

Q.1)

Solution (c)

Exp) Option c is the correct answer.

Capital account convertibility means the freedom to conduct investment transactions without any constraints. Typically, it would mean no restrictions on the amount of rupees you can convert into foreign currency to enable you, an Indian resident, to acquire any foreign asset. Similarly, there should be no restraints on a NRI bringing in any amount of dollars or dirhams to acquire an asset in India.

Statements 1, 2 and 3 are correct. The recent moves towards Capital account convertibility include **increasing the foreign portfolio investment limits in the Indian debt markets, introducing the Fully Accessible Route (FAR)** – through which non-residents can invest in specified government securities without any restrictions and the **easing of the external commercial borrowing** framework by relaxing end-user restrictions. Inward FDI is allowed in most sectors, and outbound FDI by Indian incorporated entities is allowed as a multiple of their net worth.

Statement 4 is incorrect. **Limitation on Non-Resident Indians** to invest in Government securities **restrict the flow of currency** and hence it **does not aid** the process of full capital account convertibility in India.

Q.2)

Solution (b)

Exp) Option b is the correct answer.

The term Circular trading was in news in the backdrop of implementation of Goods and Service Tax (GST) in India. Option a is incorrect: Circular trading is the fraudulent practices used by the traders to avail Input tax credit. It is related to duty-free imports of raw materials. Option b is correct: Circular trading refers to fraudulently availing input tax credit by traders by issuing invoices without availing any real goods or service. Input Credit means at the time of paying tax on output by sellers, they can reduce the tax they have already paid on inputs and pay the balance amount. Thus, traders falsely claim Input credit, get invoices without any real transaction of goods/services and this practice is known as Circular trading. Option c is incorrect: Circular trading is not related to selling goods and services to the tax exempted area to avoid GST laws as Circular trading involves no real transaction of goods/services. Option d is incorrect: Circular trading is not related to forming a closed cycle among traders to ensure better compliance of Goods and Service Tax (GST).

Q.3)

Solution (a)

Exp) Option a is the correct answer.

In economics, capital flight is a phenomenon characterized by large outflows of assets and/or capital from a country due to some events, resulting in negative economic consequences to that country. The events that can lead to capital outflows may be generally categorized as political or economic.

Option a is correct: The **flight of capital** can be triggered by some macroeconomic factors such as **exchange rate fluctuations**. The **devaluation** of the **domestic currency** lowers investors' confidence, causing them to withdraw their capital from a country.

Option b is incorrect: Other economic reasons may also trigger capital flight. These reasons include a significant **tax increase** or **declining interest rates**. For example, after the French government introduced its version of the wealth tax, the country experienced an exodus of wealthy individuals and their private capital.

Option c is incorrect: Both domestic (push) and external (pull) factors may create capital flight. An example for push is the **increase in interest rate by the US Fed** may make high returns for US financial

assets. Increase in US interest rate implies more interest rate in US banks as compared to Indian banks. Here the US investors who have invested in India may find that US is also attractive now because of the rate of interest hike there. Also, decrease in interest rates in foreign nations will have the opposite effect. This will make India an attractive destination for the investors.

Option d is incorrect: Various **political events** frequently become the reasons for capital outflows from a country. For example, political turmoil (including political instability and risks of civil conflicts) may shake **investors' confidence** regarding the country's economic prospects, thus causing capital flight. Whereas elections providing clear majority to party is the sign of stable government, in such cases investor confidence is increased. This may cause more capital inflow in the economy.

Q.4)

Solution (b)

Exp) Option b is the correct answer.

In economics, it is said that the level of savings equals the level of investment. Investment needs to be financed from saving. If people save more, it enables the banks to lend more to firms for investment. An economy where savings are very low means that the economy is choosing short-term consumption over long-term investment. To starve the economy of investment can lead to future bottlenecks and shortages. A rise in aggregate savings would yield larger investments associated with higher GDP growth. As a result, the high rates of savings increase the amount of capital and lead to higher economic growth in the country

Q.5)

Solution (c)

Exp) Option c is the correct answer.

Option a and b are incorrect: Shrinkflation or Shrink Inflation is not related to drastic increase/decrease in the price of a product due to unavailability/easy availability. According to the law of demand and supply, the price of a product will increase/decrease based on the mismatch between demand and supply of a particular product. Price will rise when demand exceeds supply and price falls if supply exceeds demand. Shrinkflation is related more to reducing the quantity of product while keeping the same price.

Option c is correct: Shrinkflation refers to the practice of reducing the quantity of a product without altering its price. For instance, reducing the weight of chips in a packet without altering its price would count as shrinkflation. **Option d is incorrect:** In Microeconomics, Substitute goods are similar products that a customer may use for the same purpose. For example, tea is a substitute good for coffee and vice versa and Coca cola and Pepsi are another example of substitute goods. Usually, an increase in the price of one substitute good (tea) results in the price rise of another substitute good (coffee).

