



PRELIMS MISSION TEST-13 (09-03-2024)

EXPLANATION

1. Consider the following statements about demand and supply of currency in an economy

1. Keynesian theory explain the relationship between interest rates and money supply
2. As the interest rate increases, demand for money also increases proportionally
3. Cash followed by gold are the most liquid form of wealth demanded by the public

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) None

Ans: a(Only one)

Statement 1 is correct: In 1930, Keynes published A Treatise on Money, in which he described the velocity of circulation is expressed as a function of rate of interest. He interpreted his treatment of liquidity as implying a purely monetary theory of interest

Statement 2 is incorrect: The demand for money tells us what makes people desire a certain amount of money. Since money is required to conduct transactions, the value of transactions will determine the money people will want to keep: the larger the quantum of transactions to be made, the larger the quantity of money demanded. Since the quantum of transactions to be made depends on income, it should be clear that a rise in income will lead to a rise in demand for money. Also, when people keep their savings in the form of money rather than putting it in a bank that gives them interest, how much money people keep also depends on the rate of interest. Specifically, when interest rates go up, people become less interested in holding money since holding money amounts to holding less interest-earning deposits, and thus less interest received. Therefore, at higher interest rates, money demanded comes down and hence it creates the inverse relationship rather than the proportionate one.

Statement 3 is incorrect: Liquidity means how quickly you can get your hands on your cash. In simpler terms, liquidity is to get your money whenever you need it. Wealth is the abundance of valuable financial assets or physical possessions which can be converted into a form that can be used for transactions. Cash is the most liquid asset

followed by cash equivalents, which are things like money markets, Certificates of Deposits, or time deposits. Marketable securities such as stocks and bonds listed on exchanges are often very liquid and can be sold quickly via a broker. Gold coins and certain collectibles may also be readily sold for cash. While gold is more liquid than some assets (such as real estate, art, and motor vehicles), it is less liquid than money in a bank account or cash

2. Consider the following statements about Economic Census

1. Currently, the Economic Census in India is the seventh in the series, starting from 1977
2. Economic Census in India is the complete count of all establishments located within the geographical boundary of India
3. The Economic Census in India is conducted by the Department of Economic Affairs under the Ministry of Finance
4. The national Economic Census in India is conducted every five years

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Statement 1 is correct: The first Economic Census was undertaken in 1977. The Second Economic Census was carried out in 1980, followed by the Third EC in 1990. The fourth edition took place in 1998, while the fifth EC was held in 2005. The Sixth edition of the Economic Census was conducted in 2013. The Seventh Economic Census (7th EC) is scheduled to be conducted in 2019, but due to Covid-19 Pandemic, it has been extended.

Statement 2 is correct: Economic Census also provides valuable insight into geographical spread/clusters of economic activities, ownership patterns, persons engaged, etc., of all economic establishments in the country. Economic Census is the complete count of all establishments located within the geographical boundary of India.

Statement 3 is incorrect: Economic Censuses (EC) have been conducted by the Union Ministry of



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Statistics and Program Implementation. In the current Economic Census, MoSPI has partnered with CSC e-Governance Services India Limited, a Special Purpose Vehicle under the Ministry of Electronics and Information Technology, as the implementing agency for the 7th EC.

Statement 4 is correct: The national economic census is conducted every five years and is crucial for framing policies and planning for the government and other organizations.

3. Consider the following about GST

1. Petroleum crude
2. High Speed Diesel
3. Compressed Natural Gas
4. LPG-Domestic
5. Kerosene

How many items mentioned above are outside the ambit of GST?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) Only four

Ans: c (Only three)

Explanation: Goods and Services Tax (GST) is an indirect tax used in India on the supply of goods and services. It is a comprehensive, multistage, destination-based tax: comprehensive because it has subsumed almost all the indirect taxes except a few state taxes.

The items which are outside the ambit of GST are:

- Alcoholic Liquor
- Electricity
- Petroleum products (Petroleum Products such as petroleum crude, motor spirit (petrol),
- High speed diesel
- Natural gas and aviation turbine fuel.

However, the taxes for these products will be charged as per the structure before the introduction of GST.

The Products which are under the ambit of GST:

- Kerosene (5%)
- LPG (both domestic (5%) and non-domestic (commercial liquefied LPG grades (18%))

4. Consider the following statements about reserve funds of state governments

1. Consolidated Sinking Fund (CSF) is an amortisation fund created to meet repayment obligations of the State Government.
2. Guarantee Redemption Fund (GRF) is being provided to State Governments by RBI against the collateral of their investments in marketable securities.
3. CSF and GRF are reserve funds maintained by State Governments with the Reserve Bank of India.
4. Special Drawing Facility is being provided by RBI to states upon the central government guarantees

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Statement 1 is correct: The Reserve Bank of India (RBI) manages two reserve funds on behalf of State Governments to meet their contingent liabilities;

- Consolidated Sinking Fund (CSF)
- Guarantee Redemption Fund (GRF)

CSF is a reserve fund created to meet the repayment obligations of the Government. The interest accrued and accumulated in the Fund is utilized towards the redemption of outstanding liabilities of the Government.

Statement 2 is incorrect: The State Governments constitute GRF to meet their obligations arising from guarantees issued on behalf of State level bodies. Collected Funds can be utilized only for payment of guarantees issued by the Government in respect of bonds issued/ other borrowings by their State level undertakings/ other bodies.

Statement 3 is correct: Both CSF and GRF are maintained by the state government with RBI

Statement 4 is incorrect: Whereas a Special Drawing Facility (SDF) is being provided to State Government by RBI against the collateral of their investment in marketable securities issued by the Government of India. In 2005, Bezbaruah Committee



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recommended the usage of CSF and GRF as collateral for SDF.

5. Consider the following statements about Inflation targeting in India

1. Monetary Policy Committee was created in 2016 based on the recommendation of Urjit Patel Committee recommendations through an executive order
2. The inflation target in India is set by the Central Government in consultation with the RBI.
3. The inflation target in India is set at 4%, with an upper tolerance limit of 6% and a lower tolerance limit of 2%
4. Financial Markets Operation Department of RBI implements the decision of Monetary Policy Committee

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Statement 1 is incorrect: The Reserve Bank of India Act, 1934 (RBI Act) has been amended by the Finance Act, 2016, to provide for a statutory and institutionalised framework for a Monetary Policy Committee, for maintaining price stability, while keeping in mind the objective of growth based on the recommendations of Urjit Patel committee recommendations.

Statement 2 is correct: According to RBI Act of 1934, the Central Government, in consultation with the RBI, determines the inflation target in terms of the Consumer Price Index (CPI), once in every five years.

Statement 3 is correct: The Monetary Policy Committee determines the Policy Rate (Repo Rate) required to achieve the inflation target. The decision of the Monetary Policy Committee shall be binding on the RBI. The current Inflation targets fixed are

- Inflation Target: Four per cent.
- Upper tolerance level: Six per cent.
- Lower tolerance level: Two per cent.

If the average inflation is more than the upper tolerance level of 4% + 2%, that is, 6%, or less than

the lower tolerance level of 4% – 2%, that is 2%, for any three consecutive quarters, it would mean a failure to achieve the inflation target. Where RBI fails to meet the inflation target, in terms of the provisions of RBI Act, it shall set out a report to the Central Government stating the reasons for failure to achieve the inflation target.

Statement 4 is correct: The Reserve Bank's Monetary Policy Department (MPD) assists the MPC in formulating the monetary policy. Views of key stakeholders in the economy, and analytical work of the Reserve Bank contribute to the process for arriving at the decision on the policy repo rate. The Financial Markets Operations Department (FMOD) operationalises the monetary policy, mainly through day-to-day liquidity management operations. The Financial Markets Committee (FMC) meets daily to review the liquidity conditions so as to ensure that the operating target of monetary policy (weighted average lending rate) is kept close to the policy repo rate. Monetary Policy Committee came into force on 27 June 2016.

6. Consider the following statements about Crypto currencies

1. Crypto currencies are decentralized systems, anonymous, borderless and authenticated by consensus.
2. Crypto whales are individuals or entities that help in illegal transactions through crypto currencies.
3. Crypto currencies do not have any intrinsic value
4. Central bank digital currencies are free from market volatilities

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Statement 1 is correct: Cryptocurrency is a digital currency secured by cryptography and can be used as a form of payment. It is supported by a decentralized peer-to-peer network called the blockchain.



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According to the Reserve Bank of India (RBI), the defining characteristics of cryptocurrencies are:

- Cryptocurrencies are decentralized systems where transactions are authenticated by participants themselves by consensus. They are designed to bypass the financial system and all its controls. They cannot be traced or confiscated or frozen by Governments.
- They are anonymous – transactions are verified, but not the purposes or counterparties of transactions.
- They are borderless – they work over the internet without physical existence.

Statement 2 is incorrect: The cryptocurrency whale, more commonly called a "crypto whale" or just a "whale," is a cryptocurrency community term that refers to individuals or entities that hold large amounts of cryptocurrency. Whales hold enough cryptocurrency that they have the potential to manipulate currency valuations. Achieving whale status in the cryptocurrency space is subjective. In most cases, the community seems to agree that a large percentage of the available coins make an account a whale. In general, whales seem to account for more than 10% of the total number of a specific cryptocurrency.

Statement 3 is correct: It does not have intrinsic value because it is not accepted as a medium of exchange. So, cryptocurrency is a financial asset, not a currency, and they are not an instrument of debt or commodities nor an issuer.

Statement 4 is incorrect: Central Bank digital curries is still be subject to market forces and volatility just like any other currency because it is other form of fiat currency which centrally regulated by central banks.

7. Which of the following is not correct about the Capital Expenditure of the budget of the Government of India?

- (a) While interest payments are not a part of capital expenditure, the loans given by the central government are a part of it
- (b) While capital expenditure is usually associated with the creation of assets, it may

sometimes result in the creation of liability also.

- (c) The money spent on building infrastructures such as roads, railways and airports is part of the capital expenditure.
- (d) Capital expenditure is expected to have a greater multiplier effect on the economy than revenue expenditure

Ans: b (While capital expenditure is usually associated with the creation of assets, it may sometimes result in the creation of liability also)

Explanation: Capital expenditure leads to the Creation of assets and allows the economy to generate revenue for many years by adding or improving production facilities and boosting operational efficiency. Along with the Creation of assets, Loan repayment is also capital expenditure, as it reduces liability. Capital Expenditure always leads to the Creation of Assets or reduction of liabilities, as it does not create any liability.

Capital Expenditures of the Government result in the Creation of physical or financial assets or a reduction in financial liabilities, whereas Loans given by the Central Government to state government are called capital expenditures. Capital payments consist of capital expenditure on

- The acquisition of assets like land, buildings, machinery, and equipment,
- Investments in shares, loans
- Creation of assets like schools, colleges, hospitals, roads, bridges, dams, railway lines, airports and seaports
- The Central Government grants advance to state and union territory governments, government companies, corporations and other parties.

8. Consider the following statements about Scheme on Remission of Duties and Taxes on Exported Products (RoDTEP)

1. Remission of Duties and Taxes on Exported Products (RoDTEP) scheme was recently launched by the Ministry of Finance.
2. RoDTEP is a WTO compliant scheme to refund duties and taxes for exporting goods and services.



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3. Electricity duty on purchase of electricity is refunded under this scheme
4. Percentage of Freight on Board (FoB) value is used to determine the amount of refunds

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Statement 1 is incorrect: RoDTEP (Refund of Duties and Taxes on Exported Products) is a flagship export promotion scheme of the Commerce Ministry of India (Not Ministry of finance). It replaced the existing MEIS (Merchandise Exports for India Scheme) incentive scheme for exporters. RoDTEP is going to give a boost to Indian exports by providing a level playing field to domestic industry abroad.

Statement 2 is correct: It is a WTO compliant Scheme and follows the global principle that the taxes/duties should not be exported; they should be either exempted or remitted to exporters, to make the goods competitive in the global market and Duties/taxes/ levies, at the Central, State & local level, borne on the exported product, including prior stage cumulative indirect taxes on goods & services used in the production of the exported product. It has been made effective for the exports from 1st January 2021.

Statement 3 is correct: Taxes to be compensated:

- VAT and Excise duty on the fuel used in self-incurred transportation costs
- On the fuel used in the generation of electricity via power plants or DG Sets
- On the fuel used in running of machinery/plant
- Electricity duty on the purchase of electricity
- Mandi Tax/ Municipal Taxes/ Property Taxes
- Stamp duty on export documents

Statement 4 is correct: RoDTEP support will be available to eligible exporters at a notified rate as a percentage of Freight On Board (FOB) value. Rebates on certain export products will also be subject to a value cap per unit of the exported product.

9. Consider the following statements about Prompt Corrective Action Framework (PCA) of RBI

1. RBI triggers Prompt Corrective Action (PCA) when a bank's Return on Assets becomes less than 0.25%.
2. Prompt Corrective Action applies only to commercial banks and certain NBFCs
3. The PCA framework will impose restrictions only on the expansion of a bank's high riskweighted assets
4. RBI can supersede the board of governors under PCA framework

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Statement 1 is incorrect: RBI triggers the Prompt Corrective Action when banks breach certain regulatory requirements like minimum capital, return on asset, and quantum of non-performing assets. The process or mechanism under which such actions are taken is known as Prompt Corrective Action or PCA. The trigger points are:

- Capital to Risk-weighted Assets Ratio
- Non-Performing Assets of the bank (NPA)
- Leverage or Total debt level
- Profitability - Return on Assets.

According to RBI's new guidelines, Capital, Asset quality, and Leverage will be the three key areas for monitoring in the revised framework. RBI removes Profitability as the criteria for the regulations under PCA.

