC) was established in 1948 to run the US-financed Marshall Plan for reconstruction of a continent ravaged by war. By making individual governments recognise the interdependence of their economies, it paved the way for a new era of cooperation that was to change the face of Europe. Encouraged**



## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

by its success and the prospect of carrying its work forward on a global stage, Canada and the US joined OEEC members in signing the new OECD Convention on 14 December 1960. The Organisation for Economic Co-operation and Development (OECD) was officially born on 30 September 1961, when the Convention entered into force.

**QUESTION :** Consider the following statements:

(1) The Union Budget is also referred to as the 'Annual financial statement' in the Article 110 of the Constitution of India.

(2) The budget, which is presented by means of the Financial bill and the Appropriation bill, has to be passed by the Houses before it can come into effect on April 1, the start of India's financial year.

(3) Following the recommendation of the Acworth Committee in 1920-21, headed by British railway economist William Acworth, the railway finances of India were separated from the general government finances in 1924, a practice which continues to date.

Which of the statements given above is/are correct?

(A) 2 only

(B) 1 and 2

(C) 2 and 3

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(D) 1 only

**Answer: A**

**EXPLANATION:** The Union Budget is also referred to as the 'Annual financial statement' in the Article 112 of the Constitution of India.

**QUESTION :** Which among the following best describes the 'Accommodative Monetary Policy'?

(A) When the central bank takes into consideration growth, as well as inflation trends while deciding whether to expand or contract money supply in an economy.

(B) When the central bank attempts to expand the overall money supply to boost the economy, when growth is slowing (as measured by GDP).

(C) When the central bank pays heed to the demands of the Finance Ministry of the Government.

(D) When the central bank and the Finance Ministry of the Government, together decide on repurchase agreement rates.

**Answer: B**

**EXPLANATION:** - When the central bank attempts to expand the overall money supply to boost the economy, when growth is slowing (as measured by GDP), is known as 'Accommodative Monetary Policy'.

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- This is done to encourage more spending from consumers and businesses by making money less expensive to borrow by lowering the interest rate. Furthermore, the Federal Reserve also has the authority to purchase Treasuries on the open market to infuse capital into a weakening economy. - Also known as an "Easy Monetary Policy"

**QUESTION :** Consider the following statements regarding the recommendations of the Deepak Mohanty Committee :

(1) The banks have to make special efforts to step up account opening for females and the Government may consider a deposit scheme for the girl child - Sukanya Shiksha - as a welfare measure.

(2) A scheme of 'Silver KCC' (Kisan Credit Card) with higher flexibility for borrowers with prompt repayment records, which could be dovetailed with a government-sponsored personal insurance, and digitalization of KCC to track expenditure pattern.

(3) The corporates should be encouraged to nurture SHGs (Self Help Groups), as part of their Corporate Social Responsibility (CSR) initiatives.

(4) Encourage multiple guarantee agencies to provide credit guarantees in niche areas for micro and small enterprises (MSEs), and explore possibilities for counter guarantee and re-insurance.

Which of the statements given above are correct?

## EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation

- (A) 1 and 2
- (B) 1, 3 and 4
- (C) 2, 3 and 4
- (D) 1, 2 and 3

**Ans. (B) 1, 3 and 4** It is Gold KCC, not Silver KCC. The Reserve Bank of India (RBI), in December 2015, released the Report of the Committee on Medium-term Path on Financial Inclusion. The Committee was constituted in 2015 by the RBI with the objective of working out a medium-term (five years) measurable action plan for financial inclusion. This Committee was headed by RBI's Executive Director Deepak Mohanty

**QUESTION :** Which of the following is/are the tools as per the Keynesian economics to stimulate growth at the time of recession?

- (1) Balance budget
- (2) Reduction in interest rates
- (3) Government investment in infrastructure
- (4) Government deficits

Select the correct answer using the codes given below:

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

(A) 1 only

(B) 1 and 3

(C) 2 and 4

(D) 2, 3 and 4

Ans. (D) 2, 3 and 4

Balance Budget is not the tool as per Keynesian economics to stimulate growth at the time of recession. Keynesian economics states that if investment exceeds saving, there will be inflation. If saving exceeds investment there will be recession. One implication of this is that, in the midst of an economic depression, the correct course of action should be to encourage spending and discourage saving

**QUESTION :** Consider the following statements with respect to e-commerce:

(1) A marketplace for e-commerce as the means to provide IT platform by an e-commerce entity on a digital and electronic network to act as facilitator between buyer and seller.

(2) Inventory-led model is defined as one where the e-commerce entity owns the inventory of goods and services and sells directly to consumers.

(3) 100% FDI via the automatic route would be allowed for both e-commerce players under the marketplace model, and under the inventory led model.

## EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation

Which of the statements given above is/are correct?

- (A) 1 only
- (B) 1 and 2
- (C) 2 and 3
- (D) All of the above

Answer (B)

100% FDI via the automatic route would be allowed only for e-commerce players under the marketplace model, and not under the inventory led model.

**QUESTION :** If the Reserve Bank of India (RBI) decides to adopt an expansionary monetary policy, which of the following it would not do?

- (1) Cut Cash Reserve Ratio and optimize Statutory Liquidity Ratio.
- (2) Increase Marginal Standing Facility (MSF) Rate.
- (3) Cut Bank Rate and increase Reverse Repo Rate.

Select the correct answer using the codes given below:

- (A) 1 and 2

## EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation

(B) 2 and 3

(C) 2 only

(D) 1 only

Ans: (C)

**EXPLANATION:** Following the expansionary policy means encouragement to circulation of money in the economy. Here, except MSF Rate increase, all other measures will increase liquidity in the economy.

