

ForumIAS

F

Prelims Marathon

13th to 19th March, 2023

*HISTORY
ECONOMICS
POLITY
SCIENCE AND TECHNOLOGY
GEOGRAPHY AND ENVIRONMENT*

FORUMIAS



Capital Markets and Money Markets

Q.1) Consider the following statements:

1. The short-term financial market is known as the capital market.
2. The long-term financial market is known as the money market.

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

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

ANS: C

Explanation: Financial markets in every economy are having two separate segments today, one catering to the requirements of short-term funds and the other to the requirements of long-term funds.

The short-term financial market is known as the money market, while the long-term financial market is known as the capital market.

Source: Ramesh Singh

Q.2) Who among the following is/are participant/s of money market?

1. Financial institutions
2. Government
3. Companies

Choose the correct answer from below given codes:

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

ANS: D

Explanation: Money market is the short-term financial market of an economy. In this market, money is traded between individuals or groups (i.e., financial institutions, banks, government, companies, etc.), who are either cash-surplus or cash-scarce.

Source: Ramesh Singh

Q.3) Consider the following statements regarding trading in money market:

1. Trading is done on a rate known as discount rate which is determined by the market.
2. The repo rate of the time works as the guiding rate for the current discount rate.

Which of the statements given above is/are correct?

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

ANS: C

Explanation: Trading is done on a rate known as discount rate which is determined by the market and guided by the availability of and demand for the cash in the day-to-day trading.

- The 'repo rate' of the time (announced by the RBI) works as the guiding rate for the current 'discount rate'.
- Borrowings in this market may or may not be supported by collaterals.

Source: Ramesh Singh

Q.4) Which of the following is/are way/s for raising long term capital?

1. Bank loans
2. Corporate bonds
3. Debentures

Choose the correct answer from below given codes:

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

ANS: D

Explanation: Long-term capital can be raised either through bank loans, corporate bonds, debentures or shares (i.e., from the capital market).

Source: Ramesh Singh

Q.5) Which of the following committee/s is/are related to money market in India?

1. Chakravarthy Committee
2. Vahul Committee
3. Kelkar committee

Choose the correct answer from below given codes:

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

ANS: B

Explanation: The organised form of money market in India is just close to three decades old. However, its presence has been there, but restricted to the government only.

It was the Chakravarthy Committee (1985) which, for the first time, underlined the need of an organised money market in the country and the Vahul Committee (1987) laid the blue print for its development.

Source: Ramesh Singh

Q.6) Which of the following is/are indigenous banker/s?

1. Reddis
2. Multanis
3. Chettiars

Choose the correct answer from below given codes:

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

ANS: C

Explanation: Indigenous Bankers: Indigenous bankers receive deposits and lend money in the capacity of an individual or private firm. There are, basically, four such bankers in the country functioning as nonhomogenous groups:

- Gujarati Shroffs: They operate in Mumbai, Kolkata as well as in industrial, trading and port cities in the region.
- Multani or Shikarpuri Shroffs: They operate in Mumbai, Kolkata, Assam tea gardens and North Eastern India.
- Marwari Kayas: They operate mainly in Gujarat with a little bit of presence in Mumbai and Kolkata.
- Chettiars: They are active in Chennai and at the ports of southern India.

Source: Ramesh Singh

Q.7) At present, which of the following treasury bill/s is/are issued by the government?

1. 14-day treasury bills
2. 91-day treasury bills
3. 182-day treasury bills

Choose the correct answer from below given codes:

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

ANS: C

Explanation: Treasury Bills (TBs) is an instrument of the money market though present since Independence got organized only in 1986.

They are used by the Central Government to fulfill its short-term liquidity requirement up-to the period of 364 days. There developed five types of the TBs in due course of time:

- 14-day (Intermediate TBs)
- 14-day (Auctionable TBs)
- 91-day TBs
- 182-day TBs
- 364-day TBs

Out of the above five variants of the TBs, at present only the 91-day TBs, 182-day TBs and the 364-day TBs are issued by the government. The other two variants were discontinued in 2001.

Source: Ramesh Singh

Q.8) Consider the following statements regarding “Certificate of Deposit (CD)”:

1. It is issued by banks.
2. They are not negotiable and tradable in the money market.

Which of the statements given above is/are correct?

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

ANS: A

Explanation: Organized in 1989, the Certificate of Deposit (CD) is used by banks and issued to the depositors for a specified period ranging less than one year—they are negotiable and tradable in the money market.

Since 1993 the RBI allowed the financial institutions to operate in it— IFCI, IDBI, IRBI (IIBI since 1997) and the Exim Bank—they can issue CDs for the maturity periods above one year and up-to three years.

Source: Ramesh Singh

Q.9) Which of the following institution/s is/are issue/s the Commercial Bill (CB)?

1. Non-Banking Finance Companies (NBFCs)
2. Scheduled Commercial Banks
3. Co-operative Banks

Choose the correct answer from below given codes:

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

ANS: D

Explanation: Organized in 1990, a CB is issued by the All India Financial Institutions (AIFIs), Non-Banking Finance Companies (NBFCs), Scheduled Commercial Banks, Merchant Banks, Co-operative Banks and the Mutual Funds. It replaced the old Bill Market available since 1952 in the country.

Source: Ramesh Singh

Q.10) “Pin National Park” is recently seen in news is located at?

- a) Kerala
- b) Himachal Pradesh
- c) Nagaland
- d) Sikkim

ANS: B

Explanation: Established in January 1987, the Pin Valley National Park is located in the districts of Lahaul and Spiti of Himachal Pradesh.

- A hilly but lush landscape, the Pin Valley’s elevation ranges from almost 11,500 feet (3,500 metres) at Ka Dogri to more than 20,000 feet (6,000 metres) at the park’s highest point.
- Extending to the South of the Dhankar Gompa, near the Tibetan border, the Park also happens to be one of the Cold Desert Biosphere Reserve in the Himalayan region.