Statement 2 is correct: Reserve Bank of India introduced a PCA for Scheduled Commercial Banks in 2002 and the same has been reviewed from time to time based on the experience gained and developments in the banking system. As NBFCs have been growing in size and have substantial interconnectedness with other segments of the financial system in 2021, RBI decided to put in place a PCA Framework for NBFCs to further strengthen the supervisory tools applicable to NBFCs. It will be applicable for all deposit-taking NBFCs — excluding government NBFCs, primary dealers, and housing



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finance companies — and other non-deposit-taking NBFCs in the middle, upper, and top layers.

Statement 3 is incorrect: The mandatory actions that will be taken by the RBI if PCA is imposed on the banks are:

- Submission and implementation of the capital restoration plan
- Restriction on the expansion of risk-weighted assets
- Restriction on entry into new lines of business
- Paying off costly deposits and CDs
- Reduction/suspension of dividend payment

Statement 4 is correct: In governance-related actions, the RBI can supersede the board under Section 36ACA of the Banking Regulation (BR) Act, 1949.

10. The total money supply in an economy includes which of the following?

1. Deposits of households in banks with a maturity greater than one year
2. Borrowings of banks from Non-Depository Financial Institutions
3. Banker's deposits with RBI
4. Other deposits with RBI

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Explanation: Money supply refers to the total quantity of money held by public in various forms at any point of time in an economy. The main components of money supply are currency held by the public and net-demand deposits held by the commercial banks. It is measured in 5 ways such as M1, M2, M3, M4 and M0. The RBI takes into account the M3 measure of money supply for macroeconomic policy formulation. Hence the Total money Supply in the Economy is the components of M3 measure.

M3 = Currency (notes and coins) with the public + Demand deposits + other deposits held with the Reserve Bank of India + Time deposits of all commercial banks and co operative banks.

The M3 measure of money supply doesn't include Banker's deposit with RBI.

M1 = Currency (notes and coins) with the public + Demand deposits + other deposits held with the Reserve Bank of India.

M2 = M1 + Post Office saving deposits.

M3 = M1 + Time deposits of all commercial banks and co-operative banks

M4 = M3 + Total deposits with the Post Office Saving Organisation

- M1 is referred to as narrow measure and M3 the broader measure of money supply.
- M1 is most liquid whereas M4 is least liquid

11. Which of the following can result in the depreciation of the domestic currency in comparison to foreign currency?

1. Excess of imports over exports
2. Excess inflow of Foreign Direct Investment
3. Excess outflow of Foreign Portfolio Investment
4. Signing currency swap agreements with countries that have large foreign currency reserves

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Statement 1 is correct: Excess imports over exports may lead to a trade deficit that has the opposite effect on currency exchange rates; domestic currency demand in international trade is lowered. Lower demand for the currency in the international market will decrease its value leading to the depreciation of the domestic currency.

Statement 2 is incorrect: The inflow of Foreign Direct Investment increases when the domestic currency is under depreciation due to the lower cost of capital and reduced production cost. An increase in FDI will increase the demand for domestic currency and raise its exchange rate leading to an appreciation of the domestic currency.

Statement 3 is correct: The excess outflow of Foreign Portfolio Investment will weaken the value



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of the domestic currency as investors pull out the money from the economy leading to the depreciation of the domestic currency.

Statement 4 is incorrect: The signing of currency swap agreements between two countries is to hedge the exchange rate risk that may arise over a period of time, so this will not affect the value of the domestic currency, as the countries have agreed in advance to pay the principal amount and interest rate in predetermined rates.

12. Consider the following statements about GDP Deflator

1. It is the ratio of the nominal GDP to the real GDP.
2. The weights of goods used in calculating GDP deflator differ according to their production level.
3. Changes in consumption pattern are easily reflected in GDP Deflator

Which of the statements given above are correct?

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

Ans: d (1, 2 and 3)

Statement 1 is correct: The Gross Domestic Product (GDP) deflator is a measure of general price inflation. It is calculated by dividing nominal GDP by real GDP and then multiplying by 100. Therefore, it is a ratio of nominal GDP to the real GDP.

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

Nominal GDP is the market value of goods and services produced in an economy, unadjusted for inflation (It is the GDP measured at current prices). Real GDP is nominal GDP, adjusted for inflation to reflect changes in real output (It is the GDP measured at constant prices). Therefore, it indicates the change in prices of commodities from the base year to the current year.

Statement 2 is correct: GDP deflator reflects the prices of all domestically produced goods and services in the economy whereas, other measures like CPI and WPI are based on a limited basket of goods and services, thereby not representing the entire economy (the basket of goods is changed to

accommodate changes in consumption patterns, but after a considerable period of time).

CPI and WPI may differ from GDP deflators because

- The goods purchased by consumers do not represent all the goods that are produced in a country. GDP deflator takes into account all such goods and services.
- CPI includes prices of goods consumed by the representative consumer, hence it includes prices of imported goods. GDP deflator does not include prices of imported goods.
- The weights are constant in CPI – but they differ according to the production level of each good in the GDP deflator.

Statement 3 is correct: Changes in consumption patterns or the introduction of new goods and services or structural transformation are automatically reflected in the deflator which is not the case with other inflation measures because in GDP deflator changes of production level are reflected immediately.

13. Which of the following statements about the calculation of Gross Domestic Product (GDP), is not correct?

- (a) The GDP measures the aggregate production of final goods and services taking place within the domestic territory
- (b) It does not take into account the aggregate production of final goods and services produced by foreign national within the domestic territory
- (c) In GDP calculation, negative externalities are not taken into account.
- (d) In GDP calculation, the aggregate production of final goods produced by Indian citizen in the foreign territory is not included.

Ans: b (It does not take into account the aggregate production of final goods and services produced by foreign national within the domestic territory)

Explanation: The GDP measures the aggregate production of final goods and services taking place within the domestic economy. It refers to total market value of all the final goods and services produced in an economy in a given period of time. For India, this time period is from 1st April to 31st March.



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This means it measures the value of **final goods and services produced within a geographic boundary regardless of the nationality of the individual or firm**. Therefore, goods and services produced by a foreign national within the territory of India, is also calculated in GDP.

In GDP, only the final output of such goods and services are included. The rule that only finished or final goods must be counted is necessary to avoid double or triple counting of raw materials, intermediate products, and final products. For example, the value of automobiles already includes the value of the steel, glass, rubber, and other components that have been used to make them.

As the GDP takes into account only the goods and services produced within the domestic territory, the goods and services produced by Indian citizens in foreign territory is not included.

GDP does not take into account externalities such as pollution from refinery of crude oil. Externalities refer to the benefits (or harms) a firm or individual causes to another for which they are not paid (or penalized).

14. Consider the following pairs about World Bank Group

Institution	Objective
International Financial Corporation	Reduce poverty by providing zero to low-interest loans.
International Development Association	Encourage growth of the private sector in developing countries.
Multilateral Investment Guarantee Agency	Promote foreign direct investment into developing countries.
International bank for Reconstruction and Development	Promotes the Sustainable Development of Economies

How many pairs given above are correctly matched?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Pair 1 is incorrectly matched: International Finance Corporation (IFC): IFC, a member of the World Bank Group, advances economic development and improves the lives of people by encouraging the growth of the private sector in developing countries.

Pair 2 is incorrectly matched: International Development Association (IDA): It is the part of the World Bank that helps the world's poorest countries. Established in 1960, IDA aims to reduce poverty by providing zero to low-interest loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.

Pair 3 is correctly matched: Multilateral Investment Guarantee Agency (MIGA): MIGA's goal is to promote foreign direct investment into developing countries to support growth.

Pair 4 is correctly matched: International Bank for Reconstruction and Development (IBRD): The world's largest development bank, IBRD provides financial products and policy advice to help countries reduce poverty and extend the benefits of sustainable growth to all of their people

15. While calculating the Gross Domestic Product (GDP) by expenditure method, which of the following factors are taken into account?

- 1. Final household consumption expenditure
- 2. Expenditure on intermediate goods
- 3. Final Capital expenditure
- 4. Government expenditure on welfare schemes

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Explanation: The expenditure method is a system for calculating gross domestic product (GDP) that combines consumption, investment, government spending, and net exports. It is the most common way to estimate GDP. In an economy, there are three main agencies, which buy goods and services. These are: Households, Firms, and the Government.

It says everything that the private sector, including consumers and private firms, and government spend



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within the borders of a particular country, must add up to the total value of all finished goods and services produced over a certain period of time.

This final expenditure is made up of the sum of 4 expenditure items, i.e $GDP = C + I + G + X - M$

Consumption (C): Personal Consumption made by households, the payment of which is paid by households directly to the firms which produced the goods and services desired by the households.

Investment Expenditure (I): Investment is an addition to the capital stock of an economy in a given time period. It includes capital expenditures by firms on assets, such as equipment, production facilities, and plants. It is to be noted that final investment includes investment on capital goods and not on intermediate goods.

Government Expenditure (G): It represents expenditures by the government on defense and nondefense goods and services, such as weaponry, health care, and education.

Government expenditure on pension schemes, scholarships, unemployment allowances etc. are not included in this as all of them come under transfer payments.

Net Exports (X-IM): Expenditure on foreign-made products (Imports) are expenditure that escapes the system, and must be subtracted from total expenditures. In turn, goods produced by domestic firms which are demanded by foreign economies involve expenditure by other economies on our production (Exports), and are included in total expenditure. The combination of the two gives us Net Exports.

16. In the context of "Deficit" in the Annual Financial Statement, consider the following statements

1. Effective Revenue Deficit signifies that amount of capital receipts that are being used for actual consumption expenditure of the government
2. Gross Primary Deficit refers to the difference between the Gross fiscal deficit and the Net interest liabilities

Which of the statements given above are correct?

- (a) Only 1
- (b) Only 2
- (c) Both 1 and 2

(d) Neither 1 nor 2

Ans: c (Both 1 and 2)

Statement 1 is correct: Effective Revenue deficit is a term introduced in the Union Budget 2011-12. While revenue deficit is the difference between revenue receipts and revenue expenditure, the present accounting system includes all grants from the Union Government to the state governments/Union territories/other bodies as revenue expenditure, even if they are used to create assets. Such assets created by the sub-national governments/bodies are owned by them and not by the Union Government. Nevertheless, they do result in the creation of durable assets; an effective revenue deficit excludes those revenue expenditures (or transfers) in the form of grants for the creation of capital assets. In short, Effective Revenue Deficit is the difference between revenue deficit and grants for the creation of capital assets. Effective Revenue Deficit signifies that amount of capital receipts that are being used for actual consumption expenditure of the Government.

Statement 2 is correct: Primary deficit is the difference between the fiscal deficit and the interest payment of the previous year. It indicates how much the government requires to borrow for purposes other than interest payment. Gross Primary Deficit is Gross Fiscal Deficit minus Net interest liabilities. Net Primary Deficit is Net Fiscal Deficit minus net interest payments. The net interest payment is interest paid minus interest receipt. A shrinking primary deficit indicates progress towards fiscal health.

17. Consider the following statements about IMF's Special Drawing Rights (SDR)

1. SDR is the official currency of the International Monetary Fund (IMF)
2. Value of the SDR is based on a basket of four currencies.
3. SDRs can be held by private entities or individuals.
4. The value of the SDR is determined daily based on market exchange rates.

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three



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(d) All four

Ans: a (Only one)

Statement 1 is incorrect: Special Drawing Rights (SDR) is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. To date, a total of SDR 660.7 billion (equivalent to about US\$943 billion) have been allocated. The SDR serves as the unit of account of the IMF and other international organizations. The SDR is neither a currency nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for these currencies

Statement 2 is incorrect: The value of the SDR is based on a basket of five currencies—the U.S. dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling. Currencies included in the SDR basket have to meet two criteria: the export criterion and the freely usable criterion.

Statement 3 is incorrect: The IMF has the authority to prescribe other holders of SDRs, nonmembers, member countries that are not SDR Department Participants. SDRs cannot be held by private entities or individuals.

Statement 4 is correct: The SDR value in terms of the U.S. dollar is determined daily based on the spot exchange rates observed at around noon London time.

18. Consider the following statements about Fiscal Responsibility and Budget Management (FRBM) Act

1. The FRBM Act bans the purchase of primary issues of the Central Government securities by the RBI.
2. The rules under the FRBM Act aim to eliminate the fiscal deficit of the Central Government
3. Medium Term Expenditure Framework Statement is one of the document needs to be submitted along with budget every year by the government
4. Central government may notify the exceptional grounds to deviate from the stated targets

How many statements given above are correct?

- (a) Only one
- (b) Only two

(c) Only three

(d) All four

Ans: c (Only three)

Statement 1 is correct: The Act prohibits borrowing by the government from the Reserve Bank of India, thereby, making monetary policy independent of fiscal policy. The Act bans the purchase of primary issues of the Central Government securities by the RBI after 2006, preventing monetization of government deficit.

Statement 2 is incorrect: FRBM Act provides a legal institutional framework for fiscal consolidation. It is now mandatory for the Central government to take measures to reduce the fiscal deficit, eliminate revenue deficit and generate revenue surplus in the subsequent years. The Act binds not only the present government but also the future Government to adhere to the path of fiscal consolidation.

Statement 3 is correct: 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. Through Finance Act 2012, amendments were made to the Fiscal Responsibility and Budget Management Act, 2003 through which it was decided that in addition to the existing three documents, the Central Government shall lay another document - the Medium Term Expenditure Framework Statement (MTEF) - before both Houses of Parliament in the Session immediately following the Session of Parliament in which Medium-Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and Macroeconomic Framework Statement are laid.

Statement 4 is correct: The Government can move away from the path of fiscal consolidation only in case of natural calamity, national security and other exceptional grounds that Central Government may specify.

19. Consider the following statements about Currency Deposit Ratio (CDR)

1. It is the ratio of money held by the public in currency to that they hold in bank deposits.
2. It reflects people's preference for liquidity.