**QUESTION :** Which of the following steps are likely to decrease the fiscal deficit in India?

- (1) Shifting indirect subsidy on fertilizers into cash transfers.
- (2) Encouraging disinvestment of more Public Sector Enterprises.
- (3) Providing more employment opportunities under MGNREGA.
- (4) Indian Government getting official transfers from a foreign government.

Select the correct answer using the codes given below:

(A) 1 and 2

(B) 1, 2 and 3

## EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation

(C) 1, 3 and 4

(D) 1, 2 and 4

Ans: ( D)

**EXPLANATION:** Providing more employment means more government expenditure and it will increase the fiscal deficit (FD). Official transfers received by the Indian government are also one of the non-debt imposing capital receipts for India and hence it reduces the FD

**QUESTION :** Steady rise of food prices without corresponding rise in prices of non-food commodities may be called

(A) Inflation

(B) Stagflation

(C) Skewflation

(D) Premium Inflation

Correct Answer: C

**Explanation: Relevance :** Very recently we saw a phenomenon where the prices of Tur(arhar) dal soared abruptly high whereas the prices of other goods were moderate. Inflation is a sustained price rise in all the



## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

items. Skewflation is used to describe relative price rise i.e. A rise in the price of one or small group of commodities which actually doesn't reflect the real situations across the market. Note: Skewflation can be used to describe both inflation and deflation of one or small group of commodities.

**QUESTION :** Which of the following are the reasons behind disinvestment by government in a company?

- (1) Increasing finances for the government.
- (2) Giving better control to the government.

Code:

- (A) Only 1
- (B) Only 2
- (C) Both 1 and 2
- (D) None of the above

Ans: A

**QUESTION :** Consider the following statements:

- (1) The penetration and success of modern card/digital payment products and services is concentrated to a large extent in the tier-I and tier-II locations of the country

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

(2) 'Merchant Discount Rate' is the rate charged to a customer by the merchant on account of bank-charges s/he bears for providing debit and credit card services

Which of the statements above is/are correct?

- (A) Only 1
- (B) Only 2
- (C) Both 1 and 2
- (D) Neither 1 nor 2

**Ans: A EXPLANATION:** Merchant Discount Rate: The rate charged to a merchant by a bank for providing debit and credit card services. The rate is determined based on factors such as volume, average ticket price, risk and industry. The merchant must set up this service with a bank, and agree to the rate prior to accepting debit and credit cards as payment.

**QUESTION :** It is said that in the absence of long- pending structural reforms, public sector banks (PSBs) have more to contend with than mounting Non-Performing Assets (NPAs).

Which of the following may be these concerns?

- (1) The rapid emergence and adoption of Fintech

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(2) Setting up of new as well as differentiated banks

(3) Staff shortage, specifically the top and middle-rung managers, in the near future

Select the correct answer using the code given below:

(A) 1 and 2

(B) 2 and 3

(C) 1 and 3

(D) All of the above

Ans: D

**EXPLANATION:** All are valid concerns for PSBs in India.

**QUESTION :** The Fair and Remunerative Price of Sugarcane is approved by the :

(A) Cabinet Committee on Economic Affairs

(B) Commission for Agricultural Costs and Prices

(C) Directorate of Marketing and Inspection, Ministry of Agriculture

## EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation

(D) Agricultural Produce Marketing Committee

Ans: A

**EXPLANATION:** The Fair and Remunerative Price of Sugarcane is approved by the Cabinet Committee on Economic Affairs.

**QUESTION :** Which of the following statement(s) is/are true about Virtual Network Operators (VNO)?

(1) A VNO is an entity that does not own a telecom network infrastructure but provides telecom services by purchasing capacity from telecom carriers by entering into an agreement.

(2) LYCAMOBILE is the largest multi-country Virtual Network Operator which is enabled by PLINTRON.

Code:

(A) Only 1

(B) Only 2

(C) Both 1 and 2

(D) None of the above

Ans: C

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**EXPLANATION:** A Virtual Network Operator (VNO) is a provider of management services and a reseller of network services from other telecommunications suppliers that does not own the telecommunication infrastructure. These network providers are categorized as virtual because they provide network services to customers without owning the underlying network. LYCAMOBILE is the largest multi-country VNO which is enabled by PLINTRON.

**QUESTION :** Consider the following statements about 'chit funds in India':

- (1) They are a type of saving scheme.
- (2) State governments are responsible for their registration.
- (3) NRIs cannot invest in chit funds.

Which of the statements given above is/are correct?

- (A) 1 and 2 only
- (B) 2 and 3 only
- (C) 1 and 3 only
- (D) 1, 2 and 3

**Ans: A**

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**EXPLANATION:** A Chit fund is a kind of savings scheme practiced in India. A chit fund company is a company that manages, conducts, or supervises such a chit fund, as defined in Section of the Chit Funds Act, 1982. Rules are framed under this Act by various State Governments for this purpose. The Central Government has not framed any rules of operation for them. Thus, registration and regulation of Chit funds are carried out by State Governments under the rules framed by them. Recently, the Reserve Bank of India (RBI) decided that Non-Resident Indians (NRIs) can make unlimited investments in chit funds in India on a non-repatriation basis. This implies that an NRI can get back the proceeds of such investments only in rupee. Earlier, NRIs were not allowed to invest in companies that were engaged in the business of chit funds. Functionally, Chit funds are included in the definition of Non- Banking Financial Companies by RBI under the sub-head miscellaneous non-banking company (MNBC). However, RBI has not laid out any separate regulatory framework for them.