Source: FORUMIAS

Inflation and Unemployment

Q.1) Consider the following statements:

1. A persistent increase in the general level of prices is called as inflation.
2. When the general level of prices is falling over a period of time this is known as disinflation.

Which of the statements given above is/are correct?

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

ANS: C

Explanation: A rise in the general level of prices; a sustained rise in the general level of prices; persistent increases in the general level of prices; an increase in the general level of prices in an economy that is sustained over time; rising prices across the board —is inflation.

When the general level of prices is falling over a period of time this is deflation, the opposite situation of inflation. It is also known as disinflation.

Source: Ramesh Singh

Q.2) Consider the following statements:

1. A price index is a weighted average of the prices of a number of goods and services.
2. Inflation is measured from point-to-point.

Which of the statements given above is/are correct?

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

ANS: C

Explanation: A price index is a weighted average of the prices of a number of goods and services.

- In the index the total weight is taken as 100 at a particular year of the past (the base year), this when compared to the current year shows a rise or fall in the prices of current year, there is a rise or fall in the '100' in comparison to the base year—and this inflation is measured in digits.
- Inflation is measured 'point-to-point'. It means that the reference dates for the annual inflation is January 1 to January 1 of two consecutive years (not for January 1 to December 31 of the concerned year).
- Similarly, the weekly rate of inflation is the change in one week reference being the two consecutive last days of the week (i.e., 5 p.m. of two Fridays in India).

Source: Ramesh Singh

Q.3) Consider the following statements:

1. The supply decreases with the same level of demand and thus the situation of demand-pull inflation arise.
2. The price rise which is the result of increase in the production cost is cost-push inflation.

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

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

ANS: D

Explanation: A mis-match between demand and supply pulls up prices. Either the demand increases over the same level of supply, or the supply decreases with the same level of demand and thus the situation of demand-pull inflation arise.

- This was a Keynesian idea. The Keynesian School suggests cuts in spending as the way of tackling excess demand mainly by increasing taxes and reducing government expenditure.
- An increase in factor input costs (i.e., wages and raw materials) pushes up prices. The price rise which is the result of increase in the production cost is cost-push inflation.

Source: Ramesh Singh

Q.4) Which of the following is/are measure/s to control inflation?

1. Supply side measures
2. Cost side measures
3. Following loose monetary policy

Choose the correct answer from below given codes:

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

ANS: D

Explanation: The governments resort to the following options to check rising inflation:

- (i) As a supply side measure, the government may go for import of goods which are in short-supply—as a short-term measure (as happened in India in the case of 'onion' and meeting the buffer stock norm of wheat). As a long-term measure, governments go on to increase the production to matching the level of demand. Storage, transportation, distribution, hoarding are the other aspects of price management of this category.
- (ii) As a cost side measure, governments may try to cool down the price by cutting down the production cost of goods showing price rise with the help of tax breaks—cuts in the excise and custom duties (as happened in June 2003 in India in the case of crude oil and steel 8). This helps as a short-term measure. In the long-term, better production process, technological innovations etc., are helpful. Increasing income of the people is the monetary measure to avoid the heat of such inflation.
- (iii) The governments may take recourse to tighter monetary policy to cool down either the demand-pull or the cost-push inflations.

Source: Ramesh Singh

Q.5) Which of the following inflation has increase of annual rates in million or even trillion?

- a) Inflation
- b) Low inflation
- c) Galloping inflation
- d) Hyper inflation

ANS: D

Explanation: The hyper inflation is 'large and accelerating' which might have the annual rates in million or even trillion.

- In such inflation not only the range of increase is very large, but the increase takes place in a very short span of time, prices shoot up overnight.
- The best example of hyperinflation that economists cite is of Germany after the First World War—in early 1920s. At the end of 1923, prices were 36 billion times higher than two years earlier.

Source: Ramesh Singh

Q.6) The excess of total government spending above the national income is known as?

- a) Inflation tax
- b) Inflationary gap
- c) Deflationary gap
- d) Inflation spiral

ANS: B

Explanation: The excess of total government spending above the national income (i.e., fiscal deficit) is known as inflationary gap.

This is intended to increase the production level, which ultimately pushes the prices up due to extra-creation of money during the process.

Source: Ramesh Singh

Q.7) "It is a graphic curve which advocates a relationship between inflation and unemployment in an economy" – related to?

- a) Kuznets curve
- b) Phillips curve
- c) Gini coefficient
- d) Laffer curve

ANS: B

Explanation: Phillips curve is a graphic curve which advocates a relationship between inflation and unemployment in an economy.

- As per the curve there is a 'trade off' between inflation and unemployment, i.e., an inverse relationship between them.
- The curve suggests that lower the inflation, higher the unemployment and higher the inflation, lower the unemployment.
- During the 1960s, this idea was among the most important theories of the modern economists.

PRELIMS MARATHON COMPILATION FOR THE MONTH OF MARCH, [SECOND WEEK] 2023

- This concept is known after the economists who developed it—Alban William Housego Phillips (1914–75).
- Bill Phillips (popular name) was an electrical engineer from New Zealand and was an economist at the London School of Economics when propounded the idea.

Source: Ramesh Singh

Q.8) “It is a situation in an economy when inflation and unemployment both are at higher levels, contrary to conventional belief” – is related to?

- a) Skew inflation
- b) Stag inflation
- c) Inflation premium
- d) Inflation targeting

ANS: B

Explanation: Stagflation is a situation in an economy when inflation and unemployment both are at higher levels, contrary to conventional belief.

- Such a situation first arose in the 1970s in the US economy (average unemployment rate above 6 per cent and the average rate of inflation above 7 per cent) and in many Euro-American economies.
- This took place as a result of oil price increases of 1973 and 1979 and anticipation of higher inflation. The stag-flationary situation continued till the early 1980s.
- Conventional thinking that a trade-off existed between inflation and unemployment (i.e., Phillips Curve) was falsified and several economies switched over to alternative ways of economic policies, such as monetarist and supply-side economics.