How many statements given above are correct?



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

Ans: c (Both 1 and 2)

Statement 1 is correct: The currency deposit ratio (cdr) is the ratio of money held by the public in currency to that they hold in bank deposits. $cdr = CU/DD$. If a person gets Re 1 she will put Rs $1/(1 + cdr)$ in her bank account and keep Rs $cdr/(1 + cdr)$ in cash.

Statement 2 is correct: It reflects people's preference for liquidity. It is a purely behavioural parameter that depends, among other things, on the seasonal pattern of expenditure. For example, cdr increases during the festive season as people convert deposits to cash balance for meeting extra expenditures during such periods.

20. Consider the following statements about the components of Internal debt of India

1. Securities issued to international financial institutions
2. Dated Securities
3. Market Stabilization Scheme bonds
4. NRI deposits

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Explanation: Public Debt in India includes only Internal and External Debt incurred by the Central Government. Internal Debt includes liabilities incurred by resident units in the Indian economy to other resident units, while External Debt includes liabilities incurred by residents to non-residents.

The major instruments covered under Internal Debt are as follows:

Dated Securities: Primarily fixed coupon securities of short, medium and long-term maturity which have a specified redemption date. These are the single most important component of financing the fiscal deficit of the Central Government (around 91 % in 2010-11) with an average maturity of around 10 years.

Treasury-Bills: Zero-coupon securities that are issued at a discount and redeemed in face value at maturity. These are issued to address short term receipt-expenditure mismatches under the auction program of the Government. These are primarily issued in three tenors, 91,182 and 364 days.

Securities issued to International Financial Institutions: Securities issued to institutions viz. IMF, IBRD, IDA, ADB, IFAD etc. for India's contributions to these institutions etc.

Securities issued against 'Small Savings': All deposits under small savings schemes are credited to the National Small Savings Fund (NSSF). The balance in the NSSF (net of withdrawals) is invested in special Government securities.

Market Stabilization Scheme (MSS) Bonds: Governed by a MoU between the GoI and the RBI, MSS was created to assist the RBI in managing its sterilization operations. GoI borrows under this scheme from the RBI, while proceeds from such borrowings are maintained in a separate cash account with the latter and is used only for redemption of T-bills /dated securities raised under this scheme.

Gross External Debt, is defined as the outstanding amount of those actual current liabilities, that require payment(s) of principal and/or interest by the debtor, in the future as per the terms laid out in the contract between the debtor and the creditor and that are owed to non-residents by the residents of the economy.

In India, (Gross) External Debt is classified primarily into Long term and Short term:

Long-Term debt is further classified into (a) Multilateral Debt (b) Bilateral Debt (c) 'IMF' signifying SDR allocations to India by the IMF (c) Export Credit (d) External Commercial Borrowings (e) NRI Deposits and (d) Rupee Debt.

Short Term Debt is classified into (a) Trade Credits (of up to 6 months and above 6 months and up to 1 year) (b) Foreign Institutional Investors' (FII) Investment in Government Treasury-Bills and Corporate Securities (c) Investment in Treasury-bills by foreign Central Banks and International Institutions etc. and (iv) External Debt liabilities of the Central Bank and Commercial Banks



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21. Consider the following statements about Subsidies under the WTO's Agreement on Agriculture

1. Under WTO, Green Box subsidies can be increased without any financial limitation.
2. Subsidies provided under India's Public Distribution System (PDS) come under Green Box Subsidies
3. PM Kisan Samman Nidhi will fall under Amber box subsidy
4. At present there is no limit on the value of Blue Box subsidies

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Statement 1 is incorrect: Green Box: The green box is defined in Annex 2 of the Agriculture Agreement. In order to qualify, green box subsidies must not distort trade, or at most cause minimal distortion. They have to be governmentfunded (not by charging consumers higher prices) and must not involve price support. They tend to be programmes that are not targeted at particular products, and include direct income supports for farmers that are not related to (are "decoupled" from) current production levels or prices. They also include environmental protection and regional development programmes. Green box" subsidies are therefore allowed without limits, provided they comply with the policyspecific criteria.

Statement 2 is incorrect: India's Public distribution system does not come under the Green Box.

Statement 3 is incorrect: Amber Box: Nearly all domestic support measures considered to distort production and trade (with some exceptions) fall into the amber box. These include measures to support prices, or subsidies directly related to production quantities. Since PM Kisan Samman Nidhi is not directly providing any support to farmer in production of crops, this scheme will not fall under Amber box.

Statement 4 is correct: Blue Box: This is the "amber box with conditions" — conditions designed to reduce distortion. Any support that would normally be in the amber box, is placed in the blue box if the

support also requires farmers to limit production. At present there are no limits on spending on blue box subsidies

22. Consider the following statements about Marginal Standing Facility (MSF) and Statutory Liquidity Ratio (SLR)

1. MSF refers to the rate at which the scheduled banks can borrow funds overnight from RBI against government securities
2. SLR is a tool for controlling liquidity in the domestic market via manipulating bank credit.
3. MSF is always fixed above the repo rate.
4. The upper limit of SLR under the Banking Regulation Act is 40%

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: d (All four)

Statement 1 is correct: Marginal Standing Facility: Marginal Standing Facility (MSF) rate refers to the rate at which the scheduled banks can borrow funds overnight from RBI against government securities. MSF is a very short-term borrowing scheme for scheduled commercial banks. Banks may borrow funds through MSF during severe cash shortage or acute shortage of liquidity

Statement 2 is correct: Statutory Liquidity Ratio: The statutory liquidity ratio refers to that proportion of total deposits which the commercial banks are required to keep with themselves in a liquid form. Commercial banks generally make use of this money to purchase government securities. Thus, the statutory liquidity ratio, on the one hand, is used to siphon off the excess liquidity of the banking system, and on the other, it is used to mobilize revenue for the government. SLR is a tool for controlling liquidity in the domestic market via manipulating bank credit.

Statement 3 is correct: The MSF would be a penal rate for banks and the banks can borrow funds by pledging government securities within the limits of the statutory liquidity ratio. The scheme has been introduced by RBI with the main aim of reducing



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volatility in the overnight lending rates in the inter-bank market and to enable smooth monetary transmission in the financial system. MSF, being a penal rate, is always fixed above the repo rate. The MSF would be the last resort for banks once they exhaust all borrowing options including the liquidity adjustment facility by pledging government securities, where the rates are lower in comparison with the MSF.

Statement 4 is correct: Section 24 and Section 56 of the Banking Regulation Act 1949 mandates all scheduled commercial banks, local area banks, Primary (Urban) co-operative banks (UCBs), state co-operative banks and central co-operative banks in India to maintain the SLR and the maximum rate of SLR can be 40%.

23. Consider the following statements about Revenue Expenditure of Government of India

1. Grants given to state government for asset creation
2. Subsidies and pensions given to widows
3. Purchase of S-400 air defence system
4. Interest payment on debt incurred by the government

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Explanation: Under Article 112 of the Constitution of India, the Annual Financial Statement has to distinguish the expenditure of the Government on revenue account from other expenditures. The government Budget, therefore, comprises of Revenue Budget and Capital Budget. The Revenue Budget consists of the revenue receipts of the Government (tax revenues and other revenues like interest and dividends on investments made by the Government, fees, and other receipts for services rendered by the Government) and the expenditure met from these revenues. Revenue expenditure does not result in the creation of assets for the Government of India while Capital Expenditure is related to the creation of Assets, Capital expenditure also includes investment

by the government that yields profits or dividends in the future.

Revenue Expenditure relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to state governments and other parties (even though some of the grants may be meant for the creation of assets). Pensions and Subsidies, Salaries, and interest payments on market loans form a part of the revenue expenditure of the Government.

24. Consider the following statements about the characteristics of Contractionary Fiscal Policy

1. Decrease in tax rates of vehicles in order to increase the sale
2. Reduction in subsidies of LPG cylinders
3. Increase in government expenditure on infrastructure development
4. Decrease/stagnation of wages

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Explanation: Contractionary fiscal policy is when the government either cuts spending or raises taxes. It gets its name from the way it contracts the economy. It reduces the amount of money available for businesses and consumers to spend. This policy involves raising taxes or cutting government spending, so that (Government spending < Tax revenue) it cuts upon the aggregate demand (thus, economic growth) and reduces the inflationary pressures in the economy.

The following can be potential traits of Contractionary Fiscal Policy as they aid in increasing the revenue of the government:

- Decreased expenditure in infrastructure development such as the building of schools, hospitals
- Decrease in Subsidies and pensions
- Increased Tax rates (specially on sin goods, so as to increase the revenue available)



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- Cutting incentives of employees to work, stagnation of wages

All these traits and methods, involve shrinking or contracting the economy, the money left in the hands of the consumer decreases, leading to decrease in the Purchasing power, which theoretically leads to reduced inflation

25. Consider the following statements about Cash Reserve Ratio (CRR)

1. It is a percentage of deposits which a commercial bank must keep with itself in reserves
2. Non-Bank Financial Corporations (NBFCs) are outside the purview of this reserve requirement.
3. Banks earn interest on the CRR reserves help with RBI
4. RBI is allowed to keep the CRR between 3%-15% under the Reserve Bank of India Act

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Statement 1 is incorrect: The Reserve Bank of India or RBI mandates that banks store a proportion of their deposits in the form of cash so that the same can be given to the bank's customers if the need arises. The percentage of cash required to be kept in reserves, vis-a-vis a bank's total deposits, is called the Cash Reserve Ratio. The cash reserve is kept with the RBI.

Statement 2 is correct: As per the RBI Act 1934, all Scheduled Commercial Banks (that includes public and private sector banks, foreign banks, regional rural banks and co-operative banks) are required to maintain a cash balance on average with the RBI on a fortnightly basis to cater to the CRR requirement. Non Bank Financial Corporations (NBFCs) are outside the purview of this reserve requirement.

Statement 3 is incorrect: Banks do not get any interest on the money that is with the RBI under the CRR requirements. The percentage of the CRR is decided by the RBI. Unlike Statutory Liquidity Ratio

or SLR, which can be maintained in either gold or cash, CRR needs to be maintained only in cash.

Statement 4 is correct: The RBI also has the power to change the cash reserve ratio between 3% to 15% under the Reserve Bank of India Act of 1934.

26. A rise in the price of foreign exchange (a fall in the value of rupee) would likely result in which one of the following?

- (a) Decrease the cost (in terms of rupees) of purchasing a foreign good.
- (b) Increase the cost (in terms of rupees) of purchasing a foreign good
- (c) Decrease in India's exports with other things remaining constant
- (d) Increase in India's imports from foreign economies

Ans: b (Increase the cost (in terms of rupees) of purchasing a foreign good)

Explanation: Foreign Exchange Rate (also called Forex Rate) is the price of one currency in terms of another. It links the currencies of different countries and enables the comparison of international costs and prices. For example, if we have to pay Rs 50 for \$1 then the exchange rate is Rs 50 per dollar. People demand foreign exchange because they want to purchase goods and services from other countries; they want to send gifts abroad; and, they want to purchase financial assets of a certain country. A rise in the price of foreign exchange will increase the cost (in terms of rupees) of purchasing a foreign good. This reduces demand for imports and hence the demand for foreign exchange also decreases, other things remaining constant.

A rise in the price of foreign exchange will reduce the foreigner's cost (in terms of USD) while purchasing products from India, other things remaining constant. This increases India's exports and hence the supply of foreign exchange may increase.

27. Consider the following statements about Consumer Price Index (CPI)

1. The CPI takes into account the prices of goods and services only
2. It includes the prices of imported goods.



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3. Urjit Patel committee recommended a shift from WPI (Wholesale Price Index) to CPI for inflation targeting
4. CPI (Urban-Non Manual Workers) is used to calculate Dearness Allowances to government employees

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Statement 1 is correct: Consumer Price Index is a measure of change in retail prices of goods and services consumed by defined population group in a given area with reference to a base year

Statement 2 is correct: This basket of goods and services represents the level of living or the utility derived by the consumers at given levels of their income, prices and tastes. The CPI includes the prices of goods consumed by representative customers, hence it includes prices of imported goods.

Statement 3 is correct: While WPI weights are primarily based on production and traded values, the CPI-Combined weighting diagram is based on the National Sample Survey Office (NSSO)'s 2004-05 consumer expenditure survey. Since then CPI-combined is used a prime matrix for inflation targeting.

Statement 4 is incorrect: CPI (Industrial workers) is used to calculate the dearness allowances for all central and state government employees.

28. Which of the following can be accounted as Capital Receipts in the Annual Financial Statement?

1. Loans received from foreign governments
2. Borrowings by the government through the sale of Treasury Bills
3. Collection and appropriation of direct tax
4. Recovery of loans and advances

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Explanation: Capital receipts are receipts that create liabilities or reduce financial assets. They also refer to incoming cash flows. Capital receipts can be both non-debt and debt receipts. All capital receipts are tax-free unless there is a proviso to tax them. Capital receipts can be both non-debt and debt receipts.

Non-debt capital receipts are those which do not incur any future repayment burden for the government. Examples of non-debt capital receipts: Recovery of loans and advances, disinvestment, issue of bonus shares, etc.

Debt Receipts have to be repaid by the government. Around 25 percent of government expenditure is financed through borrowing. A reduction in debt receipt (or borrowing) can be a big leap for the economy's financial health. Most of the capital receipts of the government are debt receipts. Examples of debt capital receipts: Market loans, issuance of special securities to public-sector banks, etc.

Capital Receipts include:

- Loans raised by Government from the public called market loans
- Borrowings by the Government from Reserve Bank and other parties through the sale of Treasury Bills
- Loans received from foreign Governments and bodies
- Disinvestment receipts
- Recoveries of loans from State and Union Territory Governments and other parties.

Collection and Appropriation of Direct Taxes is a part of Revenue Receipts.