Q.6

Solution (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: Banks in India can be broadly categorized under one of two categories: commercial banks and cooperative banks. Commercial banks include regional rural banks (RRBs); and scheduled commercial banks, which are: government-owned or public sector banks (PSBs); private banks; branches or subsidiaries of foreign banks; and small finance banks.

Statement 2 is incorrect: Bank customers are covered under the definition of 'consumer' and can take recourse through the Consumer Protection Act, 2019.

Statement 3 is correct: As per the RBI guidelines, No NBFC shall open subsidiaries/joint ventures/representative office abroad or shall make investment in any foreign entities without obtaining prior approval in writing from the Reserve Bank of India.

Q.7)

Solution (c)

Exp) Option c is the correct answer.

Option 1 is correct. Provisioning coverage ratio is prescribed percentage of funds to be set aside by banks for covering prospective losses due to bad loans. The Provisioning Coverage Ratio differs with asset quality. The lower the asset quality, the higher will be the provisioning coverage ratio.

Option 2 is correct. The Gross Profit Ratio represents the operating profit of the company after adjusting the cost of the goods that are sold. The higher the gross profit ratio, the lower the cost of goods sold, and the greater satisfaction for the management.

Option 3 is incorrect. The current Ratio represents the liquidity of the company to meet its obligations in the next 12 months. The higher the current ratio, the stronger the company is to pay its current liabilities. However, a very high current ratio signifies that a lot of money is stuck in receivables that might not be realized in the future. Capital adequacy ratio is the ratio of a bank's capital in relation to its risk-weighted assets and current liabilities.

Option 4 is correct. Fixed asset turnover represents the efficiency of the company in generating revenue from its assets. In simple terms, it is a return on the investment in fixed assets.

Q.8)

Solution (b)

Exp) Option b is the correct answer.

Statement 1 is correct. A derivative is a financial security with a value that is reliant upon or derived from, an underlying asset or group of assets—a benchmark. The derivative itself is a contract between two or more parties, and the derivative derives its price from fluctuations in the underlying asset.

Statement 2 is correct. Futures contracts or futures are an agreement between two parties for the purchase and delivery of an asset at an agreed upon price at a future date. Futures trade on an exchange, and the contracts are standardized. Traders will use a futures contract to hedge their risk or speculate on the price of an underlying asset. The parties involved in the futures transaction are obligated to fulfill a commitment to buy or sell the underlying asset.

Statement 3 is incorrect. A forward contract is a customizable derivative contract between two parties to buy or sell an asset at a specified price on a future date. Forward contracts can be tailored to a specific commodity, amount, and delivery date. Forward contracts do not trade on a centralized exchange and are considered over the counter (OTC) instruments

Q.9)

Solution (a)

Exp) Option a is the correct answer.

Greenwashing is the process of conveying a false impression or providing misleading information about how a company's products are more environmentally sound. Greenwashing is considered an unsubstantiated claim to deceive consumers into believing that a company's products are environmentally friendly.

Q.10)

Solution (b)

Exp) Option b is the correct answer.

Payment Banks comes under a differentiated bank licence since they cannot offer all the services that a commercial bank offers. These banks have come up on the recommendation of Nachiket Mor Committee.

Statement 1 is correct: The payments bank is not allowed to accept time deposits / fixed deposits (FDs) and sanction loans and may accept only demand deposits through savings bank accounts and current accounts.

Statement 2 is correct: Payments banks are allowed to generate income by investing 75 per cent of the customer deposits in government securities and the rest in other instruments allowed by the RBI.

Statement 3 is incorrect: Payment Banks can issue debit cards but cannot issue Credit card. It cannot issue loans. Payments banks can issue ATM cards or debit cards and provide online or mobile banking.

Q.11)

Solution (a)

Exp) Option a is the correct answer.

A Credit Rating Agency (CRA) is a company that evaluates the creditworthiness of individuals, companies, or countries and assigns a credit rating based on their financial history and performance. Statement 1 is correct: Credit rating agencies analyze the creditworthiness of entities (including individuals, companies, or countries) by evaluating their financial history and performance and assign credit ratings based on their ability to repay their debts. They use a combination of quantitative and qualitative measures, such as financial ratios, cash flow analysis, market trends, management structure, and economic indicators to assess the creditworthiness of an entity.

Statement 2 is incorrect: Credit rating agencies do not have the authority to initiate the process of insolvency on behalf of creditors. However, they may provide credit ratings that can help creditors assess the creditworthiness of a debtor and make informed decisions.