Source: Ramesh Singh

Q.9) Consider the following statements regarding GDP deflator?

1. It is the ratio between GDP at Current Prices and GDP at Constant Prices.
2. It is acclaimed as a better measure of price behavior because it covers all goods and services produced in the country.

Which of the statements given above is/are correct?

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

ANS: C

Explanation: GDP deflator is the ratio between GDP at Current Prices and GDP at Constant Prices.

- If GDP at Current Prices is equal to the GDP at Constant Prices, GDP deflator will be 1, implying no change in price level.
- If GDP deflator is found to be 2, it implies rise in price level by a factor of 2, and if GDP deflator is found to be 4, it implies a rise in price level by a factor of 4.
- GDP deflator is acclaimed as a better measure of price behavior because it covers all goods and services produced in the country (because the weight of services has not been equitably accounted in the Indian ‘headline inflation’, i.e., inflation at WPI).

Source: Ramesh Singh

Q.10) “Neora valley national park”, is recently seen in news is located at?

- a) Assam
- b) Sikkim
- c) Himachal Pradesh
- d) West Bengal

ANS: D

Explanation: Neora Valley National Park is a national park in Kalimpong district, West Bengal, India that was established in 1986. It spreads over an area of 88 km², and is a rich biological zone in eastern India.

Source: FORUMIAS

Government Budgeting and Fiscal Policy

Q.1) “Annual Financial Statement” is often seen in news is related to?

- a) Article 72
- b) Article 110
- c) Article 112
- d) Article 280

ANS: B

Explanation: The Constitution of India has a provision (Art. 112) for such a document called Annual Financial Statement to be presented in the Parliament before the commencement of every new fiscal year—popular as the Union Budget. Same provision is there for the states, too.

Source: Ramesh Singh

Q.2) Which of the following is/are part of budget?

- 1. Actual data of the preceding year
- 2. Provisional data of the current year
- 3. Budgetary estimates for the following year

Choose the correct answer from below given codes:

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

ANS: D

Explanation: The Union Budget has three sets of data for every concerned sector or subsector of the economy:

- (i) Actual data of the preceding year (here preceding year means one year before the year in which the Budget is being presented. Suppose the Budget presented is for the year 2017–18, the Budget will give the final/actual data for the year 2015-16. After the data either we write ‘A’, means actual data/final data or write nothing (India writes nothing).
- (ii) Provisional data of the current year (i.e., 2016–17) since the Budget for 2017–18 is presented at the end of the fiscal 2016–17; it provides Provisional Estimates for this year (shown as ‘PE’ in brackets with the data).
- (iii) Budgetary estimates for the following year (here following year means one year after the year in which the Budget is being presented or the year for which the Budget is being presented, i.e., 2017–18). This is shown with the symbol ‘BE’ in brackets with the concerned data.).

Source: Ramesh Singh

Q.3) Which of the following is/are interim data of a budget?

1. Revised estimate
2. Quick estimate
3. Advance estimate

Choose the correct answer from below given codes:

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

ANS: D

Explanation: Revised Estimate is basically a current estimation of either the budgetary estimates (BE) or the provisional estimates (PE). It shows the contemporary situation. It is an interim data.

- Quick Estimate (QE) Quick Estimate is a kind of revised estimate which shows the latest situation and is useful in the process of going for future projections for some sector or sub-sector. It is an interim data.
- Advance Estimate (AE) Advance Estimate is a kind of quick estimate but done ahead (is advance) of the final stage when data should have been collected. It is an interim data.

Source: Ramesh Singh

Q.4) Which of the following is/are non tax revenue receipts?

1. Dividends
2. Interests
3. Grants

Choose the correct answer from below given codes:

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

ANS: D

Explanation: Non-tax Revenue Receipts includes all money earned by the government from sources other than taxes. In India they are:

- (i) Profits and dividends which the government gets from its public sector undertakings (PSUs).
- (ii) Interest's received by the government out of all loans forwarded by it, be it inside the country (i.e., internal lending) or outside the country (i.e., external lending). It means this income might be in both domestic and foreign currencies.
- (iii) Fiscal services also generate incomes for the government, i.e., currency printing, stamp printing, coinage and medals minting, etc.
- (iv) General Services also earn money for the government as the power distribution, irrigation, banking, insurance, community services, etc.
- (v) Fees, Penalties and Fines received by the government.
- (vi) Grants which the government receives—it is always external in the case of the Central Government and internal in the case of state governments.

Source: Ramesh Singh

Q.5) Which of the following is/are part of revenue expenditure?

1. Interest
2. Salaries
3. Subsidies

Choose the correct answer from below given codes:

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

ANS: D

Explanation: All expenditures incurred by the government are either of revenue kind or current kind or compulsive kind. The basic identity of such expenditures is that they are of consumptive kind and do not involve creation of productive assets. They are either used in running of a productive process or running a government. A broad category of things that fall under such expenditures in India are:

- (i) Interest payment by the government on the internal and external loans;
- (ii) Salaries, Pension and Provident Fund paid by the government to government employees;
- (iii) Subsidies forwarded to all sectors by the government;
- (iv) Defence expenditures by the government;
- (v) Postal Deficits of the government;

Source: Ramesh Singh

Q.6) Consider the following statements:

1. When balance of the government's total receipts and total expenditures turns out to be negative is called as primary deficit.
2. The deficit excluding the interest liabilities for a year is called as fiscal deficit.

Which of the statements given above is/are correct?

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

ANS: D

Explanation: When balance of the government's total receipts (i.e., revenue + capital receipts) and total expenditures (i.e., revenue + capital expenditures) turns out to be negative, it shows the situation of fiscal deficit, a concept being used since the fiscal 1997-98 in India.

- The fiscal deficit excluding the interest liabilities for a year is the primary deficit, a term India started using since the fiscal 1997-98.
- It shows the fiscal deficit for the year in which the economy had not to fulfill any interest payments on the different loans and liabilities which it is obliged to—shown both in quantitative and percentage of GDP forms.