29. Which one of the following best describes the term 'money multiplier'?

- (a) It is the demand for money for carrying out transactions
- (b) It is the ratio of total money supply to the stock of high powered money in an economy.
- (c) It is the fraction of the total deposits which commercial banks keep as reserves.
- (d) It is the demand for money as a store of wealth

Ans: b (It is the ratio of total money supply to the stock of high powered money in an economy)



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Explanation: Money multiplier is the ratio of the total money supply to the stock of high-powered money in an economy. The factors affecting the Money multiplier are the: Reserve ratio (SLR, CRR) and banking habits of the population, etc

For instance, assume that X bank has received a deposit of Rs 1000 and both SLR and CRR are maintained at 10 percent respectively i.e 20 percent in total. Now, the bank will keep Rs 200 as reserves (SLR and CRR) and the rest of the amount will be made available to the public in the form of loans. Now, a borrower takes a loan of Rs 800 from the bank either for consumption or for investment purposes.

Suppose, the borrower has spent the loan taken for the purchase of an article. The seller of the article will receive the money and simultaneously deposit Rs 800 again with the bank. This happens because we have assumed that there is only a single bank in the economy. After receiving Rs 800 from the seller, the bank will again keep aside 20% of the amount i.e Rs 160 as reserves, and provide a loan to the public with the remaining amount. This process continues till the initial deposit of Rs 1000 becomes Rs 5000 i.e. 5 times the initial deposit.

30. Rakesh was manual labour in a factory that used to manufacture shoes. The area where the factory was located was bought by a foreign entity that specialized in shoe manufacturing. The machines for the manufacture and design of shoes were imported from the United States of America and manufacturing plants were set up in the area. It was observed that special knowledge of computers and Numerical competency was required to operate those machines which Rakesh lacked and thus he was fired from his job leading to unemployment.

What kind of unemployment is depicted in the passage given above?

- (a) Structural unemployment
- (b) Frictional unemployment
- (c) Seasonal unemployment
- (d) Disguised unemployment

Ans: a (Structural unemployment)

Explanation: The passage given above depicts a scenario of structural unemployment. Structural Unemployment is a type of unemployment that can

last for many years and can be caused by changes in technology or shifting demographics. Structural unemployment represents a long-term shift in how an economy functions, leading workers to become marginalized. The causes of structural unemployment can include shifts in the economy, improvements in technology, and workers lacking the job skills that are required for them to find employment.

31. Consider the following statements about the classification Micro, Small, Medium enterprises

1. Micro: Investment in plant and machinery is not more than 1crore and annual turnover is not more than 5 crore
2. Small: Investment in plant and machinery is not less than 10 crore and annual turnover is not more than 50 crore
3. Medium: Investment in plant and machinery is not more than 50 crore and annual turnover is not more than 250 crore

Which of the statements given above are correct?

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

Ans: d (1, 2 and 3)

Explanation: On 13th May 2020, Finance Minister Nirmala Sitharaman added the additional principle of turnover along with the Investment in Plant & Machinery/equipment to be used as composite criteria for classification of MSMEs in India. Manufacturing Enterprises and Enterprises rendering Services are classified as:

- Micro: Investment in Plant and Machinery or Equipment - Not more than Rs.1 crore and annual Turnover is not more than Rs. 5 crore.
- Small: Investment in Plant and Machinery or Equipment - Not more than Rs.10 crore and annual Turnover is not more than Rs. 50 crore.
- Medium: Investment in Plant and Machinery or Equipment - Not more than Rs.50 crore and annual Turnover is not more than Rs. 250 crore.

32. Foreign Portfolio Investment (FPI) by any single investor group cannot exceed X% of the equity of an



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Indian company, beyond which it will be treated as Foreign Direct Investment (FDI). The value of X is

- (a) 10%
- (b) 20%
- (c) 25%
- (d) 50%

Ans: a (10%)

Explanation: Foreign Portfolio Investors (FPI) stands for those investors who hold a short-term view of the company, in contrast to Foreign Direct Investors (FDI). FPIs generally participate through the stock markets and get in and out of a particular stock at much faster frequencies. A short-term view is associated often with a lower stake in companies. Portfolio Investment by any single investor or investor group cannot exceed 10% of the equity of an Indian company, beyond which it will be treated as FDI.

33. Consider the following statements regarding Balance of Payments (BoP)

1. The BoP of a country comprises transactions between residents and nonresidents during a period
2. A country having a balance of payments equilibrium will experience an increase in foreign exchange reserves

Which of the following statements given above are correct?

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

Ans: a (Only 1)

Statement 1 is correct: The balance of payments (BoP) records the transactions in goods, services and assets between residents of a country with the rest of the world for a specified time period typically a year. There are two main accounts in the BoP — the current account and the capital account

Statement 2 is incorrect: The essence of international payments is that, a country that has a deficit in its current account must finance it by selling assets or by borrowing abroad. Thus, any current account deficit must be financed by a capital account surplus, that is, a net capital inflow. A country is said

to be in a balance of payments equilibrium when the current account deficit is financed entirely by international lending without any reserve movements. Hence, if a country is having BoP equilibrium its official foreign exchange reserves remain unchanged.

34. With reference to the Hybrid Annuity Model (HAM) model for Public-Private Partnership in highway construction, consider the following statements

1. As per the model, the government will contribute 60% of the project cost in the first five years through annual payments (annuity).
2. Under HAM, a road developer constructs the road and he/she is allowed to recover his/her investment through toll collection.
3. Under HAM, financial risk is shared between the developer and the government

Which of the statements given above are incorrect?

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

Ans: a (1 and 2 only)

Statement 1 is incorrect: Hybrid Annuity Model (HAM) has been introduced by the Government to revive PPP (Public-Private Partnership) in highway construction in India. HAM is a mix of The Build Operate and Transfer (BOT) Annuity and Engineering, Procurement and Construction (EPC) Models. As per the design, the government will contribute 40% of the project cost in the first five years through annual payments (annuity). The remaining payment will be made on the basis of the assets created and the performance of the developer.

Statement 2 is incorrect: Unlike the BOT model, under HAM there is no toll right for the developer. Under HAM, Revenue collection would be the responsibility of the National Highways Authority of India (NHAI).

Statement 3 is correct: The advantage of HAM is that it gives enough liquidity to the developer and the financial risk is shared by the government. While the private partner continues to bear the construction and maintenance risks as in the case of the BOT (toll) model, he is required only to partly bear the financing



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risk. The government's policy is that the HAM will be used in the case of stalled projects where other models are not applicable.

35. Consider the following statements about Neobanks

1. They are the fintech firms, with only a digital presence.
2. They do not have a bank license of their own
3. They can offer credit cards
4. They have to maintain cash reserve ratio (CRR) with RBI

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: d (All four)

Statement 1 is correct: A neobank is a kind of digital bank without any branches. Rather than being physically present at a specific location, neobanking is entirely online.

Statement 2 is correct: Neobanks bridge the gap between the services that traditional banks offer and the evolving expectations of new-age customers. They do this by providing pers. In India, these firms don't have a bank licence of their own but rely on bank partners to offer licensed services.

Statement 3 is correct: They leverage technology and artificial intelligence to offer personalised services to customers while minimising operating costs. o They are a broad collection of financial service providers, who primarily target tech-savvy customers, comes under the umbrella of neobanking. Basically, a neobank is a fintech firm that provides digital and mobile-first services like payments, debit cards, money transfers, lending, and more. These neobanks also offer branded debit cards and credit cards.

Statement 4 is correct: Yes, neobanks in India are required to maintain a cash reserve ratio (CRR) with the Reserve Bank of India (RBI). The CRR is the portion of deposits that banks are required to maintain with the central bank in the form of cash reserves. This is done to ensure the liquidity and stability of the banking system.

Neobanks, like traditional banks, need to comply with the regulations set forth by the RBI, which includes maintaining the CRR as part of their reserve requirements. These regulations are aimed at ensuring the safety and soundness of the banking system as well as controlling inflation and money supply in the economy.

36. Consider the following statements about Proportional taxation system

1. The percentage tax rate increases proportionally with the increase in the income under the Proportional Taxation Regime
2. A proportional income tax makes disposable income as well as consumer spending more sensitive to fluctuations in GDP.

Which of the statements given above are correct?

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

Ans: d (Neither 1 nor 2)

Statement 1 is incorrect: A proportional tax is an income tax system that levies the same percentage tax to everyone regardless of income. A proportional tax is the same for low, middle, and high-income taxpayers. Proportional taxes are sometimes referred to as flat taxes. Proportional taxation is intended to create greater equality between marginal tax rates and average tax rates paid.

Statement 2 is incorrect: Proportional taxes reduce the autonomous expenditure multiplier because taxes reduce the marginal propensity to consume out of income. The proportional income tax acts as an automatic stabilizer – a shock absorber because it makes disposable income, and thus consumer spending, less sensitive to fluctuations in GDP as compared to progressive taxation.

India follows Progressive taxation system: Progressive tax is the one where the tax rate increases with the taxpayer's income. An example for progressive taxation is: 10% tax rate for income of Rs 2 lakh, 20% for Rs 5 lakh and 30% for Rs 10 lakh. Here, the tax liability or the absolute amount as well as the proportion of income to be paid as tax increases with the income of the taxpayer



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37. With reference to monetized deficit as a method to finance debt, consider the following statements

1. Monetized deficit is that part of the Government deficit which is financed solely by borrowing from the Reserve Bank of India
2. Monetized deficit includes short-term finance instruments as well as long-term securities.

Which of the statements given above are correct?

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

Ans: c (Both 1 and 2)

Statement 1 is correct: Monetized deficit is the monetary support the Reserve Bank of India (RBI) extends to the Centre as part of the government's borrowing program. In other words, the term refers to the purchase of government bonds by the central bank to finance the spending needs of the government.

Also known as the 'net reserve bank credit to the government', it is that part of the government deficit which is financed solely by borrowing from the RBI.

Statement 2 is correct: Since borrowings from the RBI can be both short-term and long-term, therefore, the monetized deficit is the sum of the net issuance of short-term treasury bills, dated securities (that is, long-term borrowing from the RBI), and rupee coins held exclusively by the RBI, net of Government's deposits with the RBI.

38. Consider the following statements about the quantitative tools of RBI to control money supply

1. Changing Cash Reserve Ratio
2. Open Market Operations
3. Moral Suasions
4. Changing the bank rate

How many of the above statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Explanation: The RBI controls the money supply in the economy in various ways. The tools used by the Central bank to control money supply can be

quantitative or qualitative. Quantitative tools control the extent of the money supply by changing the cash reserve ratio (CRR), or bank rate or open market operations. If the Central bank changes the reserve ratio, this would lead to changes in lending by the banks which, in turn, would impact the deposits and hence, the money supply. Qualitative tools include persuasion by the Central bank in order to make commercial banks discourage or encourage lending which is done through moral suasion, margin requirement, etc. Moral suasion is a tool of qualitative control.

39. Consider the following statements about Flexible Exchange Rate System

1. In this system, the exchange rate is determined by the market forces of demand and supply.
2. At present, India follows a completely flexible exchange rate system.
3. Recently IMS classified India's exchange rate system 'Stabilised Arrangement' from 'Floating'

Which of the statements given above are correct?

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

Ans: b (1 and 3 only)

Statement 1 is correct: Different countries have different methods of determining their currency's exchange rate. It can be determined through Flexible Exchange Rate, Fixed Exchange Rate or Managed Floating Exchange Rate. Flexible Exchange Rate is determined by the market forces of demand and supply. It is also known as the Floating Exchange Rate. This is in contrast to a fixed exchange rate, in which the government entirely or predominantly determines the rate.

Statement 2 is incorrect: In a completely flexible system, the Central banks do not intervene in the foreign exchange market. India follows a managed floating exchange rate system. RBI acts as a controller in the exchange rate market.

Statement 3 is correct: The International Monetary Fund has reclassified India's "de facto" exchange rate



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regime to "stabilized arrangement" from "floating" for December 2022 to October 2023, the first such instance of such reclassification following an article IV review of the country's policies.

40. Consider the following statements about Trade Related Aspects of Intellectual Property Rights (TRIPS)

1. The TRIPS agreement applies to all WTO members.
2. The agreement allows compulsory licensing and government use of a patent without the authorization of its owner.
3. It is mandatory of all member states to enact a law to check the infringement of IP related issues
4. National Emergency and Public non-commercial use are the only grounds on which governments can be go for compulsory licensing

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Statement 1 is correct: The TRIPS Agreement, which came into effect on 1 January 1995, is to date the most comprehensive multilateral agreement on intellectual property. All the WTO agreements (except for a couple of "plurilateral" agreements) apply to all WTO members. The TRIPS Agreement is part of that package. Therefore it applies to all WTO members.

Statement 2 is correct: Article 31 of the Agreement allows compulsory licensing and government use of a patent without the authorization of its owner. But this can only be done under a number of conditions aimed at protecting the legitimate interests of the right holder.

Statement 3 is correct: Article 41 of TRIPS provides for the enforcement of intellectual property rights. Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered

by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.

Statement 4 is incorrect: Article 31 of TRIPS agreement provides for the compulsory licensing.

Article 31(b): Prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and that such efforts have not been successful within a reasonable period of time. This requirement may be waived by a Member in the case of a national emergency or other circumstances of extreme urgency or in cases of public noncommercial use. In situations of national emergency or other circumstances of extreme urgency, the right holder shall, nevertheless, be notified as soon as reasonably practicable. In the case of public non-commercial use, where the government or contractor, without making a patent search, knows or has demonstrable grounds to know that a valid patent is or will be used by or for the government, the right holder shall be informed promptly.