Statement 3 is incorrect: In India, the Securities and Exchange Board of India (SEBI) primarily regulates credit rating agencies and their functioning. They are regulated by the Securities and Exchange Board of India ('SEBI') through the SEBI (Credit Rating Agencies) Regulations, 1999 and circulars issued under it. However, certain other regulatory agencies, such as the Reserve Bank of India (RBI), Insurance Regulatory and Development Authority, and Pension Fund Regulatory and Development Authority also regulate certain aspects of credit rating agencies (but not in total) under their respective sectoral jurisdiction

Q.12)

Solution (c)

Exp) Option c is the correct answer.

While the purpose of social security and welfare systems is to provide relief to the unemployed, they end up providing them with an incentive not to return to work. **An unemployment trap arises when opportunity cost of going to work is higher than the income received, discouraging people from returning to work and being productive.**

Therefore, we can summarise, Unemployment trap as 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.

Q.13)

Solution (b)

Exp) Option b is the correct answer.

Statement 1 is correct: Alternative Investment Fund or AIF means any fund established or incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors.

Statement 2 is correct: Alternative Investment Funds offer a higher degree of flexibility than mutual funds as they invest in unlisted shares and use shorting and leverage. This allows AIFs to potentially earn

higher returns than traditional investment avenues, which are limited to listed equities and debt securities. Mutual funds in India are only allowed to invest in listed securities such as stocks, bonds, and money market instruments.

Statement 3 is incorrect: Angel Funds and Social Venture Funds fall under the purview of AIFs in India and are regulated by the Securities and Exchange Board of India (SEBI).

Statement 4 is incorrect: For Category I & Category II, the income generated by the fund will be taxed at the hands of the investor and not by the fund business. Category III of funds is taxable at the fund level. The highest rate of tax (as per the current tax slab) is charged on the profit made by this fund. Category III AIF pays tax on the following four types of incomes: Short-term, capital gains, Long-term capital gains, Business income and Dividend income.

Q.14)

Solution (b)

Exp) Option b is the correct answer.

Foreign direct investment (FDI) is when a company takes controlling ownership in a business entity in another country. With FDI, foreign companies are directly involved with day-to-day operations in other countries. This means they aren't just bringing money with them, but also knowledge, skills and technology. Routes through which India gets FDI is Automatic route: The non-resident or Indian company does not require prior nod of the RBI or government of India for FDI; and Govt route: The government's approval is mandatory. There are a few industries where FDI is strictly prohibited under any route. These industries are 1. Atomic Energy Generation 2. Any Gambling or Betting businesses 3. Lotteries (online, private, government, etc) 4. Investment in Chit Funds 5. Nidhi Company 6. Agricultural or Plantation Activities 7. Housing and Real Estate (except townships, commercial projects, etc.) 8. Trading in Transferable Development Rights: TDR certificate/ Development Rights Certificate (DRC) is a certificate issued by the competent authority to an owner or a lessee of the land on surrender of the gross 'area' of the land which is required for public purpose. 9. Cigars, Cigarettes, or any related tobacco industry

Q.15)

Solution (a)

Exp) Option a is the correct answer.

According to the data released by the government, the two measures of India's economy – 'gross value added' and 'gross domestic product' – have grown at widely different paces.

Option a is correct: Gross Domestic Product calculates national income by adding up all expenditures in the economy. On the other hand, Gross Value Added calculates the national income from the supply side by looking at the value-added in each sector of the economy. The two measures of national income are linked as follows: $GDP = GVA + \text{Tax} - \text{Subsidy}$. Hence, if the government earned more from taxes than it spent on subsidies, GDP will be higher than GVA. Option b is incorrect: Increase or decrease in Inflation level has no direct impact on the relationship between GDP and GVA.

Option c is incorrect: "If the government provided subsidies in excess of its tax revenues" is also incorrect because in this case, the situation will lead to a lower GDP than GVA.

Option d is incorrect: The capital expenditure and revenue expenditure do not directly affect the relationship between GDP and GVA. The direct relationship between the two can be realized by the inclusion or exclusion of taxes and subsidies by the government.

Q.16)

Solution (c)

Exp) Option c is the correct answer.

There was a huge Macroeconomic imbalance of high current account deficit and high fiscal deficit. The crisis did not develop overnight. It was caused by decades of imprudence. There was reliance on populist measures. The causes of 1991 Balance of Payment Crisis are listed below:

Option 1 is correct: The Government Expenditure was more than the earnings. Hence the Fiscal Deficit was high. The Gross Fiscal deficit rose from 9 % of GDP in 1980–81 to 12.7 % of GDP in 1990–91.

Option 2 is correct: There was an exponential increase in internal debt of central government. It rose from 35 % of GDP in 1985–86 to 53 % of GDP in 1990–91.

Option 3 and 6 are correct: In addition, the country was importing more than exporting. Before the onset of the 1991 crisis, external shocks contributed to widening of the Current Account Deficit. The current account deficit was triggered by the rise in crude oil prices because of the Gulf War. The gulf crisis had a significant adverse impact on the flow of remittances into India.