Source: Ramesh Singh

Q.7) The FRBM act is often seen in news was enacted in which of the following year?

- a) 2001
- b) 2002
- c) 2003
- d) 2004

ANS: C

Explanation: The fiscal consolidation which followed in 1991 failed to give the desired results as there was no defined mandate for it. Neither was there any statutory obligation to do so.

- This is why the Fiscal Reforms and Budget Management Act (FRBMA) were enacted on 26 August, 2003 to provide the support of a strong institutional/statutory mechanism.
- Designed for the purpose of medium-term management of the fiscal deficit, the FRBMA came into effect on 5 July, 2004.

Source: Ramesh Singh

Q.8) Which of the following statement/s is/are presented along with the budget?

1. Fiscal Policy Strategy Statement
2. Medium Term Fiscal Policy Statement
3. Macroeconomic Framework Statement

Choose the correct answer from below given codes:

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

ANS: D

Explanation: Along with the Budget and Demands for Grants, the GoI to lay the following three statements before the Parliament in each financial year:

- (a) Fiscal Policy Strategy Statement (FPSS);
- (b) Medium Term Fiscal Policy Statement (MTFPS); and
- (c) Macroeconomic Framework Statement (MFS).

Source: Ramesh Singh

Q.9) The “begur wildlife sanctuary” is recently seen in news is located at?

- a) Kerala
- b) Tamil Nadu
- c) Andhra Pradesh
- d) Maharashtra

ANS: A

Explanation: The Begur Wildlife Sanctuary is one among the several hidden gems of Wayanad district. The lush greenery and rare faunal species make it a must-visit destination.

- The Western Ghats form the perfect backdrop for a wonderful safari here. One can come across bear, bison, elephants, jungle cats, monkeys, panther, spotted deer, wild boars and packs of wild dogs here.

PRELIMS MARATHON COMPILATION FOR THE MONTH OF MARCH, [SECOND WEEK] 2023

- Nature lovers will find many a picturesque picnic spot in this area, located about 20 km east of Mananthavady in Wayanad. It is a unique destination that is slowly gaining traction among our visitors.

Source: FORUMIAS

Q.10) “Balpakram National Park” is recently seen in news is located at?

- a) Assam
- b) Andhra Pradesh
- c) Meghalaya
- d) Tripura

ANS: C

Explanation: The Balpakram National Park is quite famous for its immense archaeological and geological value.

- The park is the breeding ground of leopards, langurs, boars and the rarely found, golden cat besides being also known for the unique red panda.
- The literal meaning of the word ‘balpakram’ is ‘a place where there are perpetual winds’. It is located at a distance of about 167 kilometres from Tura, Meghalaya.

Source: FORUMIAS

Balance of Payments

Q.1) Which of the following is/are consist/s of foreign exchange reserves?

1. Foreign currency assets
2. Special drawing rights
3. Digital currency assets

Choose the correct answer from below given codes:

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

ANS: B

Explanation: The total foreign currencies (of different countries) an economy possesses at a point of time is its 'foreign currency assets/reserves'.

The Forex Reserves (short for 'foreign exchange reserves') of an economy is its 'foreign currency assets' added with its gold reserves, SDRs (Special Drawing Rights) and Reserve Tranche in the IMF.

Source: Ramesh Singh

Q.2) Which of the following is/are leading item/s of export/s in 2022?

1. Petroleum products
2. Organic & inorganic chemicals
3. Gold

Choose the correct answer from below given codes:

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

ANS: B

Explanation: During FY23 (till December 2022) India's exports have displayed resilience on the back of record levels of exports in FY22.

Petroleum products, gems & jewellery, organic & inorganic chemicals, drugs & pharmaceuticals were among the leading export items.

Source: Economic Survey 2022 – 23

Q.3) Which of the following risk/s is/are faced by emerging economy/economies in 2022 – 23?

1. Elevated external borrowing costs
2. Sticky high inflation
3. Volatile commodity markets

Choose the correct answer from below given codes:

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

ANS: D

Explanation: The emerging markets face a host of risks emanating from elevated external borrowing costs, sticky high inflation, and volatile commodity markets, uncertain global economic growth outlook, and spill over's from policy tightening in advanced economies.

Source: Economic Survey 2022 – 2023

Q.4) Which of the following institution publishes the “International Debt Statistics”?

- a) International Monetary Fund
- b) World Bank
- c) International Finance Corporation
- d) World Economic Forum

ANS: B

Explanation: Cross-country comparison of external debt, (as per the World Bank's International Debt Statistics), indicates that India continues to be among the less vulnerable countries and its key debt indicators compare well with other indebted countries of the developing world.

Source: Ramesh Singh

Q.5) “In the foreign exchange market when exchange rate of a domestic currency is cut down by its government against any foreign currency” – described as?

- a) Depreciation
- b) Devaluation
- c) Revaluation
- d) Appreciation

ANS: B

Explanation: In the foreign exchange market when exchange rate of a domestic currency is cut down by its government against any foreign currency, it is called devaluation. It means official depreciation is devaluation.

Source: Ramesh Singh

Q.6) Which of the following is/are consist/s of current account of balance of payments?

1. Exports
2. Interest Payments
3. Transfers

Choose the correct answer from below given codes:

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

ANS: D

Explanation: In the external sector, it refers to the account maintained by every government of the world in which every kind of current transactions is shown—basically this account is maintained by the central banking body of the economy on behalf of the government.

Current transactions of an economy in foreign currency all over the world are—export, import, interest payments, private remittances and transfers.

Source: Ramesh Singh

Q.7) “S.S. Tarapore Committee” is often seen in news is related to?

- a) Currency convertibility
- b) Foreign portfolio investments
- c) Priority sector lending
- d) External commercial borrowings

ANS: A

Explanation: An economy might allow its currency full or partial convertibility in the current and the capital accounts.