41. Consider the following statements about currency convertibility

1. Convertibility refers to the ability to convert domestic currency into foreign currencies and vice versa.
2. Currently, India has partial convertibility for both current and capital accounts.
3. Full capital account convertibility may promotes the capital flight

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) None

Ans: b (Only two)

Statement 1 is correct: The balance of payments account, which a statement of all transactions made between a country and the outside world, consists of two accounts — current and capital account. While the current account deals mainly with import and



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export of goods and services, the capital account is made up of cross-border movement of capital by way of investments and loans. Current account convertibility refers to the freedom to convert your rupees into other internationally accepted currencies and vice versa without any restrictions whenever you make payments. Similarly, capital account convertibility means the freedom to conduct investment transactions without any constraints.

Statement 2 is incorrect: Since 1994, Indian rupee has been made fully convertible in current account transactions. But, India has come a long way in liberating the capital account transactions in the last three decades and currently has partial capital account convertibility.

Statement 3 is correct: Full capital account convertibility may promote the incidences of capital flight when the federal reserve has increased their interest rates.

42. Consider the following statements about National Disposable Income

1. It comprises Net National Product at market price and net other current transfers from the rest of the world.
2. It gives an idea about the maximum amount of goods and services that the domestic economy has at its disposal.

Which of the statements given above are correct?

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

Ans: c (Both 1 and 2)

Statement 1 is correct: National Disposable Income is an aggregate macroeconomic variable that is used in National Income accounting. It is the Net National Product at market prices plus net current transfers from rest of the world. $\text{National Disposable Income} = \text{Net National Product at market price} + \text{net other current transfers from the rest of the world}$. (Current transfers from the rest of the world include items such as gifts, aids etc.).

Statement 2 is correct: The National Disposable Income gives an idea about the maximum amount of goods and services the domestic economy has at its

disposal. It is the maximum available income (earned and transfer incomes) from all sources that a nation can spend on consumption and saving without disposing of its assets to finance its expenditure.

43. Consider the following statements about Small Finance Banks (SFBs)

1. They are registered as public limited companies under the Companies Act, 2013
2. Companies and societies owned and controlled by residents are allowed to setup SFBs
3. Like commercial banks, these banks have to maintain both Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).
4. SFBs have to lend 18% of their Adjusted Net Bank Credit to Agriculture sector

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: d (All four)

Statement 1 is correct: Small Finance Banks (SFB) registered as a public limited company under the Companies Act, 2013 intend to provide financial services to the unserved and unbanked region of the country.

Statement 2 is correct: Eligibility for Setting up SFBs:

- Resident individuals/professionals with 10 years of experience in banking and finance.
- The companies and societies are owned and controlled by residents.
- Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), Local Area Banks (LABs), and payment banks that are owned and controlled by residents.

Statement 3 is correct: SFBs are full-fledged banks in contrast to payments banks created around the same time. Hence, they are subject to all prudential norms and regulations of RBI as applicable to existing commercial banks like maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR).



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Statement 4 is correct: SFB has to provide 75% of their lending as a priority sector lending. Out of much they has to make allocating to different sectors as follows.

The priority sector lending target for small finance banks in India varies based on different categories. Here are the targets for lending to specific sectors:

1. Agriculture: The target for lending to agriculture is 18% of the Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBE), whichever is higher.
2. Micro Enterprises: Small finance banks are required to lend at least 7.5% of ANBC or CEOBE to micro enterprises.
3. Weaker Sections: The target for lending to weaker sections is 10% of ANBC or CEOBE.
4. Small and Marginal Farmers: Small finance banks need to ensure that 8% of ANBC or CEOBE is directed towards lending to small and marginal farmers.
5. Education: The target for lending to the education sector is 8% of ANBC or CEOBE.
6. Housing: Small finance banks are required to allocate 7.5% of ANBC or CEOBE for lending to the housing sector.

44. Consider the following statements about Crypto Currencies/Assets in India

1. Consumers availing such assets are protected under the Consumer Protection Act, 2019.
2. They are defined as securities under the Securities Contracts (Regulation) Act, 1956
3. They are regulated by RBI under the Foreign Exchange Management Act, 1999.
4. Crypto assets attracts 30% tax on both short term and long term gains

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: a (Only one)

Statement 1 is incorrect: Crypto assets is usually used as an umbrella term to encompass cryptocurrencies (e.g., Bitcoin, Ether) as also non-

currency tokens such as utility tokens (which provide a certain utility within an ecosystem) and non-fungible tokens (which help establish ownership of unique items), among others. The underlying technology for crypto assets is the same - distributed ledgers that aren't controlled by any one entity. The subscribers or customers of crypto assets form another important part of the market. SEBI has suggested that the Consumer Protection Act of 2019 be invoked to make sure their interests are safeguarded. As part of customer protection, SEBI had also proposed various measures to the Advertising Standards Council of India.

Statement 2 is incorrect: SEBI has also sought clarity on whether cryptocurrencies can be legally classified as securities. Right now, they aren't. SEBI has also said that crypto assets are not part of the definition of what constitutes as securities under the Securities Contracts (Regulation) Act of 1956, also known as SCRA. It is to be noted that what constitutes as securities under the SCRA is what is used under the SEBI Act.

Statement 3 is incorrect: SEBI suggested possible regulation of crypto trading platforms by the RBI under the FEMA as crypto assets are available for trading in foreign jurisdiction as well and consumers abroad can remit funds to India using such currency. As of now they are not regulated by any entity.

Statement 4 is correct: The tax rate on cryptocurrencies in India is a flat 30%. This tax rate applies to profits from selling, swapping, or spending virtual digital assets (VDAs), including cryptocurrencies. It is important to note that this tax rate is applicable regardless of whether you have a short-term or long-term gain.

45. In the context of the Free Trade Agreement (FTA), the "negative list" includes

- (a) The list of items which are not permitted to be exported.
- (b) List of products on which duty is to be reduced.
- (c) Items of negative externalities like sin goods
- (d) Items on which no concessions would be allowed.



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Ans: d (Items on which no concessions would be allowed)

Explanation: Free Trade Agreements (FTAs) are arrangements between two or more countries or trading blocs that primarily agree to reduce or eliminate customs tariffs and non-tariff barriers on substantial trade between them. In FTAs, tariffs on items covering substantial bilateral trade are eliminated between the partner countries; however, each maintains an individual tariff structure for non-members.

The key difference between an FTA and a PTA is that while in a preferential trade arrangement (PTA) there is a positive list of products on which duty is to be reduced; **in an FTA there is a negative list on which duty is not reduced or eliminated.** Thus, compared to a PTA, FTAs are generally more ambitious in coverage of tariff lines (products) on which duty is to be reduced.

46. Which one of the following statements best describes Ricardian Equivalence?

- (a) The market forces change and alter the exchange rates in order to maintain equilibrium
- (b) Taxation and borrowing are equivalent means of financing expenditure
- (c) Increase in borrowing by the government will lead to decreased savings by the consumer
- (d) Rate of inflation is directly proportional to the rate of unemployment in the economy

Ans: b (Taxation and borrowing are equivalent means of financing expenditure)

Explanation: Ricardian equivalence is an economic theory that says that financing government spending out of current taxes or future taxes (and current deficits) will have equivalent effects on the overall economy. This means that attempts to stimulate an economy by increasing debt-financed government spending will not be effective because investors and consumers understand that the debt will eventually have to be paid for in the form of future taxes. The theory argues that people will save based on their expectation of increased future taxes to be levied in order to pay off the debt and that this will offset the

increase in aggregate demand from the increased government spending.

It is called 'equivalence' because it argues that taxation and borrowing are equivalent means of financing expenditure. When the government increases spending by borrowing today, which will be repaid by taxes in the future, it will have the same impact on the economy as an increase in government expenditure that is financed by a tax increase today.

47. Which of the following can be classified as short-term external debt of the country?

- 1. Foreign Institutional Investors' (FII) investment in corporate securities
- 2. Investment in Treasury Bills by foreign Central Bank
- 3. Export Credits
- 4. External commercial borrowings

How many statements given above are correct?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: b (Only two)

Explanation: Gross External Debt is defined as the outstanding amount of those actual current liabilities, that require payment(s) of principal and/or interest by the debtor, in the future as per the terms laid out in the contract between the debtor and the creditor and that are owed to non-residents by the residents of the economy. The definition of gross external debt includes debt incurred by both the Government and the private sector(s) of the economy but does not take into account contingent liabilities that are liabilities arising in the event of specific occurrences covered by the debt contract viz. default by a debtor on the principal and/or interest of a credit.

Long Term External Debt is defined as debt with an 'Original Maturity' of more than one year while Short Term External Debt is defined as debt repayments on-demand or with an 'Original Maturity' of one year or less.

Short Term External Debt is classified into (a) Trade Credits (of up to 6 months and above 6 months and up to 1 year) (b) Foreign Institutional Investors' (FII) Investment in Government Treasury Bills and



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Corporate Securities (c) Investment in Treasury-bills by foreign Central Banks and International Institutions etc. and (iv) External Debt liabilities of the Central Bank and Commercial Banks.

Long-Term External debt is further classified into (a) Multilateral Debt (b) Bilateral Debt (c) 'IMF' signifying SDR allocations to India by the IMF (d) Export Credit (e) (External) Commercial Borrowings (f) NRI Deposits and (g) Rupee Debt.

48. Consider the following statements about Treasury Bills (T-Bills)

1. They are short term capital market instruments.
2. In India, T- Bills are issued only by the central government.
3. T- Bills are considered as assets of the government.
4. Foreign Portfolio Investment (FPI) is not allowed in Treasury Bills

How many statements given above are incorrect?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: c (Only three)

Statement 1 is incorrect: Treasury bills are short-term money market (not capital market) debt instruments issued by the Central government with a maturity of one year or less. At present T-Bills are issued in three tenors, namely, 91 days, 182 days, and 364 days. Treasury bills are zero-coupon securities and pay no interest. They are issued at a discount and redeemed at the face value at maturity.

Statement 2 is correct: In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs). Therefore, Treasury bills are issued by the Government of India and there are no treasury bills issued by the State Governments.

Statement 3 is incorrect: G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments. T-bills are debt instruments and they act as a liability to the Indian government.

Statement 4 is incorrect: RBI allowed foreign investors to invest in T-bills to bring foreign funds into the market. Currently, short-term investments by a foreign portfolio investors (FPI) should not exceed 20 percent of the total investment of that FPI in either central government securities (including treasury bills) or state development loans or corporate bonds. Recently, The Reserve Bank of India raised the investment limit for FPIs in government and corporate bonds. The short-term investment limit has now been increased from 20 percent to 30 percent.

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

1. These are mutual fund-like institutions that enable investments into the infrastructure sector by pooling small sums of money from individual investors.
2. InvITs are regulated by the Securities and Exchange Board of India (SEBI).

Which of the statements given above are correct?

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

Ans: c (Both 1 and 2)

Statement 1 is correct: Infrastructure Investment Trusts (InvITs) are mutual fund like institutions that enable investments into the infrastructure sector by pooling small sums of money from multitude of individual investors for directly investing in infrastructure so as to return a portion of the income (after deducting expenditures) to unit holders of InvITs, who pooled in the money.

Statement 2 is correct: InvITs can invest in infrastructure projects, either directly or through a special purpose vehicle (SPV). In case of Public Private Partnership (PPP) projects, such investments can only be through SPV. InvITs are regulated by the securities market regulator in India- Securities and Exchange Board of India (SEBI). SEBI notified SEBI (Infrastructure Investment Trusts) Regulations, 2014, providing for registration and regulation of InvITs in India. The objective of InvIT is to facilitate investment into the infrastructure sector in India.



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50. Which of the following can be patented under the Indian Patent laws?

- (a) An invention relating to atomic energy
- (b) Surgical methods
- (c) Plants and animals
- (d) Microorganisms

Ans: d (Microorganisms)

Explanation: A Patent is a statutory right for an invention granted for a limited period of time to the patentee by the Government, in exchange for full disclosure of his invention for excluding others, from making, using, selling, or importing the patented product or process for producing that product for those purposes without his consent. An invention may satisfy the condition of novelty, inventiveness, and usefulness but it may not qualify for a patent under the following situations:

- The mere discovery of scientific principle or the formulation of an abstract theory or discovery of any living thing or non-living substance occurring in nature.
- A novel method of agriculture or horticulture - Only products and processes qualifying for novelty are patentable.
- Any process for medicinal, surgical, curative, prophylactic (diagnostic, therapeutic) or other treatment of human beings or any process for a similar treatment of animals to render them free of disease or to increase their economic value or that of their products
- Plants and animals in whole or any part thereof including seeds, varieties, and species and essentially biological processes for production or propagation of plants and animals other than microorganisms (**this means plants and animals cannot be patented whereas microorganisms can be patented**).
- Invention related to atomic energy
- An invention which, in effect, is traditional knowledge or which is an aggregation or duplication of known properties of a traditionally known component or components
- A literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever

including cinematographic works and television products. (comes under the Copyrights Act protection and therefore is left out of the purview of the Patents Act.)

51. What is unemployment trap?

- (a) A situation when unemployment benefits discourage the unemployed to go to work.
- (b) A situation where people working informally, without proper job contracts and thus sans any legal protection.
- (c) It refers to the time lag between the jobs when an individual is searching for a new job or is switching between the jobs.
- (d) It is loss of jobs due to changes in technology.

Answer: a

Explanation

- Unemployment trap is a situation when unemployment benefits discourage the unemployed to go to work. People find the opportunity cost of going to work too high when one can simply enjoy the benefits by doing nothing.

52. Which one of the following is likely to be most inflationary in its effect?

- (a) Repayment of public debt
- (b) Borrowing from the public to finance a budget deficit.
- (c) Borrowing from banks to finance a budget deficit.
- (d) Creating new money to finance a budget deficit.

Answer: d

Explanation:

-Extremely high rates of inflation are generally associated with high rates of money growth. It is often the result of financing large deficits by printing money.