Option 4 is incorrect: Overvaluation of the rupee – since 1987, the Indian rupee had been depreciating in real terms as compared with many of India's trade competitors. However, between October 1990 and March 1991, the REER of the rupee appreciated by about 2.0 per cent as a result of widening inflation differentials between India and the major industrialised countries.

Option 5 is correct: There was a massive rise in inflation rates. The upsurge in inflationary pressures was principal reason for BoP crisis. The large growth in overall liquidity and the consequent pressure on the price level was evident until September 1989.

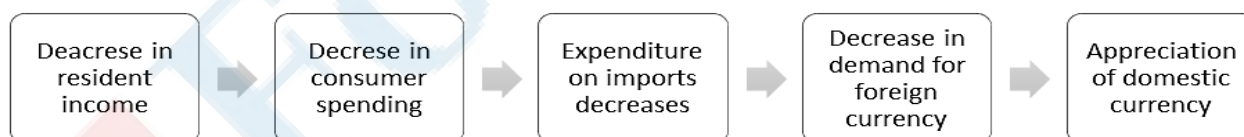
Q.17)

Solution (d)

Exp) Option d is the correct answer.

Depreciation of the domestic currency is a phenomenon whereby the value of the domestic currency decreases with respect to the foreign currency under consideration.

Statement 1 is incorrect: If the income of the residents decreases, it would likely lead to a decrease in consumer spending. This, in turn, could result in reduced spending on imported goods, which reduces the demand for the foreign currency. A decrease in the demand for foreign currency would typically lead to an appreciation of the domestic currency.

**Statement 2 is incorrect:**

Case 1: In the short run: A rise in the interest rate in the home country would generally lead to an appreciation of the domestic currency in the short run.

- 1) **When interest rates in the home country increase, it becomes more attractive to investors.**
 - a) As a result, foreign investors are drawn to invest in the home country's assets, such as government bonds, seeking higher interest rates. **This increased demand for the home country's assets, including its currency,** causes the demand for the domestic currency to increase.
 - b) Simultaneously, **domestic investors find investing in their own country more appealing due to the higher interest rates,** resulting in reduced demand for foreign currencies.

The combined effect of these results in appreciation of the domestic currency.

Case 2: In the long run: In the long run, if the higher interest rates attract significant foreign investments, it can lead to an inflow of foreign currency, exceeding the demand for domestic currency, ultimately causing depreciation.

Option 3 is incorrect: The 'Terms of Trade' ratio is a ratio comparing export prices to import prices. Increasing terms of trade shows a greater demand for the country's exports. This results in rising revenue from exports and shows an increase in demand for the country's currency. This will lead to an appreciation in the value of the domestic currency.

Q.18)

Solution (c)

Exp) Option c is the correct answer.

Small Savings Schemes are a set of savings instruments managed by the central government with an aim to encourage citizens to save regularly irrespective of their age. Statement 1 is correct: It is true that Interests earned upon investment in some of these schemes by private individuals are exempt from income tax. For instance, the Public Provident Fund are exempted from tax on - Investment of capital, Interest earned out of investment and Maturity value and for this reason investment on PPF is referred to as EEE investment, meaning tax exemptions on all three transactions

Statement 2 is correct: The selected Private sector banks are eligible to sponsor Small Savings schemes to the citizens of India. National Savings Schemes are made available to the citizens through a large network of 1.54 lakh Post Offices and branches of all Nationalised and three Private Commercial Banks, namely, Axis Bank, ICICI Bank and HDFC Bank. Statement 3 is incorrect: All deposits received under Small Savings Schemes are credited to the Public Account (not Consolidated Fund of India). The deposits received under the Small Savings schemes are credited to the National Small Saving Fund (NSSF), a public account. These funds are used by the Government of India to finance its fiscal deficits. Statement 4 is correct: With the increase in interest rate, there will be a great incentive for citizens to park their money in these schemes thus reducing the money supply in the economy.

Q.19)

Solution (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: Unlike loan waivers, loan write off does not free the borrower from his/her liability to pay back loans. Usually, the loans written off by the lenders stay in their books as they hope to recover it at a later date.

Statement 2 is correct: Writing off a loan essentially means it will no longer be counted as an asset. By writing off loans, a bank can reduce the level of non-performing assets (NPAs) on its books. An additional benefit is that the amount so written off reduces the bank's tax liability. Statement 3 is incorrect: Commercial banks can write off the loans granted against collateral securities too. In the case of a write-off of such loans, any collateral given by the borrower will either be confiscated until the borrower makes the repayment or the collateral is auctioned off to recover the loan amount

Q.20)

Solution (b)

Exp) Option b is the correct answer

Option 1 is correct. Accommodative monetary policy is when central banks expand the money supply to boost the economy. Monetary policies that are considered accommodative include lowering the Federal funds rate. These measures are meant to make money less expensive to borrow and encourage more spending. Hence during accommodative stance, RBI maintains lower repo rates.