- If domestic currency is allowed to convert into foreign currency for all current account purposes, it is a case of full current account convertibility.
- Similarly, in cases of capital outflow, if the domestic currency is allowed to convert into foreign currency, it is a case of full capital account convertibility.
- After the recommendations of the S.S. Tarapore Committee (1997) on Capital Account Convertibility, India has been moving in the direction of allowing full convertibility in this account, but with required precautions.

Source: Ramesh Singh

Q.8) The terms “REER & NEER” is often seen in news is related to?

- a) Exchange rate
- b) External aid
- c) External borrowings
- d) Foreign trade agreements

ANS: A

Explanation: The Nominal Effective Exchange Rate (NEER) of the rupee is a weighted average of exchange rates before the currencies of India’s major trading partners.

- When the weight of inflation is adjusted with the NEER, we get the Real Effective Exchange Rate (REER) of the rupee.

PRELIMS MARATHON COMPILATION FOR THE MONTH OF MARCH, [SECOND WEEK] 2023

- Since inflation has been on the higher side in recent months, the REER of the rupee has been more against it than the NEER.

Source: Ramesh Singh

Q.9) “Extended fund Facility (EFF)” is recently seen in news is related to?

- a) IMF
- b) World Bank
- c) IFC
- d) AIIB

ANS: A

Explanation: The Extended fund Facility (EFF) is a service provided by the IMF to its member countries which authorizes them to raise any amount of foreign exchange from it to fulfil their BoP crisis, but on the conditions of structural reforms in the economy put by the body. It is the first agreement of its kind. India had signed this agreement with the IMF in the financial year 1981–82.

Source: FORUMIAS

Q.10) “Blackbuck National Park” is recently seen in news is located at?

- a) Gujarat
- b) Maharashtra
- c) Delhi
- d) Rajasthan

ANS: A

Explanation: Blackbuck National Park is a national park in India located at Velavadar in the Bhavnagar District of Gujarat state, India. Established in 1976 in the Bhal region of Saurashtra, the park is located around 42 km from the district headquarters city of Bhavnagar.

Source: FORUMIAS

India & International Institutions

Q.1) Consider the following statements regarding hard currency:

1. It has a high level of liquidity.
2. Indian Rupee, Japanese Yen and American Dollar are the examples of hard currency.

Which of the statements given above is/are correct?

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

ANS: A

Explanation: Hard Currency is the international currency in which the highest faith is shown and is needed by every economy. The strongest currency of the world is one which has a high level of liquidity.

- Basically, the economy with the highest as well as highly diversified exports that are compulsive imports for other countries (as of high-level technology, defence products, life saving medicines and petroleum products) will also create high demand for its currency in the world and become the hard currency.
- It is always scarce. Upto the Second World War, the best hard currency was the Pound Sterling (£) of the UK, but soon it was replaced by the US Dollar.
- Some of the best hard currencies of the world today are the US Dollar, the Euro(€), Japanese Yen (¥) and the UK Sterling Pound (£).
- Meanwhile, by late 2015, the IMF allowed the SDR to be denominated in the chinese Yuan—paving the way for a new hard currency to be implemented in 2016.

Source: Ramesh Singh

Q.2) “Global Investment Trends Monitor” is recently seen in news is released by?

- a) IMF
- b) World Bank
- c) UNCTAD
- d) World Economic Forum

ANS: C

Explanation: Global Investment Trends Monitor is released by UNCTAD.

Source: FORUMIAS

Q.3) Which of the following is/are institutions called as Bretton Woods' twins?

1. World Trade Organization
2. World Bank
3. International Monetary Fund

Choose the correct answer from below given codes:

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

ANS: C

Explanation: As the powerful nations of the world were hopeful of a new and more stable world order with the emergence of the UNO, on the contrary, they were also anxious for a more homogenous world financial order, after the Second World War.

- The representatives of the USA, the UK and 42 other (total 44 countries) nations met at Bretton Woods, New Hampshire, USA in July 1944 to decide a new international monetary system.
- The International Monetary Fund (IMF) and the World Bank (with its first group-institution IBRD) were set up together—popularly called as the Bretton Woods' twins — both having their headquarters in Washington DC, USA.

Source: Ramesh Singh

Q.4) Which of the following is/are function/s of International Monetary Fund (IMF)?

1. It facilitates international monetary cooperation.
2. It promotes exchange rate stability and orderly exchange arrangements.
3. It provides long term low interest loans for developmental activities in least developed countries.

Choose the correct answer from below given codes:

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

ANS: B

Explanation: The main functions of the IMF are as given below:

- (i) to facilitate international monetary cooperation;
- (ii) to promote exchange rate stability and orderly exchange arrangements;
- (iii) to assist in the establishment of a multilateral system of payments and the elimination of foreign exchange restrictions; and
- (iv) to assist member countries by temporarily providing financial resources to correct mal-adjustment in their balance of payments (BoPs).

Source: Ramesh Singh

Q.5) Consider the following statements regarding IMF's Quota:

1. IMF reviews members' quotas once in every ten years.
2. While 75 per cent of the quota is to be paid in cash, the balance 25 per cent can be paid in securities.

Which of the statements given above is/are correct?

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

ANS: D

Explanation: IMF reviews members' quotas once in every five years—last done in December 2010—here, India consented for its quota increase.

- After this India's quota (together with its 3 constituency countries) has increased to 2.75 per cent (from 2.44 per cent) and it has become the 8th (from 11th) largest quota holding country among the 24 constituencies.
- In absolute terms, India's quota has increased to SDR 13,114.4 million (from SDR 5,821.5 million) which is an increase of approximately US \$ 11.5 billion or Rs. 56,000 crore).
- While 25 per cent of the quota is to be paid in cash (i.e., in 'Reserve' currency), the balance 75 per cent can be paid in securities.

Source: Ramesh Singh

Q.6) "Financial Transactions Plan (FTP)" is often seen in news is related to?