**QUESTION :** With reference to the anti-dumping duty, consider the following statements:

- (1) It is a tariff that a domestic government imposes on foreign imports.
- (2) In India, it is recommended by the Union Ministry of Commerce, while the Union Finance Ministry imposes it.

Which of the statements given above is/are correct?

- (A) 1 only

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- (B) 2 only
- (C) Both 1 and 2
- (D) Neither 1 nor 2

**Ans: C**

**EXPLANATION:** Anti-dumping duty is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value. Usually countries initiate anti-dumping probes to check if domestic industry has been hurt because of a surge in below-cost imports. In India, anti-dumping duty is recommended by the Union Ministry of Commerce, while the Union Finance Ministry imposes it

**QUESTION :** Which of the following is/are correct regarding Advance Pricing Agreements (APAs)?

- (1) It is signed between a taxpayer and the central tax authority concerning the transfer pricing methodology.
- (2) In India, the APA Programme was introduced as per the provisions of the Income Tax (IT) Act.

Select the correct answer using the code given below.

- (A) 1 only
- (B) 2 only
- (C) Both 1 and 2

## EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation

(D) Neither 1 nor 2

Ans: C

**EXPLANATION:** Advance Pricing Agreements (APAs) usually is signed between a taxpayer and the central tax authority (in case of India it is CBDT) for multiple years on an appropriating transfer pricing methodology. The APA Programme was introduced in 2012 as per the provisions of the Income Tax (IT) Act, 1961. It helps in determining the price and ensuing taxes on intra-group overseas transactions. Transfer pricing is referred to the fixing of the price for goods and services sold between subsidiaries within an enterprise. The setting up of a standard price is very essential to remove any chances of manipulation done by companies to reduce their tax liability.

**QUESTION :** Equity market instruments help in financing a firm. Which of these is/are equity market instruments ?

- (1) Bonds
- (2) Shares
- (3) Debentures

Select the correct answer using the codes given below.

A) 1 and 2 only



## EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation

B) 2 only

C) 2 and 3 only

D) 1, 2 and 3

Ans: B

**QUESTION :** The government provides subsidies in various sectors. Which of the following are the effects of subsidies?

(1) It increases inflation

(2) It increases fiscal deficit

(3) It decreases export competitiveness

Select the correct answer using the codes given below.

A) 1 and 2 only

B) 2 only

C) 2 and 3 only

D) 1, 2 and 3

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**Ans: B**

**EXPLANATION:** There is no direct relation between subsidies given and inflation. It may increase inflation ( eg. subsidies on LPG helping people save more thus increasing their capacity which can cause demand pull inflation.) or decrease inflation by making accessible low cost subsidized goods. Subsidies of course increases fiscal deficit. Subsidies **INCREASES** not decreases export competitiveness of goods as it decreases their cost of production.

**QUESTION :** With reference to models of taxation at different stages of investment, consider the following statements:

- (1) The Exempt, Exempt, Exempt (EEE) model is likely to give higher returns on investment on Exempt, Exempt, Tax (EET) model.
- (2) The EET model incentivizes postponement of consumption.
- (3) EEE status is enjoyed by long term investment vehicles such as National Provident Fund (NPF).

Which of the statements given above is/are correct?

- A) 1 and 2 only
- B) 1 and 3 only
- C) 2 and 3 only

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

D) 1, 2 and 3

Ans: A

**EXPLANATION:** Taxation at withdrawal stage will disincentivise the withdrawals as people think that let the savings continue. EEE status is generally enjoyed by longterm investment vehicles, such as Public Provident Fund and Employees Provident Fund. Currently, other instruments such as equity-linked savings schemes (ELSS) and life insurance policies also enjoy the EEE status.

**QUESTION :** What is transfer pricing?

(A) The tax that both resident and non-resident Indians need to pay while transferring the shares of a company they own in some other nation to that in India.

(B) It is a tax that is levied on retrospective deals made in the transfer of a company from one nation to the other.

(C) Transfer pricing is the setting of the price for goods and services sold between controlled (or related) legal entities within an enterprise.

(D) None of the above

Ans: C

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**EXPLANATION:** Transfer pricing is the setting of the price for goods and services sold between controlled (or related) legal entities within an enterprise. Transfer pricing results in the setting of prices among divisions within an enterprise. In principle a transfer price should match either what the seller would charge an independent, arm's length customer, or what the buyer would pay an independent, arm's length supplier.

**QUESTION :** Consider the following statements about White Label ATMs:

- (1) It can be opened by any non-bank entity, and not just NBFCs.
- (2) There is a provision for compulsory establishment of such ATMs in rural areas for every such ATM established in urban/semi-urban areas.
- (3) The money in this ATM will be provided by the sponsor bank.

Choose the correct statements from the codes below:

- (A) Only 1
- (B) Only 2 and 3
- (C) All of the above
- (D) Only 2

**Ans: C**

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**QUESTION :** What is a 'withholding tax'?

- (A) Requirement to withhold a percentage of that payment of the employee and pay the amount withheld to the government as tax
- (B) Withholding payment to pay for corporate social activities
- (C) Withholding payment of the employee and pay it to finance infrastructure fund
- (D) None of the above

**Ans: A EXPLANATION:** A withholding tax, also called a retention tax, is a government requirement for the payer of an item of income to withhold or deduct tax from the payment, and pay that tax to the government.