Option 2 is correct. Accommodative monetary policy is primarily concerned with maintaining a high level of liquidity in the economy to promote growth while keeping inflation in check. As part of the accommodative monetary policy stance, usually RBI conducts open market acquisitions of government securities to maintain liquidity in the economy.

Option 3 is incorrect. Restricting bank credit or lending operations would pull back liquidity from the market which would be counter to accommodative monetary policy stance.

Q.21)

Solution (b)

Exp) Option b is the correct answer

Statements 1 and 3 are correct. The main components of the capital account include foreign investment, loans and banking capital. Foreign investments comprise Foreign Direct Investment (FDI) and Portfolio Investment consisting of Foreign Institutional Investors (FIIs) investment among others.

Q.22)

Solution (c)

Exp) Option c is the correct answer

The factor that is not considered in determining the MSP in India is (3) Cost of living index. While the cost-of-living index is relevant in measuring changes in the overall cost of living for individuals, it is not directly related to the determination of the MSP for agricultural produce. The Minimum Support Price (MSP) is the minimum price set by the government to support farmers and ensure they receive a fair income for their agricultural produce.

Q.23)

Solution (c)

Exp) Option c is the correct answer.

The cost incurred by the Food Corporation of India (FCI) for the procurement of food grains (for food security buffer stocks and TPDS for the poor) is referred to as the Economic Cost of Food grains. It comprises 3 components – Pooled cost of grains (weighted MSP of stock of food grains), Procurement incidentals (Labour charges, Transport charges, storage cost etc.) and Cost of Distribution. As can be seen from the above figure options 1, 2 and 3 are correct.

Statement 4 is incorrect: The export of agricultural commodities does not affect the domestic procurement process. In fact, if export subsidies are increased, farmers will be incentivised to sell more in the market rather than sell to the government at MSP. Thus, it will lead to a reduction (if any), not increase in the Economic Cost of food grains to the FCI

Q.24)

Solution (a)

Exp) Option a is the correct answer.

Asset Reconstruction Companies is a specialised financial institution which buys the Non-Performing Assets (NPAs) from banks and financial institutions to enable the better recovery of bad loans of banks. Statement 1 is incorrect: An Asset Reconstruction Company (ARC) is a company incorporated under the Companies Act and registered with Reserve Bank of India under section 3 of The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. So, these companies are not basically incorporated under the SARFAESI Act but are registered under the provisions of this act for operating as securitization and asset reconstruction companies. Statement 2 is correct: Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 permits Asset Reconstruction Companies (ARCs) as their principal to acquire nonperforming financial

assets from banks and financial institutions, manage them through restructuring, and resolve. Statement 3 is incorrect: Asset Reconstruction Companies (ARCs) are regulated by the Reserve Bank of India, not by SEBI.

Q.25)

Solution (a)

Exp) Option a is the correct answer.

Statement 1 is correct: A windfall tax is levied against companies which have made excessively high profits, or a 'windfall', from circumstances they themselves did not engineer. For example, Crude oil companies making profit due to the Global shock created on account of Russia Ukraine war. Indian companies made windfalls after European countries' decision to ban fuel imports from Russia. This triggered the Union Government to impose windfall tax on those companies. Under the existing provisions, angel tax is levied on unlisted start-ups raising capital via the issue of shares "from any person being a resident", if the share price of issued shares exceeds the fair market value (FMV) of the company. Statement 2 is incorrect: The Angel is levied on unlisted companies (start-ups) whereas Windfall tax is a higher tax levied by the government on specific industries when they experience unexpected and above-average profits.

Q.26)

Solution (c)

Exp) Option c is the correct answer.

India's Foreign Exchange Reserves comprise Foreign Currency Assets, Gold, SDR's and Reserve tranche position with International Monetary Fund (IMF).

Option 1 is correct. The Special Drawing Rights (SDR) is an forex reserve asset **created by the IMF** to supplement the official reserves of its member countries.

The SDR is not a currency. It is a potential claim on the freely usable currencies of IMF members. As such, SDRs can provide a country with liquidity.

Option 2 is correct. India's Foreign Exchange Reserves comprise Foreign Currency Assets, Gold, SDR's and Reserve tranche position with International Monetary Fund (IMF). **Foreign currency assets include investments in US Treasury bonds**, Bonds/Treasury Bills of other selected Governments, deposits with foreign central banks, foreign commercial banks etc.

Option 3 is incorrect. Silver holding of the RBI is **not included** in the foreign exchange reserves of India.

Option 4 is correct. A **reserve tranche** is a part of country's forex reserve. A reserve tranche is a portion of the required quota of currency each member country must provide to the **International Monetary Fund (IMF)** that can be utilized **for its own purposes**—without a service fee or economic reform conditions.