53. Consider the following statements

1. Purchase of government securities from the public by the Central Bank.
2. Deposit of currency in commercial banks by the public.
3. Borrowing by the government from the Central Bank.



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4. Sale of government securities to the public by the central Bank.

How many of the following measures would result in an increase in the money supply in the economy?

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

Answer: b

Explanation:

Statement 1 is correct: Purchase of securities by the Central Bank leaves more money with the people.

Statement 2 is incorrect: Deposit of currency in commercial banks by the public does not increase instead decreases the supply of money in the market.

Statement 3 is correct: Borrowing by the government from the Central Bank will increase the money supply in the economy, because it may be spent by the government on public. Example Direct benefit transfer Subsidies etc.

Statement 4 is incorrect: The sale of government securities to the public by the Central Bank leads to reduce the money supply in the market.

54. Demand-pull inflation is a tenet of Keynesian economics that describes the effects of an imbalance in aggregate supply and demand. What causes Demand pull inflation?

- 1. Decline in economy
- 2. Excess of foreign inflows
- 3. Inflation expectations

Which of the following statements is/are correct?

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

Answer: a

Explanation:

Demand-pull inflation is when growing demand for goods or services meets insufficient supply, which drives prices higher.

Causes of Demand-Pull Inflation

There are five primary causes of demand-pull inflation:

-A growing economy: When consumers feel confident, they spend more and take on more debt. This leads to a steady increase in demand, which means higher prices.

-Increasing export demand and excess of foreign inflows: A sudden rise in exports forces an undervaluation of the currencies involved.

-Government spending: When the government spends more freely, prices go up.

Inflation expectations: Companies may increase their prices in expectation of inflation in the near future.

-More money in the system: An expansion of the money supply with too few goods to buy makes prices increase.

55. Consider the following statements with respect to Inflation:

- 1. Reduction in the rate of inflation is termed as deflation.
- 2. Stagflation is the economic situation resulted from combination of inflation and unemployment.
- 3. During recession, the counter cyclical government actions may stimulate reflation.

Which of the following statements is/are incorrect?

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

Ans: c

Statement 1 is incorrect: Disinflation is reduction in the rate of inflation

-Deflation: Persistent decrease in the price level (negative inflation)

-Reflation: Price level increases when the economy recovers from recession based on value of inflation

Statement 2 is correct: Stagflation is the economic situation resulted from combination of inflation and unemployment.

Statement 3 is correct: Counter-cyclical fiscal measures are policy measures which counteract the effects of the economic cycle. For example, counter-cyclical fiscal policy actions when the economy is slowing would include increasing government



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spending or cutting taxes to help stimulate economic recovery.

- In response to lower demand for goods and services in a recession, the central bank or government may stimulate the economy, which leads to prices rising and reflation.

56. Which of the following situation best describes the Cost Push Inflation:

- (a) A restaurant increasing the cost of biryani as reflection of bad monsoon
- (b) Tax breaks for mortgage interest rates increased demand for housing
- (c) A rise in prices of electronic goods due to rise in standard of living of people
- (d) Increase in government expenditure on health of individuals due to COVID

Answer: a

Explanation

- Cost-push inflation (also known as wage-push inflation) occurs when overall prices increase (inflation) due to increases in the cost of wages and raw materials. Higher costs of production can decrease the aggregate supply (the amount of total production) in the economy.

57. Consider the following statements with respective to CPI and WPI:

- 1. The WPI does not capture changes in the prices of services, which CPI does.
- 2. The weightage of food in CPI is higher than that in WPI.
- 3. Both CPI and WPI are published by office of Economic Affairs, Ministry of Commerce and Industry.

How many of the above given statements is/are incorrect?

- (a) 1 only
- (b) 2 only
- (c) 3 only
- (d) None

Ans: a

Explanation:

Statement 1 is correct: WPI tracks inflation at the producer level and CPI captures changes in prices

levels at the consumer level. WPI does not capture changes in the prices of services, which CPI does.

Statement 2 is correct: In WPI, more weightage is given to manufactured goods, while in CPI, more weightage is given to food items.

Statement 3 is incorrect:

-The Office of the Economic Adviser in the Department of Industrial Policy and Promotion, Ministry of Commerce & Industry is responsible for compiling WPI and releasing it.

-The Price Statistics Division (PSD) of the National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI) started compiling Consumer Price Index (CPI) separately for rural, urban, and combined sectors on monthly basis with Base Year (2010=100) for all India and States/UTs

58. Core inflation is different from headline inflation because the former

- (a) Includes only wholesale prices
- (b) Ignores prices of articles of volatile in nature
- (c) Related to inflation of items that are included in CPI basket of goods
- (d) Includes prices of articles of even volatile in nature

Answer: b

Explanation:

-Core inflation is inflation-related to all the commodities, goods, and services in the economy minus the volatile food prices and fuel prices. Headline inflation is inflation-related to all the economy's commodities, goods, and services.

59. Consider the following statements regarding Imported Inflation:

- 1. It may be set off by depreciation of a country's exchange rate.
- 2. Decline in price of Gold and Crude oil may lead to imported inflation

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

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



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Answer: b

Explanation:

Statement 1 is correct: Increases in the prices of imported fuels, materials, and components increase domestic costs of production, and lead to increases in the prices of domestically produced goods. Imported inflation may be set off by foreign price increases, or by depreciation of a country's exchange rate.

- Inflation may also rise due to the depreciation of the domestic currency, which pushes up the rupee cost of imported items.

For example, if the rupee depreciates by 20% against the US dollar in a particular period, the landed rupee cost of an imported product will also go up by the same proportion and will affect the price levels and inflation readings.

Statement 2 is incorrect: Two key contributors to India's imports are: Crude Oil and Gold. Rise in prices of these two products lead to rise in the import bill of the country.

60. Greening Enterprises: Transforming processes and workplaces by

- (a) ILO
- (b) WEF
- (c) WB
- (d) UNESCAP

Answer: a

Explanation

The "**Greening Enterprises: Transforming Processes and Workplaces**" report, published by the **International Labour Organization (ILO)**, sheds light on the critical role enterprises play in environmental well-being and the transition toward sustainability.

Key Points under this are

Enterprise Responsibility: The conduct of enterprises significantly impacts the natural environment. Most enterprises, including small ones, are already taking steps to reduce waste and carbon emissions. Surprisingly, in many cases, these measures come at no additional cost or even lead to reduced production expenses.

Greening Workplaces: Transforming workplaces into environmentally friendly spaces is integral to overall enterprise greening. These efforts benefit both

workers and employers. The report emphasizes innovative tools and solutions to make enterprises greener, with a focus on small businesses in developing countries.

Social Dialogue: The role of social dialogue is highlighted as a crucial factor in promoting green practices within enterprises. Encouraging open communication and collaboration between employers, workers, and relevant stakeholders can drive positive change.

Global Perspective: The report covers global trends and challenges related to green jobs, sustainable development, energy, and environmental protection. It also addresses the impact of natural disasters and climate change on enterprises

61. Vulnerable Employment generally means

- (a) people working informally without legal protection
- (b) productivity of workers is low
- (c) marginal productivity of labour is zero
- (d) time lag between the jobs when an individual is searching for a new job

Answer: a

Explanation:

Vulnerable Employment:

-This means, people, working informally, without proper job contracts and thus sans any legal protection.

-These persons are deemed 'unemployed' since records of their work are never maintained.

-It is one of the main types of unemployment in India.

62. Which of the following economic concept depicts the relationship between inflation and unemployment in the economy?

- (a) Lorenz Curve
- (b) Philips Curve
- (c) Kuznets Curve
- (d) Gini Coefficient

Answer: b

Explanation:

The distribution of Income in an economy is represented by the **Lorenz Curve** and the **degree of income inequality** is measured through the **Gini Coefficient**.



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Phillips Curve is an economic concept developed by A. W. Phillips argues that inflation and unemployment have an inverse and stable relationship. The theory is that economic growth is accompanied by inflation, leading to increased job creation and reduced unemployment.

The Kuznets Curve is a graphical representation that shows the hypothesis that economic growth initially leads to greater inequality, followed later by the reduction of inequality. It was developed by economist Simon Kuznets in the 1950s and 1960s

63. Consider the following statements:

1. Labour Force Participation Rate (LFPR) is defined as the percentage of employed persons in the population.
2. Periodic Labour Force Survey estimate key employment and unemployment rates in the country biannually across the country.
3. Generally the Worker Population Ratio is more than Labour Force Participation Rate.
4. The Unemployment rate of Persons in rural areas are continuously increasing since 2018-19

How many of the above statements is/are incorrect?

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

Answer: c

Explanation:

Statement 1 is correct and Statement 2 is incorrect: PLFS(Periodic Labour Force Survey)- aim to estimate the key employment and unemployment indicators (viz. Worker Population Ratio, Labour Force Participation Rate, Unemployment Rate) in the short time interval of three months for the urban areas only in the 'Current Weekly Status' (CWS).

-to estimate employment and unemployment indicators in both 'Usual Status' (ps+ss) and CWS in both rural and urban areas annually.

- The Periodic Labour Force Survey (PLFS) gives estimates of Key employment and unemployment Indicators like, the Labour Force Participation Rates (LFPR), Worker Population Ratio (WPR), Unemployment Rate (UR), etc.

- a) Labour Force Participation Rate (LFPR): LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work)in the population.
- b) Worker Population Ratio (WPR): WPR is defined as the percentage of employed persons in the population.
- c) Unemployment Rate= Labour Force Participation Rate (LFPR)- Worker Population Ratio (WPR)

Statement 3 is incorrect: Generally, the LFPR tends to be higher than the WPR because it includes both employed individuals and those actively seeking work (unemployed).The WPR, on the other hand, only considers the employed population.

Statement 4 is incorrect:

Employment Indicators for Rural Sector

Labour Force participation Rate (LFPR), Worker Population Ratio (WPR) and Unemployment Rate (UR) according to usual status for persons of age 15 years and above in Rural sector were as follows:

Years	WPR			LFPR			UR		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
2017-18	72.0	23.7	48.1	76.4	24.6	50.7	5.7	3.8	5.3
2018-19	72.2	25.5	48.9	76.4	26.4	51.5	5.5	3.5	5.0
2019-20	74.4	32.2	53.3	77.9	33.0	55.5	4.5	2.6	3.9
2020-21	75.1	35.8	55.5	78.1	36.5	57.4	3.8	2.1	3.3
2021-22	75.3	35.8	55.6	78.2	36.6	57.5	3.8	2.1	3.2

The data in the above table indicates

- Labour force and work force in rural areas of the country has increased.
- Unemployment Rate has declined to 3.2% in rural areas during 2021-22.

64. Which of the following events signify recession in the economy?

1. Rising in unemployment
2. Raising interest rates
3. Lower consumer spending

Select the correct code from the following?

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

Answer: b

Explanation:

Recession:

- A recession is when the economy stops growing and starts shrinking.



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- It means not only shrinking GDP but also declining incomes, employment, industrial production and retail sales.
- It happens when the value of goods and services produced in a country known as the gross domestic product declines for two consecutive quarters, or half a year.
- A recession ends when economic growth returns.

Causes:

- Rising in unemployment.
- Rises in bankruptcies, defaults, or foreclosures.
- Falling interest rates.
- Lower consumer spending and consumer confidence.
- Falling asset prices, including the cost of homes and dips in the stock market.

65. If a country's growth rate is good but there is no corresponding growth in employment, then which of the following could be the reasons:

- (a) The growth is coming from better utilization of existing capacity and not because of increase in investment
- (b) The growth is coming from increase in investment but not because of better utilization of existing capacity
- (c) The growth is coming from both as a result of increase in investment and increase in capacity utilization
- (d) None of the above

Answer: a

Explanation:

Higher economic growth comes from

- additional investment, or
- increase in capacity utilization of the capital stock (factory)

When economic growth comes from new investment then generally more jobs are created but when economic growth comes from better utilization of the existing capacity (which was earlier not utilized properly) then jobs may not get created in the economy.

66. Consider the following statements regarding Human Development.

1. Life expectancy and decent standard of living are important parameters that signify the human development.
2. The Human Development Index Report is released by United Nations Development Programme (UNDP).

Which of the following statements is/are incorrect?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) None

Answer: d

Explanation:

Statement 1 is correct: Human development is defined as the process of enlarging people's freedoms and

opportunities and improving their wellbeing.

- Human development is about the real freedom people have to decide who to be, what to do, and how to live. Human Development is a measure of achievements in three key dimensions of human development:

- Long and healthy life (Life expectancy),
- Access to knowledge (expected and mean years of schooling) and
- Decent standard of living (GNI per capita).

Statement 2 is correct: To guide towards and assess the status of this concept, the HDI Report is released by United Nations Development Programme (UNDP).

67. A corporate may raise capital in the primary market through:

1. Initial public offering.
2. Rights issue.
3. Private placement.

Which of the following statements are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) All are correct

Answer: (d) All are correct

Explanation:



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Statement 1 is correct: IPO is the selling of securities to the public in the primary market. Primary market deals with new securities being issued for the first time. It is also known as the new issues market. It is different from the secondary market where existing securities are bought and sold.

-It is also known as the stock market or stock exchange. It is when an unlisted company makes either a fresh issue of securities or an offer for sale of its existing securities or both for the first time to the public.

-Unlisted companies are companies that are not listed on the stock exchange. It is generally used by new and medium-sized firms that are looking for funds to grow and expand their business.

Statement 2 is correct: A rights issue is a mechanism by which companies can raise additional capital from existing shareholders,

-It is different from public issue (Initial Public Offer) and private placement.

Advantages:

-A company would offer a rights issue in order to raise capital which can be used to clear its debt obligations, acquire assets, or facilitate expansion without having to take out a loan from a bank.