**QUESTION :** Consider the following statements:

- (1) Liquidity trap is a situation where any decrease in the repo rates will not affect liquidity situation in the market
- (2) Crowding out means government taking the money from market leaving less space for the private institutions
- (3) Sweat shares are those shares given to the existing share holders in substitute for profit.
- (4) Initial public offer and follow up public offer both include new shares



## EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation

- (A) Only 4 is false
- (B) Only 2 is false
- (C) Only 3 is false
- (D) All are true

Ans: C

**EXPLANATION:** “Sweat equity shares” means such equity shares, which are issued by a Company to its directors or employees at a discount or for consideration, other than cash, for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

**QUESTION :** Consider the following statements:

- (1) Inflation targeting focuses on achieving price stability through monetary policy
  - (2) The newly introduced CPI (Rural) and CPI (Urban) are announced by ministry of Rural development
  - (3) Inflation discourages exports
- (A) 1 and 2 correct
  - (B) 2 and 3 correct

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

(C) 1 and 3 correct

(D) All the above

**Ans: C EXPLANATION:** The newly introduced CPI (Rural) and CPI (Urban) are announced by the Ministry of Statistics and Programme Implementation

**QUESTION :** Consider the following statements:

(1) Insider trading is a healthy practice of stock trade in India

(2) Nikkei is a market Index of South Korea

(3) Price per share multiplied by total number of shares is the market capitalization of a company

(4) Optionally convertible debentures are allowed in India

(A) Only 1 true

(B) Only 1, 2 true

(C) Only 3 true

(D) Only 3, 4 true

**Ans: C**

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**QUESTION :** Consider the following statements with reference to Domestic Systematically Important Banks (D-SIB):

- (1) These banks maintain additional capital per loan than other banks.
- (2) These banks are identified by Reserve bank of India.
- (3) State Bank of India is the only public sector D-SIB in India.

Which of the statements given above is/are correct?

- (A) 1 only
- (B) 1 and 3 only
- (C) 2 and 3 only
- (D) 1, 2 and 3

**Ans: D EXPLANATION:** D-SIBs are identified by Reserve bank of India. Currently there are two D-SIBs in India - ICICI and SBI. The D-SIB framework requires the RBI to disclose the names of banks designated as D-SIBs every year in August starting from August 2015. Banks falling in the D-SIB category need to set aside more capital per loan than their peers to prevent a contagion effect which can potentially weigh down other banks in the financial system if there is a crisis. Thus all statements are correct.



## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**QUESTION :** Which of the following functions are part of the Reserve Bank of India (RBI) acting as Banker to Banks.

- (1) Enabling banks maintain their accounts with RBI for statutory reserve requirements
- (2) Enabling settlement of interbank transfer of funds
- (3) RBI provides short term loans and advances to banks
- (4) Acting as lender of last resort

Select the correct answer using the code given below:

- (A) 1 only
- (B) 1 & 2 only
- (C) 1, 2 & 3 only
- (D) All of the above

**Ans: D**

**QUESTION :** Consider the following statements regarding FRBM Act 2003

- (1) It is applicable to Centre and State both

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- (2) It prohibits government borrowing from RBI except in few cases
- (3) It prohibits RBI from subscribing to primary issues of central government securities
- (4) It ensures transparency in fiscal operations

Select the correct answer using the code given below

- (a) 1 only
- (b) 2, & 3 only
- (c) 2, 3 & 4 only
- (d) All of the above

Ans: C

**QUESTION :** Under WTO's provision of "aggregate measure of support", which of the following input subsidies would qualify?

- (1) Support to Irrigation
- (2) Support in power
- (3) Credit support

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(4) Minimum Support Price

Choose the correct answer using the codes below:

- (A) 3 and 4 only
- (B) All of the above
- (C) 1, 3 and 4
- (D) 2 and 4 only

**Ans: B EXPLANATION:** Any support that benefits the farmer in making his produce more competitive is a form of aggregate support by the government.

**QUESTION :** Consider the following statements about Repo rate:

- (1) It is used for purpose of shortterm lending by the banks.
- (2) This rate functions as the benchmark rate for inter-bank interest rate.
- (3) It has direct impact on the nominal interest rate of banks lending.

Which of these is/are true?

- (A) 1 and 2

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

(B) 2 and 3

(C) 1 and 3

(D) All of the above

Ans: B

**EXPLANATION:** It is used for short-term borrowing purposes (not lending - RBI is the lender). It is the rate at which the RBI gives the banks a loan in the short-term after the bank side posit an equal amount of government security. Hence it has a direct impact on the bank's lending rates.

**QUESTION :** Which of the following can act as an effective limitation/restriction on Foreign Direct Investment (FDI) in to India into specific sectors?

- (1) Approval by the Foreign Investment Promotion Board(FIPB).
- (2) Restrictions on the employment of foreigners are key personnel.
- (3) Priority sector lending (PSL)requirements for foreign banks.

Choose the correct answer using the following codes:

(A) Only 1 and 2

(B) Only 2 and 3

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

(C) Only 1 and 3

(D) All of the above

**Ans: D**

**Exp :**PSL is a kind of operational restriction on the foreign firms operating in India.

**QUESTION :** Which of the following statements with respect to external debt are true?

(1) It is total amount due by the government and private sector to foreign creditors

(2) External debt of GOI is managed by ministry of finance

(3) NRI deposits are part of external debt

(4) The long term external debt of GOI is lesser than short term external debt

(A) 1 and 4 only

(B) 1, 2 and 4 only

(C) 1, 2 and 3 only

(D) None of the above

**Ans: C**

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

**QUESTION :** Select the statement which best explains the concept of 'bubble':

- (A) Manipulate price rise of an asset usually riding the expectations of novice investors.
- (B) Price rise of an asset unexplained by the fundamentals yet people showing interest to hold it.
- (C) Speculative price rise of an asset when inflation is higher and employment shows expansion.
- (D) A phase of boom in an economy with bubbles of strong fundamentals besides strong investors confidence

**Ans: B**

**QUESTION :** BOP (Balance of Payment) refers to

- (A) Transactions in the flow of capital
- (B) Transactions relating to receipts and payment of invisible
- (C) Transactions relating only to exports and imports
- (D) Systematic record of all its economic transaction with the rest of the world

**Answer: D**

The balance of payments, also known as balance of international payments and abbreviated BoP, of a country is the record of all economic transactions between the residents of the country and the rest of the world in a particular period (more commonly over a year).