Q.27)

Solution (b)

Exp) Option b is the correct answer.

Non-Sovereign Entity. means an entity that is not a national or subnational government or any other public entity or an international organisation. In short, a non-sovereign entity means Private sectors. While some of the global organisations provide financial services to Governments/Sovereign entities alone, some provide financial services to both sovereign and non-sovereign entities.

Option 1 is correct: The World Bank Group refers to all five institutions of World bank collectively. Those five institutions are IBRD, IDA, International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID).

While IFC and MIGA provides financial assistance to private players, the ICSID resolves legal disputes between international investors and States to encourage private investment in the country.

Option 2 is incorrect: Unlike development banks, the International Monetary Fund (IMF) does not provide financial assistance to private players, nor does it lend for specific projects. Instead, the IMF provides financial support to countries hit by crises to create breathing room as they implement policies that restore economic stability and growth.

Option 3 is correct: The New Development Bank (NDB) (erstwhile BRICS Development Bank) is a multilateral development bank established by the BRICS states (Brazil, Russia, India, China and South Africa). The Bank will provide financial assistance to both public and private projects in the form of loans, guarantees, equity participation and other financial instruments.

Option 4 is incorrect: The Bank for International Settlements (BIS) is an international organisation which fosters international monetary and financial cooperation and serves as a bank for central banks. The BIS does not accept deposits from, or provide financial services or advice to, private individuals or corporate entities.

Q.28)

Solution (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: Poverty line estimation in India is based on the consumption expenditure and not on the income levels of individuals. At present, the poverty line lies at 1,286 rupees per month for urban areas and 1,059.42 rupees per month for rural areas. It must be noted here that this is the minimum amount needed to be spent by people to satisfy their basic needs, not actually their income levels.

Statement 2 is correct: In July 2013, based on the Tendulkar poverty line, Planning Commission released poverty data for 2011-12. The number of poor in the country was pegged at 269.8 million or 21.9% of the population. After this, no official poverty estimates in India have been released. SDG 2019 Report by Niti Ayog also mentions Tendulkar Poverty Line of 21.92% adopted in 2011 as the official poverty line.

Statement 3 is incorrect: The poverty gap is the ratio by which the mean income of the poor falls below the poverty line. It measures the intensity of poverty, not the gap between poverty level in particular states of India and National average.

Q.29)

Solution (b)

Exp) Option b is the correct answer.

The National Investment Fund (NIF) is a fund that was set up in November 2005 to channelize the proceeds from disinvestment of Central Public Sector Enterprises (CPSEs)

Statement 1 is incorrect: The assets in the NIF are not managed by the Union Ministry of Finance, but by selected Public Sector Mutual Funds, namely UTI Asset Management Company Ltd., SBI Funds Management Private Ltd. and LIC Mutual Fund Asset Management Company Ltd.

Statement 2 is incorrect: The NIF is not maintained within the Consolidated Fund of India, but as a separate 'Public Account' under the Government Accounts

Statement 3 is correct: Certain Asset Management Companies namely UTI Asset Management Company Ltd., SBI Funds Management Private Ltd. and LIC Mutual Fund Asset Management Company Ltd are appointed as the fund managers.

Statement 4 is correct: A certain proportion of annual income of the NIF is used for financing select social sectors. As per the original scheme, 75% of the annual income of the NIF was to be used for financing selected social sector schemes which promote education, health and employment, while the residual 25% was to be used to meet the capital investment requirements of profitable and revivable CPSEs.

Q.30)

Solution (d)

Exp) Option d is correct

Statement 1 is incorrect: the Gini coefficient helps in measuring the degree of income inequality and the Lorenz curve helps in understanding the distribution of income or wealth in an economy. Gini index or coefficient measures distribution of income across population. Gini coefficient - **100 per cent indicates full inequality** and 0 per cent indicates full equality. Thus, higher Gini coefficient indicates greater inequality.

Statement 2 is incorrect: The Gini coefficient was 35.7 per cent in 2011 in India. The coefficient **increased to 47.9 per cent in 2018**. Due to the COVID-19 pandemic, the Gini coefficient increased further. India is only second to Russia in the world in terms of inequality.

Statement 3 is incorrect: Between 1991 and 2016, **per capita income rose from Rs 6,270 to Rs 93,293**. Thus, it witnessed a 1388 percent jump.

Q.31)

Solution (b)

Exp) Option b is the correct answer.

GDP measures the total monetary value of final goods and services produced within the domestic territory of the country over a period of time.

Options 1 and 2 are incorrect: GDP fails to measure some of the economic activities happening outside markets such as Farmers involved in subsistence farming consume the food they produce, and all unpaid household work done by a person.