- a) IMF
- b) World Bank
- c) UNDP
- d) AIIB

ANS: A

Explanation: India has been borrowing from the IMF due to critical balance of payment (BoP) situations—once between 1981–84 (SDR 3.9 billion) and next during 1991 (SDR 3.56 billion).

All the loans taken from the IMF have been repaid. India is now a contributor to the IMF as it participates in the Financial Transactions Plan (FTP) of the IMF since September 2002—at this time India was in strong balance of payment situation and in a comfortable forex reserves position.

Source: Ramesh Singh

Q.7) Consider the following statements regarding “International Development Agency (IDA)”:

1. It is
2. interest free loans for a period of 35 – 40 years.
3. Which of also known as the soft window of the World Bank.

It provides the statements given above is/are correct?

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

ANS: C

Explanation: The International Development Agency (IDA) which is also known as the soft window of the WB was set up in 1960 with the basic aim of developing infrastructural support among the member nations, long-term lending for the development of economic services.

- Its loans, known as credits are extended mainly to economies with less than \$895 per capita income.
- The credits are for a period of 35–40 years, interest-free, except for a small charge to cover administrative costs. Repayment begins after a 10-year grace period.

Source: Ramesh Singh

Q.8) Which of the following institution is known as private arm of the World Bank?

- a) International Development Agency
- b) International Finance Corporation
- c) Multilateral Investment Guarantee Agency
- d) International Bank for Reconstruction and Development

ANS: B

Explanation: The International Finance Corporation (IFC) was set up in 1956 which is also known as the private arm of the WB. It lends money to private sector companies of its member nations.

- The interest rate charged is commercial but comparatively low. There are many attractive features of IFC’s lending.
- It finances and provides advice for private-public ventures and projects in partnership with private investors and, through its advisory work, helps governments of the member nations to create conditions that stimulate the flow of both domestic and foreign private savings and investment.

Source: Ramesh Singh

Q.9) Consider the following statements regarding “Asian Development Bank (ADB)”:

1. India is one of the founding members of ADB.
2. Its headquarters is located at Manila, Philippines.

Which of the statements given above is/are correct?

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

ANS: C

Explanation: Set up in 1966 with 31 founding members (India being one of them), today (by March 2017) it has grown to encompass 67 members—of which 48 are from Asia and Pacific and 19 from outside.

- Asian development Bank has its headquarters situated at Manila, Philippines.
- The purpose of the Bank is to foster economic growth and co-operation in the region of Asia and the Far East and to contribute to economic development of the developing member countries, collectively and individually.

Source: Ramesh Singh

Q.10) “Satkosia Tiger Reserve” is recently seen in news is located at?

- a) West Bengal
- b) Tamil Nadu
- c) Jharkhand
- d) Odisha

ANS: D

Explanation: Forests surrounding the Satkosia gorge of Mahanadi River including the stretch of river flowing through the gorge with rich diversity of habitats and mosaic of landscapes having a fascinating floral and faunal composition were notified as Satkosia Gorge sanctuary in May, 1976.

- The contiguous forest area to the south of this sanctuary in Nayagarh District was notified as the Baisipali sanctuary in the year 1981.
- These two sanctuaries together covering an area of 963.87 sq km. have been notified as Satkosia Tiger Reserve vide Notification No.8F(S)-32/2006/20807/F&E Dated, Bhubaneswar, the 31st December, 2007. It has a core area of 523.61 sq km and a buffer area of 440.26 sq km.

Source: <https://www.satkosia.org/>

Five Year Plans and Economic Reforms in India

Q.1) Consider the following statements regarding “Organization for Economic Co-operation and Development (OECD)”:

1. Its predecessor was Organization for European Economic Cooperation (OEEC).
2. All UN members were members of OECD.

Which of the statements given above is/are correct?

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

ANS: A

Explanation: The roots of the Organization for Economic Co-operation and Development (OECD), Paris, go back to the rubble of Europe after World War II.

- The Organization for European Economic Cooperation (OEEC) was established in 1947 to run the US-financed Marshall Plan for reconstruction of a continent ravaged by war.
- Encouraged by its success and the prospect of carrying its work forward on a global stage, Canada and the US joined OEEC members in signing the new OECD Convention on 14 December, 1960.
- The Organization for Economic Co-operation and Development (OECD) was officially born on September 30, 1961, when the Convention entered into force.
- It now has 38 member including not only most advanced countries but also emerging countries like Mexico, Chile and Turkey.

Source: Ramesh Singh

Q.2) “The Planned Economy of India” book was written by which of the following?

- a) M. Visvesvaraya
- b) N.R. Sarkar
- c) B. R. Ambedkar
- d) Jawaharlal Nehru

ANS: A

Explanation: The credit of proposing the first blueprint of Indian planning is given to the popular civil engineer and the ex-Dewan of the Mysore state, M. Visvesvaraya.

In his book The Planned Economy of India, published in 1934, he outlined the broad contours of his plan proposal.

Source: Ramesh Singh

Q.3) Who among the following was/were the member/s of National Planning Committee?

1. Mahatma Gandhi
2. Subhash C. Bose
3. J. L. Nehru

Choose the correct answer from below given codes:

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

ANS: C

Explanation: Though the Gandhians and some of the business and propertied representatives were opposed to commit the party to centralised state planning (including Mahatma Gandhi), it was on the initiative of the INC president Subhash C. Bose that the National Planning Committee (NPC) was set up in October 1938 under the chairmanship of J. L. Nehru to work out concrete programmes for development encompassing all major areas of the economy.

- Basically, the NPC was set up in a conference of the Ministers of Industries of the Congress-ruled States (though other states were also invited to participate) where M. Visvesvaraya, J.R.D. Tata, G.D. Birla and Lala Sri Ram and many others including academicians, technocrats, provincial civil servants, trade unionists, socialists and communists, etc., were also invited.
- The 15-member NPC with 29 sub-committees and a total of 350 members produced 29 volumes of recommendations.

Source: Ramesh Singh

Q.4) Who among the following is NOT a member of Bombay Plan?