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

**QUESTION :** Consider the following statements

- (1) GDR is a certificate issued by a depository bank, which purchases shares of foreign companies and deposits it on the account.
- (2) GDRs enable a company, the issuer, to access investors in capital markets outside of its home country.
- (3) Regulatory and other agencies suspect that GDR route is being used for bringing back suspected illicit funds stashed abroad.

Which of the above statements are correct?

- (A) Only 1 and 2
- (B) Only 2 and 3
- (C) Only 1
- (D) 1, 2 and 3

**Ans:** D

**EXPLANATION:** GDR is a popular financial instrument used by listed companies in India, as also in many other countries, to raise funds denominated mostly in US dollar or euros. GDRs are typically bank certificates

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

issued in more than one country for shares of a company, which are held by a foreign branch of an international bank.

**QUESTION :** Consider the following:

- (1) Increase in the tax base
- (2) Decrease in tax expenditure
- (3) Simplification of supply chain
- (4) Decrease in rate of inflation

Which among the above can be the consequences of implementing GST?

- A) 2 and 3 only
- B) 1, 3 and 4 only
- C) 1, 2 and 3 only
- D) 1, 2, 3 and 4

**Correct Answer: C**

**Explanation:** The introduction of GST (1) GST aims at simplifying the taxation system by removing the cascading effect of taxation at multiple levels. With simplification of tax process, compliance will be easy for



## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

a large number of people. The tax base is expected to increase. (2) GST aims at removing taxes at multiple levels and making trade seamless across the country, thus improving supply chain. (3) Tax expenditure is the tax forgone by the government due to exemptions. With implementation of GST the regime of exemptions is expected to come to an end there by decreasing tax expenditure, (4) Implementation of GST is said to be revenue neutral and may not have a negative impact on inflation.

**QUESTION :** Which of the following statements correctly state the contribution of Mahalanobis to the Indian Economy?

- (1) He had established the Indian Statistical Institute (ISI) in Calcutta.
- (2) He had started a journal, Sankhya, which served as forum for statisticians.
- (3) During Second Five-Year Plan, he had encouraged for the development of small- scale industry in India.

Codes:

- (A) 1 and 2
- (B) 2 and 3

## EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation

(C) Only 3

(D) All

Answer: (A)

Exp: During Second Five-Year Plan he encouraged the development of heavy industry in India.

**QUESTION :** Which of the following are the provisions in Employment Guarantee Act of Government of India?

(1) It is a legal right to employment for 100 days in a year to every household whose adult members volunteer for unskilled work.

(2) Gram Sabhas must recommend the works that are to be undertaken and at least 50% of the works must be executed by them.

(3) Wages must be paid according to the wages specified for agricultural labourers in the state under the Minimum Wages Act, 1948.

Codes:

(A) 1 and 2

(B) Only 3

(C) All

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(D) 2 and 3

**Answer: (C)**

**Exp:** National Rural Employment Guarantee Act 2005 was later renamed as the "Mahatma Gandhi National Rural Employment Guarantee Act" (or, MGNREGA), is an Indian labour law and social security measure that aims to guarantee the 'right to work'. It aims to enhance livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

The provisions of the NREGA are the following:

- Every household in the rural areas of India shall have a right to at least 100 days of guaranteed employment every year for at least one adult member, for doing casual manual labour at the rate of Rupees 60 per day;
- Only productive works shall be taken up under the Programme. The State Council shall prepare a list of permissible works as well as a list of "preferred works". The identification of preferred works shall be based on the economic, social and environmental benefits of different types of works, their contribution to social equity, and their ability to create permanent assets;
- The Programme may also provide, as far as possible, for the training and up-gradation of the skills of unskilled labourers;

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- Wages may be paid in cash or in kind or both, taking into account the guidelines and recommendations of the State Council on this matter as far as possible;
- Employment shall be provided within a radius of 5 kilometres of the village where the applicant resides at the time of applying. In cases where employment is provided outside such radius, it must be provided within the Block, and transport allowances and daily living allowances shall be paid in accordance with Programme Rules.

**QUESTION :** Which of the following are the benefits of FDI?

- (1) Create higher output and jobs.
- (2) Raise level of investment.
- (3) Upgradation of technology.
- (4) Help finance a current account deficit.
- (5) Develops human and institutional capabilities.

Codes:

- (A) 1, 2, 3 and 5
- (B) 1, 2, 3 and 4

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

(C) 2, 3, 4 and 5

(D) All

**Answer: D**

Foreign direct investment (FDI) is made into a business or a sector by an individual or a company from another country.

Benefits of FDI are:

- Capital inflows create higher output and jobs.
- Capital inflows can help finance a current account deficit.
- Long term capital inflows are more sustainable than short term portfolio inflows. e.g. in a credit crunch, banks can easily withdraw portfolio investment, but capital investment is less prone to sudden withdrawals.
- Recipient country can benefit from improved knowledge and expertise of foreign multinational.