Options 3 is incorrect: GDP does not measure the money generated in Black market as these money are generated using illegal means, concealing money from tax administration and evading taxes. One of the main consequences of black money/market is loss of money to the Government exchequer.

Options 4 is correct: It is true that the GDP measures all final goods and services produced within territory of India. So, the income earned by foreigner residing in India will be included in GDP calculation. In contrast Gross National Income (GNI) measures the income of Indian nationals and excludes the income of foreigners residing in India.

Options 5 is incorrect: GDP does not capture the value of intermediary goods used to produce certain products. GDP only measures the value of final goods for example it only measures the value of cars being sold in the market not the value of intermediate goods used to produce cars such as steels, tires etc.

Options 6 is incorrect: GDP is the measure of value of all final goods and services produced in a country within a year. Thus the sales of used goods are not included in GDP calculation because they were produced in a previous year and are part of that year's GDP.

Q.32)

Solution (a)

Exp) Option a is the correct answer.

The Fiscal Responsibility and Budget Management (FRBM) Act was enacted in August 2003. It aims to make the Central government responsible for maintaining fiscal prudence and long-term macro-economic stability.

Statement 1 is incorrect: FRBM act prohibits monetization of deficit during the normal circumstances. But section 5 (3) of the FRBM act allows monetization of deficit in extreme situations.

Statement 2 is correct: Section 4 (2) of the Act says about various grounds on which the FRBM's fiscal deficit target may be exempted during a year. The grounds are: (1) national security, act of war, (2) national calamity, (3) collapse of agriculture severely affecting farm output and incomes, (4) structural

reforms in the economy with unanticipated fiscal implications, (5) decline in real output growth of a quarter by at least three per cent points below its average of the previous four quarters, Statement 3 is incorrect: At present, the FRBM act, 2003 applies to both Union Government and State Governments as well.

Q.33)

Solution (c)

Option c is correct.

The Insolvency and Bankruptcy Code, 2016 creates a new institutional framework. This framework facilitated a formal and time-bound insolvency resolution process and liquidation. The framework includes:

- **Insolvency Professionals:** They will administer the resolution process. They also manage the assets of the debtor and provide information for creditors to assist them in decision-making.
- **Insolvency Professional Agencies:** The insolvency professionals will be registered with insolvency professional agencies. The agencies would conduct examinations to certify the insolvency professionals and enforce a code of conduct for their performance.
- **Information utilities:** They will keep a record of debts given by creditors along with details of repayments/ dishonour of debt.
- **Adjudicating authorities:** They will give the approval to initiate the resolution process, appoint the insolvency professional, and approve the final decision of creditors.

Q.34)

Solution (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: Section 45ZB of the amended RBI Act, 1934 provides for an empowered six-member monetary policy committee (MPC) to be constituted by the Central Government (not by Reserve Bank of India) by notification in the Official Gazette. The first such MPC was constituted on September 29, 2016. The MPC determines the policy repo rate required to achieve the inflation target. The MPC is required to meet at least four times in a year. The quorum for the meeting of the MPC has four members. Statement 2 is correct: Under the Reserve Bank of India, Act, 1934, RBI is entrusted with the responsibility of conducting monetary policy in India with the primary objective of maintaining price stability while keeping in mind the objective of growth.

Statement 3 is incorrect: In May 2016, the RBI Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework. Under Section 45ZA, the Central Government, in consultation with the RBI, determines the inflation target in terms of the Consumer Price Index (CPI), once in five years and notifies it in the Official Gazette.

Statement 4 is incorrect: The Central Government has notified the following as the factors that constitute failure to achieve the inflation target:

- The average inflation is more than the upper tolerance level of the inflation target for any three consecutive quarters; or
- The average inflation is less than the lower tolerance level for any three consecutive quarters. Where the Reserve Bank fails to meet the inflation target, it shall set out in a report to the Central Government (not Parliament);
- The reasons for failure to achieve the inflation target;
- Remedial actions proposed to be taken by the Bank;
- An estimate of the time period within which the inflation target shall be achieved pursuant to timely implementation of proposed remedial actions.

Q.35)

Solution (c)

Exp) Option c is the correct answer.

Currency depreciation is a fall in the value of currency compared to foreign currency for example rupee depreciation means drop in Indian rupee value against US Dollar. Currency depreciation can occur due to many economic and political reasons.

Statement 1 is correct: Inflation is the general price level of goods and services in an economy. Thus, higher inflation in India means high cost of producing goods which loses its competitiveness in the global market and results in lower exports. Also, higher inflation in India incentivises demand for cheaper foreign goods which in turn improves import. Thus, it leads to higher current account deficit which in turn leads to depreciation of Indian rupees.

Statement 2 is correct: Expansionary monetary policy by the Central bank of India means lower interest rate in the country. Owing to a lower return (lower interest rate), some of the foreign investors may pull out their money from the Indian economy and start investing in their own countries. This will increase the demand of foreign currency and reduce the demand for Indian rupees in the Global market, thus leading to depreciation of rupees.