- a) J.R.D. Tata
- b) John Mathai
- c) Kasturbhai Lalbhai
- d) Jawaharlal Nehru

ANS: D

Explanation: The Bombay Plan was the popular title of 'A Plan of Economic Development for India', which was prepared by a cross-section of India's leading capitalists.

- The eight capitalists involved in this plan were Purshotamdas Thakurdas, J.R.D. Tata, G.D. Birla, Lala Sri Ram, Kasturbhai Lalbhai, A.D. Shroff, Avdeshir Dalal and John Mathai. The Plan was published in 1944– 45.
- Out of these eight industrialists, Purshotamdas Thakurdas was one among the 15 members of the National Planning Committee (1938);
- J.R.D. Tata, G.D. Birla and Lala Sri Ram, were members of the sub-committees (29 in total) of the National Planning Committee.

Source: Ramesh Singh

Q.5) Who among the following was formulated the “Gandhian Plan”?

- a) Sriman Narayan Agarwal
- b) Lala Sri Ram
- c) Purshotamdas Thakurdas
- d) Avdeshir Dalal

ANS: A

Explanation: Espousing the spirit of the Gandhian economic thinking, Sriman Narayan Agarwal formulated The Gandhian Plan in 1944.

- The plan laid more emphasis on agriculture. Even if he referred to industrialisation, it was to the level of promoting cottage and village-level industries, unlike the NPC and the Bombay Plan which supported a leading role for the heavy and large industries.
- The plan articulated a ‘decentralised economic structure’ for India with ‘self-contained villages’.

Source: Ramesh Singh

Q.6) Which of the following is/are correctly matched?

Area report	:	Prepared by
1. Industrial credit	:	Gadgil
2. Agricultural Development	:	Kheragat
3. Cooperatives	:	Saraiya

Choose the correct answer from below given codes:

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

ANS: C

Explanation: In the 1940s, we see several area-specific reports being published:

- (i) Gadgil Report on Rural Credit
- (ii) Kheragat Report on Agricultural Development
- (iii) Krishnamachari Report on Agricultural Prices
- (iv) Saraiya Report on Cooperatives
- (v) A series of reports on Irrigation (ground water, canal, etc.)

All these reports, though prepared with great care and due scholarship, the government had hardly any zeal to implement the plans on their findings. But independent India was greatly benefited when the planning started covering all these areas of concern.

Source: Ramesh Singh

Q.7) Which of the following body/institution replaced the Planning Commission?

- a) Zonal Council
- b) Inter State Council
- c) National Integration Council
- d) National Development Council

ANS: B

Explanation: On January 1, 2015, the government formally abolished the PC by replacing it with the newly created body—the NITI Aayog.

PRELIMS MARATHON COMPILATION FOR THE MONTH OF MARCH, [SECOND WEEK] 2023

- With this there ended an era in the economic history of independent India. Whether it was better to revive the PC or abolish it has been a matter of much debate among the discipline experts, politicians and the media.
- The debate, at times, had emotional tones, too. But the government has its own wisdom behind the action (a detailed discussion on it has been included as the last sub-topic of this Chapter titled 'NITI Aayog').

Source: Ramesh Singh

Q.8) Which of the following plan was prepared by the Professor Mahalanobis?

- a) First plan
- b) Second Plan
- c) Sixth Plan
- d) Eighth Plan

ANS: B

Explanation: The plan period was 1956–61. The strategy of growth laid emphasis on rapid industrialisation with a focus on heavy industries and capital goods.

The plan was developed by Professor Mahalanobis. Due to the assumption of a closed economy, shortages of food and capital were felt during this Plan.

Source: Ramesh Singh

Q.9) The Ramsar site “Kolleru Lake” is located at which of the following?

- a) Tamil Nadu
- b) Andhra Pradesh
- c) Kerala
- d) Karnataka

ANS: B

Explanation: A natural eutrophic lake, situated between the two major river basins of the Godavari and the Krishna, fed by two seasonal rivers and a number of drains and channels, which functions as a natural flood balancing reservoir between the deltas of the two rivers.

- It provides habitat for a number of resident and migratory birds, including declining numbers of the vulnerable Grey Pelican (*Pelecanus philippensis*), and sustains culture and capture fisheries, agriculture and related occupations of the people in the area.
- Damage and losses due to flooding in monsoon seasons and partial drying out during summers, the results of inadequate management planning and action, are seen as areas for improvement.
- WWF-India has been of great assistance in preparing the site's designation. Ramsar site no 1209.

Source: <https://rsis.ramsar.org/ris/1209>

Q.10) The “Bison National Park” is recently seen in news is located at?

- a) Meghalaya
- b) Mizoram
- c) Tripura
- d) Nagaland

ANS: C

Explanation: Situated in the Trishna Wildlife Sanctuary, the Rajbari National Park is one of India’s well-known National Parks. It is located at Tripura, India.

- The park is spread over a whopping 31.63 square kilometres. Visiting this park would prove to be a visual treat to its visitors.
- The park is very famous across the country owing to its picturesque surroundings.
- It is one of the many places in India where one could witness Mother Nature at her best.
- One can expect to come across various wild animals including the world-famous Indian Gaur (also known as bison), deer, Golden langurs, Pheasants, and many such endearing species.

Source: FORUMIAS

Revision

Q.1) Who among the following was prepared the “People’s Plan”?

- a) M. N. Roy
- b) Sardar Vallabhai Patel
- c) Acharya Vinoba Bave
- d) Jayaprakash Narayan

ANS: A

Explanation: In 1945, yet another plan was formulated by the radical humanist leader M.N. Roy, Chairman of the Post-War Reconstruction Committee of Indian Trade Union.

The plan was based on Marxist socialism and advocated the need of providing the people with the ‘basic necessities of life’.

Source: Ramesh Singh

Q.2) Which of the following is/are central plan/s?