-It is a more efficient mechanism of raising capital. Under it, there is no requirement of shareholders' meeting and an approval from the board of directors is sufficient and adequate.

Statement 3 is correct: private placement means any offer or invitation to subscribe or issue of securities to a selected group of persons by a company (other than by way of public offer) through private placement offer-cum-application form, which satisfies the conditions specified in section 42 of the Companies Act, 2013.

-Section 42 of the Companies Act, 2013 states that the maximum allotment that can be done in a year is 200, exceeding which the issue is considered public and the company has to follow the procedure of public issue.

-Small amounts of capital can be raised through private placement and it becomes easier to raise capital from private placement within a few months, whereas public issue is required when the capital requirement is high.

68. Consider the statements regarding 'Advance Authorisation Scheme'.

1. The scheme allows duty-free import of inputs for export purposes.
2. The Directorate General of Foreign Trade (DGFT) is implementing the Advance Authorisation Scheme under the Foreign Trade Policy.

Which of the following statements are correct?

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

Answer : (c) Both 1 and 2

Explanation:

Statement 1 is correct: Advance Authorisation Scheme allows duty free import of inputs, which are physically incorporated in an export product. In addition to any inputs, packaging material, fuel, oil, catalyst which is consumed / utilized in the process of production of export product, is also be allowed. This trade facilitation measure simplifies the advance authorisation and norms fixation process, resulting in shorter turnaround times for exporters, improved ease of doing business, and reduced compliance burden.

Statement 2 is correct: Directorate General of Foreign Trade (DGFT) implements the Advance Authorisation Scheme under the Foreign Trade Policy.

69. In some of the five-year plans, the Gadgil - Mukherjee Formula was used to:

- (a) Calculate the trajectory of industrial growth in India.
- (b) Allocation of financial assistance to states from the center.
- (c) Determine maximum permissible limit of External borrowings by the Government.
- (d) Determine the target of fiscal deficit for the government.

Answer: (b)

Explanation:

Option b is correct: The Gadgil formula is named after Dhananjay Ramchandra Gadgil, a social scientist and the first critic of Indian planning. It was evolved in 1969 for determining the allocation of



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central assistance for state plans in India. The Deputy Chairman of Planning Commission D.R. Gadgil formulated the Third Five-year plan of the planning commission.

-It is important to note that the concept of a special category state was first introduced in 1969 when the 5th Finance Commission sought to provide certain disadvantaged states with preferential treatment in the form of central assistance and tax breaks.

-Initially three states Assam, Nagaland and Jammu & Kashmir were granted special status but since then eight more have been included (Arunachal Pradesh, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim, Tripura and Uttarakhand).

-The rationale for special status is that certain states, because of inherent features, have a low resource base and cannot mobilize resources for development.

70. Consider the following statements 1 and 2 with reference to Co-operatives.

Statement-1: Cooperatives are people-centric organizations as they operate with a focus on people rather than capital.

Statement-2: Cooperatives hold immense potential to ensure comprehensive economic growth.

Select the correct statements:

- (a) Statement 1 and Statement 2 are correct. Statement 2 is the correct explanation for Statement 1.
- (b) Statement 1 and Statement 2 are correct. Statement 2 is not the correct explanation for Statement 1.
- (c) Statement 1 is true but Statement 2 is false.
- (d) Statement 2 is true but Statement 1 is false.

Answer: (a) Statement 1 and Statement 2 are correct. Statement 2 is the correct explanation for Statement 1.

Explanation:

Statement 1 is True:

-According to the International Cooperative Alliance (ICA), cooperatives are people-centered enterprises jointly owned and democratically controlled by and for their members to realize their common economic, social and cultural needs and aspirations.

-India's cooperative movement was inspired by the German model of Agricultural Credit Banks and was

formalized at the end of the 19th century. In 1904, the British Government enacted the Cooperative Credit Societies Act. The Act dealt solely with the extension of credit. The sector was opened up to other activities in 1912. Administrative reforms in 1919 transferred cooperatives to Provincial control.

-After Independence, Cooperatives were placed in the State List. Cooperative Societies were considered to be instruments of socio-economic development and were an essential focus of the initial Five-Year Plans. States had enacted their own laws to regulate cooperatives within their jurisdiction.

In 1984, the Multi-State Co-operative Societies Act was enacted by the Parliament to consolidate different laws at the Central level. The Act was amended in 2002.

Statement 2 is True:

Benefits of Cooperative Societies:

-Easy setup, less legal implications: Any ten members who have acquired the majority can form a cooperative society with few legal formalities.

-Promote equality and transparency: A cooperative society is based on the principle of 'one man, one vote'. All members have equal rights in handling the internal affairs. The surplus generated by these societies is dispensed equally among the members.

-Limited Liability: The member's liability in a cooperative society is confined to the extent of their capital contribution.

-Eliminate Middlemen: Consumer cooperative societies are set up to attain a seamless supply of essential commodities. These societies purchase commodities directly from the producers & wholesalers and sell them to the end-users at affordable prices. Thus they eliminate middlemen and make supply chains more efficient. Similarly, Farm Producer Organizations (FPOs) deal directly with the buyers and help the farmers get better profits.

-Access to Credit: Cooperative societies have helped in reducing the influencing of private money lenders in rural areas. Cooperatives facilitate credit at the nominal interest rate.

-Support Agriculture: Cooperative societies have supported the government's effort to improve agricultural production. They act as a bridge between the government and farmers e.g., the government



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disburses High-Yielding Variety (HYV) seeds and fertilizers via Cooperatives.

-Reserve Funds: Cooperative societies are under the legal obligation to transfer their 25% of profit to the general reserve. Thus, it reduces the need for external funding.

-Fosters Habit of Saving: Cooperative societies cultivate the habit of saving among their members. They render credit facilities generally for productive purposes only.

-Social Benefits: Cooperative societies have played a significant role in modulating social customs and controlling irrelevant expenses. The profits reaped by the cooperatives can be used for facilitating fundamental amenities of the society.

Hence, Cooperatives hold immense potential to ensure comprehensive economic growth.

71. With reference to Ghaggar River, Consider the following statements:

1. It is a perennial river.
2. It originates in the northern slopes of the Kailash Range in Tibet.
3. Kaushalya is one of the tributaries of Ghaggar River.

Which of the following statements are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 3 only
- (d) All are correct

Answer: (c) 3 only

Explanation:

Statement 1 is incorrect: It is a seasonal river that only flows during the monsoon season.

Statement 2 is incorrect: It rises in northwestern Himachal Pradesh from the Shivalik Range.

-It travels approximately 200 miles (320 kilometers) southwest through Haryana state, where it joins the Saraswati River.

-It finally dries up in Rajasthan's Thar Desert.

-This seasonal river provides water to two irrigation canals that run into Rajasthan.

-The Hakra River in Pakistan is a continuation of the Ghaggar River in India; thus, the two rivers are known as the Ghaggar-Hakra River.

Statement 3 is correct: Tributaries: The main tributaries of the Ghaggar are the Kaushalya River, Markanda, Sarsuti, Tangri, and Chautang.

72. 'The Uruguay Round of negotiations' are related to which of the following organizations?

- (a) IMF
- (b) World Bank
- (c) WTO
- (d) ADB

Answer: (c) WTO

Explanation:

Option c is correct: The Uruguay Round was the largest ever international trade negotiation. It took place within the framework of the General Agreement on Tariffs and Trade (GATT) and was launched at Punta del Este, Uruguay on 20 September 1986 and formally concluded at Marrakesh, Morocco, on 15 April 1994.

-The GATT became the only multilateral instrument (not an institution) governing international trade from 1948 until the WTO was established in 1995.

73. Consider the statements with respect to 'Desiccation-tolerant vascular plants'.

1. Desiccation-tolerant vascular plants are a type of aquatic plants that thrive in waterlogged environments.
2. These plants are found in both temperate and tropical climates.

Which of the following statements are correct?

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

Answer: (b) 2 only

Explanation: New study discovers 62 desiccation-tolerant vascular plant species in India's Western Ghats, with potential applications in agriculture & conservation. These species of plants can withstand harsh environments.

Statement 1 is incorrect: Desiccation-tolerant vascular (DT) plants are able to tolerate the desiccation of their vegetative tissues. DT plants are the most common residents of tropical rock outcrops.



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DT plants can survive high dehydration, losing up to 95% of their water content.

Dehydration in plants occurs when the plant loses more water than it takes in. A close-up of a plant

Statement 2 is correct: DT plants can be found in both tropical and temperate regions.

-They can quickly regenerate when water supplies are restored and are frequently found on rocky outcrops in the tropics.

-It is crucial for the world's warming that some species can thrive at higher temperatures.

-Indian desiccation tolerant plants are primarily found in forest rock outcrops and partially shaded tree trunks. Ferricretes (a hard, erosion-resistant layer of sedimentary rock) and basaltic plateaus (plateaus produced by volcanic activity) seemed to be the preferred habitats

Desiccation-resistant vascular plant genes can be used to develop a high temperature tolerant crop variety to boost climate resilience. The discovery of the desiccation-tolerant (DT) vascular plants has agricultural uses, particularly in locations where water is scarce. These plants' genes could be exploited to develop a high-temperature tolerant crop variety to boost climate resilience and ensure mass food security.

74. Consider the statements with respect to Marine heat waves (MHWs).

1. Marine heat waves fuel the growth of invasive alien species.
2. MHWs can cause whale entanglements in fishing gear.
3. MHWs will make storms like hurricanes and tropical cyclones weaker.

Which of the following statements are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) All are correct

Answer: (a) 1 and 2 only

Explanation:

Statement 1 is correct: MHWs also fuel the growth of invasive alien species, which can be destructive to marine food webs.

-Additionally, they force species to change their behaviour in a way that puts wildlife at increased risk of harm.

Statement 2 is correct: MHWs have been associated with the mass mortality of marine invertebrates, and may force species to change behaviour in a way that puts wildlife at increased risk of harm. MHWs have been linked to whale entanglements in fishing gear, for example, according to a report by the IUCN.

Statement 3 is incorrect: Higher ocean temperatures, which are associated with MHWs, can make storms like hurricanes and tropical cyclones stronger.

-With warmer temperatures, the rate of evaporation escalates and so does the transfer of heat from the oceans to the air.

-What is more, these disastrous consequences are set to become even worse as the world continues to get warmer, making MHWs more intense and longer.

75. Consider the following statement with reference to 'Fediverse'

1. The term 'Fediverse', is related to Social networking services, that operate on decentralized networks
2. This approach allows users to communicate across different social media platforms by creating separate accounts for each one.

Which of the following statements are correct?

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

Answer: (a) 1 only

Explanation:

Statement 1 is correct: The fediverse is a collection of federated social networking services that operate on decentralized networks using open-source standards.

-In this system, a network of servers, managed by third parties, facilitates communication between users of various social media platforms, enabling seamless cross-platform interaction. Meta, the parent company of Facebook, Instagram, and WhatsApp, is planning to include its new Threads app in the fediverse.

Statement 2 is incorrect: This approach allows users to communicate across different social media platforms without creating separate accounts for each



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one (similar to the benefits of UPI in payment space). Platforms like Pixelfed, PeerTube, Lemmy, Diaspora, and others already utilize the fediverse.

76. Consider the following statements.

1. Contract Farming is defined under the State List of the Seventh Schedule in the constitution of India.
2. In India, 100% FDI is permitted under the automatic route in the food-processing sector.

Which of the following statements are correct?

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

Answer: (b) 2 only

Explanation: Contract farming refers to a system in which bulk purchasers, including agro-processing, exporting and trading units, enter into contracts with farmer(s) to purchase a specified quantity of any agricultural commodity at a pre-agreed price.

-Typically, the farmer agrees to provide agreed quantities of a specific agricultural product. These should meet the quality standards of the purchaser and be supplied at the time determined by the purchaser. In turn, the buyer commits to purchase the product and, in some cases, to support production through, for example, the supply of farm inputs, land preparation and the provision of technical advice.

Statement 1 is incorrect: Contract Farming can be carried out based on a pre-harvest agreement between buyers and producers. It is defined under Concurrent List of the Seventh Schedule of the constitution; however, Agriculture is under the State list.

Statement 2 is correct: 100% FDI is permitted under the automatic route in the food-processing sector.

-It is regulated under the Indian Contract Act, 1872.

-The Model APMC (Agricultural Produce Market Committee) Act, 2003 provides specific provisions for contract farming, like compulsory registration of contract farming sponsors and dispute settlement.

-Ministry of Agriculture came out with a draft Model Contract Farming Act, 2018. The draft Model Act seeks to create a regulatory and policy framework for contract farming. Based on this draft Model Act,

legislatures of states can enact a law on contract farming.

77. Consider the statements regarding 'Recirculatory Aquaculture System'.

1. In Recirculatory Aquaculture System, water is recycled and reused after mechanical and biological filtration.
2. It is an intensive high-density fish culture and the method can be used for only specific species of fishes.

Which of the following statements are correct?

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

Answer: (a) 1 only

Explanation:

Statement 1 is correct: Recirculatory Aquaculture System (RAS) is a technology where water is recycled and reused after mechanical and biological filtration and removal of suspended matter and metabolites. The technology is based on the use of mechanical and biological filters and the method can be used for any species grown in aquaculture.

-New water is added to the tanks only to make up for splash out, evaporation and that used to flush out waste materials. The reconditioned water circulates through the system and not more than 10% of the total water volume of the system is replaced daily. In order to compete economically and to efficiently use the substantial capital investment in the recirculation system, the fish farmer needs to grow as much fish as possible in the inbuilt capacity.

-The management of recirculating systems relies heavily on the quantity and quality of feed and the type of filtration. However, in order to encourage small-scale fish farmers and entrepreneurs and also to facilitate fish production in urban and semi-urban areas where land and water are scarce, it is proposed to promote Backyard Recirculation Aquaculture Systems.