**QUESTION :** Which of the following are the characteristic features of the cooperatives?

(1) Voluntary and open membership

(2) Working for Maximum profit

(3) Democratic management

## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

**Codes:**

- (A) 1 and 3**
- (B) 1 and 2**
- (C) 2 and 3**
- (D) All**

**Answer: A**

**Exp: Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity**

**The basic characteristics are:**

- Voluntary and Open Membership**
- Democratic Member Control**
- Member Economic Participation**
- Autonomy and Independence**
- Education, Training and Information**

## EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation

- Concern for Community

**QUESTION :** Which of the following are the features of structural adjustments in the economy done under economic reforms?

- (1) Reducing import - export restrictions.
- (2) Implementing Fiscal austerity.
- (3) Opening financial markets for foreign banks.
- (4) Revaluation of currencies to restore competitiveness.

Select correct answer from below given options:

- (A) 1, 2 and 3
- (B) 1, 2 and 4
- (C) 2, 3 and 4
- (D) All

**Answer A**

In 1991, India faced an unprecedented balance of payments crisis. Government adopted Structural adjustment policy. The SAL's objectives were twofold:

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- To help India addresses its immediate balance of payments crisis and
- To support a broad set of policy reforms aimed at liberalizing the Indian economy and opening it up to more competition both from within and abroad.

It broadly covers:

- Cutting Government Spending to reduce budget deficit. 'fiscal austerity'.
- Raising tax revenues trying to improve tax collection.
- Control of Inflation. Usually through Monetary policy (higher interest rates) and the fiscal austerity.
- Privatisation of state owned industries. This raises money, but also in theory creates greater incentives to be efficient.
- De-regulation of markets to encourage competition.
- Opening economy to free trade - removing tariff barriers which protect domestic industries.
- End food subsidies
  - Devaluation of currencies to restore competitiveness and reduce current account deficit. This leads to higher import prices.

**QUESTION :** Which of the following role is/are played by cooperatives in food and related sectors?



## **EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation**

- (1) They recreate an entire chain of production and distribution.
- (2) Provide credit and insurance, and mutual guarantees.
- (3) The cooperative societies set up shops to sell low priced goods to poor people.

Codes:

- (A) 1 and 3
- (B) Only 2
- (C) Only 1
- (D) All

**Answer: D**

**Exp:** They recreate an entire chain of production and distribution as did by AMUL in White Revolution. The cooperative societies set up shops to sell goods to the poor people at lower prices. For example Mother Dairy is providing milk and vegetables to the consumers at controlled prices.

**QUESTION :** Minimum Support Price is the pre-announced price at which the government purchases foodgrains particularly in order to create a buffer stock. Which of the following factors are taken into account while calculating MSP?

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- (1) Changes in input prices
- (2) Trends in market prices
- (3) International price situation
- (4) Implications for subsidy

**Codes:**

- (A) 1, 2 and 4
- (B) 1 and 2
- (C) 2 and 4
- (D) All

**Answer: (D)**

**Exp:** The MSP is calculated and recommended by the CACP. For the calculation of the MSP, the CACP takes into account a comprehensive view of the entire structure of the economy of a particular commodity or group of commodities. Other Factors include cost of production, changes in input prices, input-output price parity, trends in market prices, demand and supply, inter-crop price parity, effect on industrial cost structure,

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

effect on cost of living, effect on general price level, international price situation, parity between prices paid and prices received by the farmers and effect on issue prices and implications for subsidy.

Commission makes use of both micro-level data and aggregates at the level of district, state and the country.

**QUESTION :** To make tax-revenue more elastic to growth of GDP, which of the following measure was suggested by the Chelliah committee after 1990s reform?

- (A) High tax rate and narrow tax base
- (B) Higher tax rate and broad tax base
- (C) Lower tax rate and narrow tax base
- (D) Lower tax rate and broad tax base

**Answer:** (C)

**Exp:** The Committee recommended that in order to make the direct tax system more effective, it is necessary to reduce the tax rate so that there is less tax evasion and avoidance. There is also the need to narrow the spread between the lowest rate and maximum marginal rate (the rate of the highest slab). To neutralise the fall in revenue due to lowering of the rates of taxation it will be necessary to withdraw some of the tax incentives. In other words, there is need to provide minimum tax incentives.

**QUESTION :** Which of the following pair(s) is/are correct?



## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- (1) Iron ore for steel plant: fixed capital.
- (2) Trucks for a transport agency: fixed Capital.
- (3) Payment of workers' wages: working capital.
- (4) Building a shopping mall: working capital.

Codes:

- (A) 1 and 2
- (B) 2 and 3
- (C) None
- (D) All

Answer: (B)

**Exp: Fixed capital - those things which are fixed in their requirement irrespective of the amount of production. They are generally required to start the production. They don't get used up in the production.**

**Working capital-Those things which vary with respect to the amount of production. They are generally required to carry on the production on daily basis.They usually get used up in the production.**

- Iron ore for steel plant: working capital.

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- Trucks for a transport agency: fixed capital.
- Payment of workers' wages: working capital.
- Building a shopping mall: fixed capital.

**QUESTION :** Which of the following statement(s) is/are incorrect related to unorganized sector?

- (1) Factories Act, Minimum Wages Act, etc are applicable over agricultural labourers.
- (2) Unorganised sector comprises largest proportion of working population.
- (3) Job security is not available in unorganised sector.