- 1. Five year plans
- 2. Twenty point programme
- 3. Member of Parliament Local Area Development Scheme

Choose the correct answer from below given codes:

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

ANS: D

Explanation: The Plans which are formulated by the Central Government and financed by it for the implementation at the national level are known as Central Plans. Over the years, the Centre has launched three such plans and the governments have maintained continuity in their implementation. The three central plans are:

- Five-Year Plans,
- Twenty-Point Programme, and
- Member of Parliament Local Area Development Scheme.

Source: Ramesh Singh

Q.3) In which of the following period, annual plans are implemented in India?

- a) 1962 – 65
- b) 1966 – 69
- c) 1972 – 75
- d) 1989 – 92

ANS: B

Explanation: The period of the three consecutive Annual Plans was 1966–69. Though the Fourth Plan was ready for implementation in 1966, the weak financial situation as well as the

low morale after the defeat by China, the government decided to go for an Annual Plan for 1966–67.

- Due to the same reasons the government went for another two such plans in the forthcoming years.
- The broader objectives of these Annual Plans were inside the design of the Fourth Plan which would have been implemented for the period 1966–71 had the financial conditions not worsened by then.

Source: Ramesh Singh

Q.4) “There is a price rise of one or a small group of commodities over a sustained period of time” – described as?

- a) Stagflation
- b) Skewflation
- c) Galloping inflation
- d) Hyper inflation

ANS: B

Explanation: Economists usually distinguish between inflation and a relative price increase.

- ‘Inflation’ refers to a sustained, across-the-board price increase, whereas ‘a relative price increase’ is a reference to an episodic price rise pertaining to one or a small group of commodities.
- This leaves a third phenomenon, namely one in which there is a price rise of one or a small group of commodities over a sustained period of time, without a traditional designation.
- ‘Skewflation’ is a relatively new term to describe this third category of price rise.

Source: Ramesh Singh

Q.5) Consider the following statements:

1. Inflation redistributes wealth from creditors to debtors.
2. Rising inflation indicates lowering aggregate demand.

Which of the statements given above is/are correct?

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

ANS: A

Explanation: There are multi-dimensional effects of inflation on an economy both at the micro and macro levels. It redistributes income, distorts relative prices, destabilizes employment, tax, saving and investment policies, and finally it may bring in recession and depression in an economy.

- Inflation redistributes wealth from creditors to debtors, i.e., lenders suffer and borrowers benefit out of inflation. The opposite effect takes place when inflation falls (i.e., deflation).
- Rising inflation indicates rising aggregate demand and indicates comparatively lower supply and higher purchasing capacity among the consumers.

PRELIMS MARATHON COMPILATION FOR THE MONTH OF MARCH, [SECOND WEEK] 2023

- Usually, higher inflation suggests the producers to increase their production level as it is generally considered as an indication of higher demand in the economy.

Source: Ramesh Singh

Q.6) Which of the following is/are quasi – regulatory agency/agencies?

1. National Bank for Agriculture and Rural Development (NABARD)
2. Small Industries Development Bank of India (SIDBI)
3. National Housing Bank (NHB)

Choose the correct answer from below given codes:

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

ANS: D

Explanation: Several other government bodies perform quasi-regulatory functions— National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), and National Housing Bank (NHB).

NABARD supervises regional rural banks as well as state and district cooperative banks. NHB regulates housing finance companies, and SIDBI regulates the state finance corporations (SFCs).

Source: Ramesh Singh

Q.7) Consider the following statements regarding “Financial Sector Development Council (FSDC)”:

1. Prime Minister is the chairman of FSDC.
2. It resolves inter-agency disputes.

Which of the statements given above is/are correct?

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

ANS: B

Explanation: Few years back, an important addition was made to the regulatory architecture—the Financial Sector Development Council (FSDC) was set up which replaced the High Level Committee on Capital Markets.

- The council is convened by Ministry of Finance and does not have statutory authority—it is structured as a council of regulators—Finance Minister as chairman. It has a permanent secretariat.
- The council resolves inter-agency disputes; look after the regulation of financial conglomerates that fall under various regulators’ purview; and performs wealth management functions dealing with multiple products.

Source: Ramesh Singh

Q.8) Who among the following is the lender of last resort?

- a) SIDBI
- b) RBI
- c) Department of Financial Services
- d) SBI

ANS: B

Explanation: As a Banker to Banks, the Reserve Bank also acts as the 'lender of the last resort'.

It can come to the rescue of a bank that is solvent but faces temporary liquidity problems by supplying it with much needed liquidity when no one else is willing to extend credit to that bank.

The Reserve Bank extends this facility to protect the interest of the depositors of the bank and to prevent possible failure of the bank, which in turn may also affect other banks and institutions and can have an adverse impact on financial stability and thus on the economy.

Source: https://m.rbi.org.in/scripts/FS_Overview.aspx?fn=2758

Q.9) “Surplus liquidity of a more enduring nature arising from large capital inflows is absorbed through sale of short-dated government securities and treasury bills” – described as?

- a) Liquidity Adjustment Facility
- b) Standing Deposit Facility
- c) Market Stabilization Scheme
- d) Open Market Operations

ANS: C

Explanation: Market Stabilisation Scheme (MSS) is an instrument for monetary management was introduced in 2004.

- Surplus liquidity of a more enduring nature arising from large capital inflows is absorbed through sale of short-dated government securities and treasury bills.
- The mobilised cash is held in a separate government account with the Reserve Bank. The instrument thus has features of both, SLR and CRR.

Source: Ramesh Singh

Q.10) “Pong dam Lake” is recently seen in news is located at?

- a) Uttarakhand
- b) Himachal Pradesh
- c) Sikkim
- d) Arunachal Pradesh

ANS: B

Explanation: Pong dam Lake is also called the Pong reservoir or the Maharana Pratap Sagar.

- In 1983, the entire reservoir was declared as a Wildlife Sanctuary by the Himachal Pradesh government.
- In 1994, the Government of India declared it a “Wetland of National Importance”.
- Pong Dam Lake was declared as Ramsar Site in November 2002.

Source: FORUMIAS