Statement 2 is incorrect: This method is used for high-density culture of various species of fish, utilizing minimum land area and water. It is an intensive high density fish culture unlike other aquaculture

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production systems. Instead of the traditional method of growing fish outdoors in open ponds and raceways, in this system fish are typically reared in indoor/outdoor tanks in a controlled environment.

78. Manus Island, recently seen in news is located in:

- (a) Mauritius
- (b) Seychelles
- (c) Papua New Guinea
- (d) Maldives

Answer: (c) Papua New Guinea

Explanation:

In a significant move aimed at countering China's influence in the Pacific region, the United States has entered into a landmark security pact with Papua New Guinea. The agreement, which allows the U.S. military to develop and operate bases in Papua New Guinea, grants access to strategic ports and airports, including the Lombrum Naval Base on Manus Island and facilities in Port Moresby.

Option c is correct: Manus Island is part of Manus Province in northern Papua New Guinea and is the largest of the Admiralty Islands. It is the fifth-largest island in Papua New Guinea, with an area of 2,100 km² (810 sq mi). Manus Island is covered in rugged jungles which can be broadly described as lowland tropical rain forest. Manus Island is volcanic in origin and probably broke through the ocean's surface in the late Miocene, 8 to 10 million years ago. The substrate of the island is either directly volcanic or from uplifted coral limestone.



79. With reference to green hydrogen, consider the following statements:

- 1. It can be used directly as a fuel for internal combustion.
- 2. It can be blended with natural gas and used as fuel for heat or power generation.

3. It can be used in the hydrogen fuel cell to run vehicles.

How many of the above statements are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

Explanation:

statement 1 is correct: Green hydrogen can be used directly as a fuel for internal combustion by a hydrogen engine (HCE). HCE is an engine that uses hydrogen (H₂) as fuel. It is a modified gasoline-powered engine but doesn't emit any carbon-based pollution, which is a big benefit towards carbon neutrality. HCEs operate similarly to 4-stroke gasoline engines (ICEs). But compared to gasoline, which has an octane rating of 90 (for premium gasoline), hydrogen has a higher-octane number of 130.

Statement 2 is correct: Hydrogen produced through clean pathways can be injected into natural gas pipelines, and the resulting blends can be used to generate heat and power with lower emissions than using natural gas alone.

Statement 3 is correct: A fuel cell uses the chemical energy of green hydrogen or other fuels to cleanly and efficiently produce electricity. If hydrogen is the fuel, the only products are electricity, water, and heat. In developing countries such as India, which is investing in the National Hydrogen Mission, hydrogen could be used in transportation, power generation and industry.

80. Consider the following statements regarding 'Silvopasture'

- 1. Extensive root systems of trees within silvopasture plots play a significant role in nutrient cycling.
- 2. It includes marine ecosystem that combines underwater vegetation with aquatic animals for sustainable seafood production.

Which of the following statements are correct?

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

Answer: (a) 1 only



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Explanation:

Statement 1 is correct: Silvopasture is the deliberate integration of trees and grazing livestock operations on the same land. These systems are intensively managed for both forest products and forage, providing both short- and long-term income sources.

-Well-managed silvopastures employ agronomic principles, typically including introduced or native pasture grasses, fertilization and nitrogen-fixing legumes, and rotational grazing systems that employ short grazing periods that maximize vegetative plant growth and harvest. The annual grazing income helps cash flow the tree operation while the tree crop matures and creates easy access if and when the trees or tree products are harvested. While these systems can require a number of management activities, the benefits can make it worthwhile.

-SilvoPastures can increase wildlife diversity (e.g., quail, turkey). The forage protects the soil from water and wind erosion, while adding organic matter to improve soil properties. Silvopastures provide an attractive landscape with an aesthetically pleasing "park-like" setting.

Statement 2 is incorrect: It does not include marine ecosystem that combines underwater vegetation with aquatic animals

81. With reference to Fluorochemicals, Consider the following statements.

1. Fluorochemicals are used as ingredients in pesticides to protect against pests in agriculture.
2. Fluorochemicals can be either organic or inorganic in nature.
3. They are known for their unique properties, including low thermal stability and resistance to chemicals.

How many of the above statements are correct?

- (a) One only
- (b) Two only
- (c) Three only
- (d) None

Answer: (b) Two only

Explanation: Researchers at the University of Oxford have achieved a groundbreaking breakthrough by developing a new technique to produce

fluorochemicals without using hazardous hydrogen fluoride (HF) gas.

Statement 1 is correct: Fluorochemicals are essential chemical compounds used in various industries, including polymers, agrochemicals, pharmaceuticals, and lithium-ion batteries. Traditionally, fluorochemicals are produced through an energy-intensive process involving the use of hazardous hydrogen fluoride (HF) gas. HF is generated by reacting a crystalline mineral called fluorspar (CaF_2) with sulfuric acid under harsh conditions. This process has safety risks and environmental consequences due to HF spills.

Statement 2 is correct: Fluorochemicals, also known as perfluorinated chemicals (PFCs), are a group of synthetic compounds that contain carbon-fluorine (C-F) bonds. Fluorochemicals can be either organic or inorganic in nature. They are used in a wide range of industrial and commercial applications due to their unique chemical and physical properties, including their resistance to heat, water, and oil.

-Fluorochemicals are commonly used in the production of non-stick cookware, waterproof textiles, stain-resistant carpets, and firefighting foam.

Statement 3 is incorrect: They are known for their unique properties, including high thermal stability and resistance to chemicals.

82. With reference to the Gulf Stream, Consider the following statements.

1. It is a cold ocean current that flows in the Pacific Ocean, originating in the Gulf of Alaska and moving towards South America.
2. It influences the climate of the east coast of Florida.

Which of the following statements are correct?

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

Answer: (b) 2 only

Explanation: A recent study suggests the Gulf Stream system could collapse as soon as 2025.

Statement 1 is incorrect:

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-The Gulf Stream is a swift and warm ocean current that flows along the eastern coast of North America and crosses the Atlantic Ocean towards Europe.

-It originates in the Gulf of Mexico and is primarily formed by the convergence of warm waters from the Caribbean Sea and the Gulf of Mexico. It then travels northward along the eastern coast of the United States.

-Direction: It follows a north-eastward path across the western North Atlantic Ocean.

-Warmth: The current carries warm water from the tropics (around 25 to 28°C or 77 to 82°F) to higher latitudes.

-Width and Speed: The Gulf Stream is several hundred kilometers wide and can flow at an average speed of about 2.5 meters per second. However, its speed can vary depending on the location and other factors.

Statement 2 is correct: The Gulf Stream influences the climate of the east coast of Florida, keeping temperatures warmer in the winter and cooler than the other southeastern states in the summer. Since it also extends toward Europe, it warms western European countries as well.

83. Select the correct statements with reference to 'Non-committed cells':

1. These cells do not participate in the later stages of embryo development.
2. These cells show the expression of a gene known as HERVH.

Which of the following statements are correct?

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

Answer: (a) 1 only

Explanation:

Statement 1 is correct: In contrast to the majority of cells in the inner cell mass that contribute to the developing embryo, non-committed cells do not participate in the later stages of embryo development. Statement 2 is incorrect: The non-committed cells lack the expression of a gene called HERVH. HERVH is a virus-like gene that's important in maintaining pluripotency.

-Human embryonic stem cells express a gene called HERVH.

-HERVH itself is also a transposon but without the ability to jump and plays a protecting role.

-Transposons (jumping genes) are dangerous little pieces of DNA that can insert themselves into different regions of the genome, damaging it and leading to cell death.

-Research shows that the inner cell mass expresses HERVH.

-The non-committed cells do not express HERVH and eventually die and get eliminated out of development.

-HERVH actually protects the cells in the inner cell mass from the damage inflicted by transposons.

-But the non-committed cells which don't express HERVH, are killed off by the uncontrolled transposon activity.

84. Consider the statements:

1. Markarian 421 is a supermassive black hole located in the constellation Ursa Major.
2. IXPE Mission is a joint effort of NASA and JAXA.

Which of the following statements are correct?

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

Answer: (a) 1 only

Explanation: Recently, NASA's IXPE Mission unveils twisted mysteries of the Supermassive Black Hole Markarian 421.

Statement 1 is correct: It is a supermassive black hole firing a jet of high-energy particles aimed directly on Earth.



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-It is about 400 million light-years away from the earth

-It is located in the constellation Ursa Major.

Characteristics of supermassive black hole

-They have a mass greater than about 50,000 times the mass of our sun.

-These black holes are far too large to have formed from the gravitational collapse of a single star.

-These are always found at the center of a galaxy and almost all galaxies have a supermassive black hole at its center.

Statement 2 is incorrect: Imaging X-ray Polarimetry Explorer (IXPE) is an international collaboration between NASA and the Italian Space Agency.

-It studies the most extreme and mysterious objects in the universe – supernova remnants, supermassive black holes, and dozens of other high-energy objects.

-It is the first satellite dedicated to measuring polarized X-rays from objects, such as neutron stars and supermassive black holes, to reveal previously hidden details of the universe.

85. Consider the following with respect to Finance Commission

1. Constituted by the President under Art 280 of the Constitution.
2. The Finance Commission's recommendations are crucial in determining the fiscal autonomy and stability of both the central and state governments.

Which of the following statements are correct?

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

Answer: (c) Both 1 and 2

Explanation:

Statement 1 is correct: Article 280 in Constitution of India: Finance Commission: The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier, time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

-Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

Statement 2 is correct: It shall be the duty of the Commission to make recommendations to the President as to—

(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;

(bb) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;

(c) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;

(d) any other matter referred to the Commission by the President in the interests of sound finance.

-The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.

86. "P" Yellow balls are now transferred from Bag A to bag C and now the probability of drawing a yellow ball from bag C is $\frac{2}{5}$. Find the value of P

- (a) 2
- (b) 3
- (c) 13
- (d) 27

Answer: a

87. If one ball is drawn at random from any one of the bag. Find the probability that the drawn ball is yellow in colour?

- (a) $\frac{57}{216}$
- (b) $\frac{67}{216}$



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(c) $\frac{77}{216}$

(d) $\frac{87}{216}$

Answer: b

88. Nine squares are chosen at random on a chessboard. What is the probability that they form a square of size 3×3 ?

(a) $\frac{9}{64C9}$

(b) $\frac{36}{64C9}$

(c) $\frac{6}{64C9}$

(d) $\frac{3}{64C9}$

Answer: b

89. The probability that the birthdays of 4 different persons will fall in exactly two calendar months is:

(a) $\frac{77}{1728}$

(b) $\frac{17}{87}$

(c) $\frac{11}{44}$

(d) $\frac{27}{87}$

Answer: a

90. 8 couples (husband and wife) attend a Dance show "Dance 2 Dance" in a popular TV channel. A lucky draw in which 4 persons are picked up for a prize is held, then the probability that there is at least one couple selected is:

(a) $\frac{8}{39}$

(b) $\frac{15}{39}$

(c) $\frac{12}{13}$

(d) $\frac{22}{13}$

Answer: b

91. Two dice are tossed. Find the probability that the total is a prime number?

(a) $\frac{5}{12}$

(b) $\frac{7}{12}$

(c) $\frac{12}{16}$

(d) $\frac{6}{16}$

Answer: a

92. A box contains 49 tickets numbered 1 to 49. One ticket is drawn at random, find the probability that the number on the ticket is either divisible by 3 or is a perfect square?

(a) $\frac{21}{49}$

(b) $\frac{12}{49}$

(c) $\frac{2}{49}$

(d) $\frac{37}{49}$

Answer: a

93. A card is drawn from a pack of 52 cards. Find the probability that it is a diamond?

(a) $\frac{1}{4}$

(b) $\frac{1}{6}$

(c) $\frac{1}{3}$

(d) $\frac{1}{8}$

Answer: a

94. If four coins are tossed, find the probability to get at least 1 head?

(a) $\frac{3}{5}$

(b) $\frac{1}{6}$

(c) $\frac{15}{16}$

(d) $\frac{5}{6}$

Answer: c

95. There are 3 boxes each containing 3 red and 5 green balls. Also there are 2 boxes, each containing 4 red and 2 green balls. A green ball is selected at random. Find the probability that this green ball is from a box of the first group.

(a) $\frac{54}{61}$

(b) $\frac{45}{61}$

(c) $\frac{8}{31}$

(d) $\frac{11}{31}$

Answer: b



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96. The probability of a lottery ticket being a prized ticket is 0.2. When 4 tickets are purchased, the probability of winning a prize on at least one ticket is

- (a) 0.4869
- (b) 0.5904
- (c) 0.6234
- (d) 0.5834

Answer: d

97. A basket contains 10 apples and 20 oranges out of which 3 apples and 5 oranges are defective. If we choose two fruits at random, what is the probability that either both are oranges or both are no defective?

- (a) $\frac{136}{345}$
- (b) $\frac{17}{87}$
- (c) $\frac{316}{435}$
- (d) $\frac{158}{435}$

Answer: c

98. In a lottery of 100 tickets numbered 1 to 100, two tickets are drawn simultaneously. Find the probability that both the tickets drawn have prime numbers.

- (a) $\frac{2}{33}$
- (b) $\frac{7}{100}$
- (c) $\frac{7}{20}$
- (d) $\frac{5}{66}$

Answer: a

99. A coin is tossed five times. What is the probability that there is at least one tail?

- (a) $\frac{31}{32}$
- (b) $\frac{1}{16}$
- (c) $\frac{1}{2}$
- (d) $\frac{1}{32}$

Answer: a

100. If two dice are thrown together, the probability of getting an even number on 1st dice and an odd number on the other is _____

- (a) $\frac{1}{4}$

- (b) $\frac{1}{2}$
- (c) $\frac{3}{4}$
- (d) $\frac{3}{5}$

Answer: a