**Codes:**

- (A) Only 1
- (B) 1 and 2
- (C) Only 3
- (D) None

**Answer: (A)**

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

Exp: Factories Act, Minimum Wages Act, etc are not applicable over agricultural labourers as they are working in unorganised sector. Unorganised sector comprises largest proportion of working population. This is a worry for government. Job security is not available in unorganised sector. Employer can hire and fire anytime.

**QUESTION :** What is the function of MSS Bonds?

- (A) It is the bond used to decrease the excessive liquidity in the economy to control inflation.
- (B) It is the bond offered to Non Residential Indians in US dollars.
- (C) It is the bond that RBI buys from Government to finance the fiscal deficit.
- (D) None of the above.

Answer: (A)

Exp: MSS bonds are result of MOU between government and RBI, given to RBI when it do not have enough bonds to suck excessive liquidity from the market. The scheme, under which these bonds are issued, is called market stabilisation scheme (MSS) and therefore, these bonds are known as MSS bonds. These are issued by Reserve Bank of India (RBI), on behalf of the government, with an expressed purpose to sterilise excess liquidity from the system.

**QUESTION :** Which of the following is/are correct statements related to Consumer Protection Act, 1986(COPRA)?

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(1) COPRA applies only to goods.

(2) District Forum is headed by a person who is qualified to be a District Judge.

Codes:

(A) Only 1

(B) 1 and 2

(C) Only 2

(D) None

Answer: (C)

Exp: It applies to both goods and services.

**QUESTION :** Which of the following are the reasons behind the huge rise of tertiary sector in India?

(1) Downfall of primary & secondary sector.

(2) Rising incomes of people.

(3) Rise of Information & Communication Technology.

(4) Government incentives.

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**Codes:**

- (A) 1, 2 and 3**
- (B) 2 and 3**
- (C) 2, 3 and 4**
- (D) All**

**Answer: C**

**Exp: Rise of primary & secondary sector created new demand for services for various purposes.**

**Rising incomes of people also created demand for tertiary sector.**

**Rise of Information & Communication**

**Technology created huge potential for growth of the tertiary sector.**

**Government provided many incentives after 1990s reform for the development of tertiary sector.**

**QUESTION :** Which of the following is/are true regarding shift in sectors of Indian economy?

- (1) Dominance of the sector has shifted from primary to secondary and then to tertiary.**



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(2) Manufacturing sector constitute the smallest proportion both in total GDP and employment as compared to other sectors.

(3) Disguised unemployment is very prominent in agricultural sector.

Codes:

(A) 1 and 2

(B) 1 and 3

(C) Only 3

(D) All

Answer: (B)

Exp: Dominance of the sector has shifted from

primary to secondary and then to tertiary as it happens in developed countries too . But in India's case the shift from secondary to tertiary has been much rapid. Agricultural sector constitute the smallest proportion in total GDP but large proportion in total employment. Disguised unemployment is very prominent in agricultural sector because large number of workers are employed compared to the required number of workers.

**QUESTION :** Which of the following statement correctly defines the term bilateral nominal exchange rate?

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

- (A) It is the ratio of foreign to domestic prices, measured in the same currency.
- (B) It is the exchange rate for one currency against another in money terms.
- (C) It means that goods cost the same in two countries when measured in the same currency.
- (D) It is the measure of a country's international competitiveness.

Answer (B)

Exp: Bilateral nominal exchange rate - bilateral in the sense that they are exchange rates for one currency against another and they are nominal because they quote the exchange rate in money terms, i.e. so many rupees per dollar or per pound.

**QUESTION :** Which of the following entities comes under the M4 measure of Money Supply?

- (1) Savings deposits with Post Office savings banks.
- (2) Net time deposits of commercial banks.
- (3) Total deposits with Post Office savings organizations.

Codes:

- (A) Only 2
- (B) 2 and 3

## EKLAVYA 360°PRELIMS PROGRAM – TEST 5 Explanation

(C) 1 and 3

(D) All

Answer: D

$M1 = CU + DD$

$M2 = M1 +$  Savings deposits with Post Office savings banks Money and Banking.

$M3 = M1 +$  Net time deposits of commercial banks.

$M4 = M3 +$  Total deposits with Post Office savings organisations (excluding National Savings Certificates).

**QUESTION :** Which of the following statement related to the PPP theory is correct?

(A) This theory makes short-term predictions about exchange rates in a flexible exchange rate system.

(B) It states that if one country has higher inflation than another, its exchange rate should be appreciating.

(C) It states that differences in the domestic inflation and foreign inflation are a major cause of adjustment in exchange rates.

(D) Both 1 and 2

Answer: C

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

The Purchasing Power Parity (PPP) theory is used to make long-run predictions about exchange rates in a flexible exchange rate system. According to the theory, as long as there are no barriers to trade like tariffs (taxes on trade) and quotas (quantitative limits on imports), exchange rates should eventually adjust so that the same product costs the same whether measured in rupees

in India, or dollars in the US, yen in Japan and so on, except for differences in transportation. According to the PPP theory, differences in the domestic inflation and foreign inflation are a major cause of adjustment in exchange rates. If one country has higher inflation than another, its exchange rate should be depreciating.

**QUESTION :** Which of the following statement related to the vault cash is correct?

- (A) It is the money that a bank keep on premises to deal with their day-to-day cash needs.
- (B) It denotes the ratio of money held by the public in currency to that they hold in bank deposits.
- (C) It reflects people's preference for liquidity.
- (D) It forms the part of Currency Deposit Ratio.

**Answer:** (A)

**Exp:** "Vault cash" is the money that a bank will keep on premises to deal with their day- to-day cash needs. Banks hold a part of the money people keep in their bank deposits as reserve money and loan out the rest

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

to various investment projects. Reserve money consists of two things - vault cash in banks and deposits of commercial banks with RBI.

**QUESTION :** Which of the following statements is/are the correct about balance of trade?

- (1) Cost of production is the factor which affect the balance of trade.
- (2) It denotes the difference between country's output and its domestic demand for imported goods.
- (3) The country's balance of payments is more important than its balance of trade.

Select the answer using below codes:

- (A) 1 and 3
- (B) 2 and 3
- (C) All
- (D) None

**Answer: C**

The cost of production (land, labor, capital, taxes, incentives, etc) in the exporting economy vis-à-vis those in the importing economy; the cost and availability of raw materials, intermediate goods and other inputs effect balance of trade. The trade balance is identical to the difference between a country's output and its domestic

## **EKLAVYA 360° PRELIMS PROGRAM – TEST 5 Explanation**

demand (the difference between what goods a country produces and how many goods it buys from abroad; this does not include money re-spent on foreign stock, nor does it factor in the concept of importing goods to produce for the domestic market).

There is no question the composition of a country's balance of payments is more important than its balance of trade. This does not make the balance of trade unsubstantial; after all, it comprises a large part of the balance of payments. But the balance of trade is only one side of the ledger, and it ignores much of what is really going on in an economy. Think of it like accounting; looking at the net balance of trade is like looking at debits but ignoring credits.

**QUESTION :** Aggregate Demand shows the relationship between Real GNP and the Price Level. Which of the following are the components of aggregate demand?

- (1) Consumption
- (2) Investment
- (3) Government Spending
- (4) Net Exports and Imports

Codes:

- (A) 1, 2 and 3



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(B) 2, 3 and 4

(C) 1 and 4

(D) All

Answer: a

There are four components of Aggregate Demand (AD); Consumption (C), Investment (I), Government Spending (G) and Net Exports (X-M). Aggregate Demand shows the relationship between Real GNP and the Price Level.

**QUESTION :** Which of the following statements related to Nominal Effective Exchange Rate (NEER) is/ are correct?

(1) It is an indicator of a country's international competitiveness in terms of the foreign exchange (forex) market.

(2) It helps in analyzing the anti-dumping duties to be placed on the foreign goods.

(3) NEER appreciates if domestic currency increases against a basket of other currencies inside a floating exchange rate regime.

Codes:

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- (A) 1 and 2
- (B) 1 and 3
- (C) Only 3
- (D) All

Answer: (B)

Exp: The nominal effective exchange rate (NEER) is an unadjusted weighted average rate at which one country's currency exchanges for a basket of multiple foreign currencies. In economics, the NEER is an indicator of a country's international competitiveness in terms of the foreign exchange (forex) market. Forex traders sometimes refer to the NEER as the trade- weighted currency index.

**QUESTION :** Which of the following is/are true about SLR and CRR?

- (1) SLR and CRR are the instruments used by RBI to change the money supply in the economy.
- (2) CRR is the fraction of the net time and demand liabilities which bank has to keep with them in liquid form.
- (3) SLR is the fraction of their deposits which banks have to keep with the RBI.

Codes:



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- (A) Only 1
- (B) 1 and 2
- (C) Only 3
- (D) All

Answer: (A)

Exp: SLR and CRR are the monetary tools in the hand of RBI. RBI uses them to change the money supply. Increasing these two will decrease the money supply and vice-a- versa. SLR is the fraction of the net time and demand liabilities which bank has to keep with them in liquid form. Presently it is around 24%. CRR is the fraction of their deposits which banks have to keep with the RBI. Presently it is around 4%.

**QUESTION :** An individual may hold her wealth in the form of landed property, bullion, bonds, money etc. Hence speculative demand for money depends on which of the following entity?

- (A) Inversely related to the rate of interest.
- (B) Directly related to the rate of interest.
- (C) Inversely related to the money supply.
- (D) Directly related to the money supply.

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**Answer: (A)**

**Exp:** When the interest rate is very high everyone expects it to fall in future and hence anticipates capital gains from bond- holding. Hence people convert their money into bonds. Thus, speculative demand for money is low. When interest rate comes down, more and more people expect it to rise in the future and anticipate capital loss. Thus they convert their bonds into money giving rise to a high speculative demand for money. Hence speculative demand for money is inversely related to the rate of interest.

**QUESTION :** An investor who provides financial backing to entrepreneurs for 'starting their business' is known as which of the following?

- (A) Angel investor.**
- (B) Foreign financial investors**
- (C) Qualified foreign investors (QFIs)**
- (D) Venture investor.**

**Answer: (A)**

**Exp:** Angel investor is an investor who provides financial backing to entrepreneurs for 'starting their business'. Angel investors are usually found among an entrepreneur's family and friends but they may be from outside also. The capital they provide can be a one-time injection of seed money or ongoing support to carry the

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company through difficult times - in exchange they may like owning share in the business or provide capital as loan (in case of a loan they lend at more favorable terms than other lenders, as they are usually investing in the person rather than the viability of the business).

**QUESTION :** Which of the following statements related to the monetary terms is/are correct?

- (1) Money multiplier is the ratio of the stock of money to the stock of high powered money.
- (2) High powered money is the sum of the currency held by the public and reserves held by financial institutions with the Reserve Banks.
- (3) The value of fiat money is derived from the relationship between supply and demand rather than the value of the material that the money is made of.

**Codes:**

- (A) 1 and 2
- (B) Only 3
- (C) 2 and 3
- (D) All

**Answer: (D)**