Statement 3 is incorrect: Depreciation of Indian rupees will make Indian goods more competitive in the foreign markets. For example, with the reduction in the value of Indian rupees against US Dollars, residents of the USA now can buy more goods with the same money (US Dollars).

Statement 4 is correct: It is true that the depreciation of the Indian rupee may cause outflow of foreign portfolio investment from India. As depreciation of rupees may indicate economic instability of India, foreign investors especially foreign portfolio investors may pull out their money from the Indian economy. As an Indian investor, with a depreciating rupee, foreign investments in dollardenominated bonds, ETFs, etc can be an option. This is because, when the rupee slides against the currency of an international market where you have invested, you can get more rupees per unit of the currency invested.

Q.36)

Solution (a)

Exp) Option a is the correct answer.

Deficit financing is borrowing that a government uses to finance budget deficits, printing more money or issuing bonds is some of the means used by the government to finance its budget deficit.

Statement 1 is incorrect: In direct monetisation, the government asks the Reserve Bank of India (RBI) to print new currency in return for new bonds that the government gives to the RBI. Thus, direct monetisation does not essentially mean printing of new currency by RBI without any collateral.

Statement 2 is incorrect: An escape clause in the Fiscal Responsibility and Budget Management (FRBM) (Amendment) Act, 2017 act permits such direct monetisation under special circumstances.

Statement 3 is correct: It is true that Direct monetisation of the fiscal deficit most likely results in creating an inflationary environment in the country

Q.37)

Solution (a)

Exp) Option a is the correct answer.

Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) were introduced by the government to mobilise money from the investors to accelerate infrastructure development in the country.

Statement 1 is incorrect: The Securities and Exchange Board of India (SEBI) has allowed mutual funds to invest their money in both REITs as well as InvITs. A mutual fund is permitted to invest up to 5 per cent of

its net asset value and also it cannot invest more than 10% of units issued by a single issuer of REIT and InvIT.

Statement 2 is correct: It is true that both REITs and InvITs must invest certain portions of their assets in completed or revenue generating properties/projects. REITs must invest at least 80% of the assets in completed and income-generating properties. Similarly, InvITs must at least 80% of the assets in completed and revenue-generating infrastructure projects.

Statement 3 is incorrect: Both REITs and InvITs have minimum investment requirements. Earlier, For REITs the minimum investment amount was ₹ 50,000 and for InvITs, it was ₹ 1,00,000. Now, as per the recent circular of SEBI, the minimum investment has been reduced to a range between ₹ 10,000 and ₹ 15,000 as well as the lot size has been decreased. Thus, minimum investment is needed in both kind of investment trusts.

Q.38)

Solution (d)

Exp) Option d is the correct answer.

The **World Trade Organisation (WTO)** emerged from the **General Agreement on Tariffs and Trade (GATT) in 1947**, with the formal establishment resulting from the **Uruguay Round negotiations (1986–1994)**. These negotiations expanded multilateral rules for trade in goods, introduced **rules for agriculture (Agreement on Agriculture), services (General Agreement on Trade in Services–GATS), and intellectual property rights (Trade Related Intellectual Property Rights–TRIPS)**.

Statement 1 is incorrect- The Special Safeguard Mechanism is only available to developing countries. **Developed countries are not eligible to use the SSM.** The SSM was designed to provide developing countries with a tool to **protect their domestic agricultural sectors from sudden and sharp import surges**. This is because developing countries are more likely to be vulnerable to import surges, and they may not have the same resources as developed countries to adjust to these changes.

Statement 2 is incorrect- The import restrictions under the SSM are **limited to a maximum of four years**. It can be further extended under extraordinary circumstances. The import restrictions must also be targeted at specific products and countries, and they must be applied in a non-discriminatory manner.

Q.39)

Solution (b)

Exp) Option b is the correct answer.

Statement 1 is incorrect: Rules of origin are the criteria needed to determine the national source of a product. There is wide variation in the practice of governments with regard to the rules of origin. It is thus, not uniform. Statement 2 is correct: The duties and restrictions in several cases depend upon the source of imports. These rules determine whether imported products shall receive most-favored-nation (MFN) treatment or preferential treatment.

Statement 3 is incorrect: These Rule of Origin help to implement measures and instruments of commercial policy such as anti-dumping duties and safeguard measures.

Statement 4 is correct: Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 came into force in September 21, 2020. The “rules of origin” provision prescribes for the minimal processing that should happen in the FTA country. Therefore, preventing the abuse of the FTA agreements. Under this provision, a country that has inked an FTA with India cannot dump goods from some third country

Q.40)

Ans) b

Exp) Option b is the correct answer.

Statement 1 and 3 are incorrect but statement 2 is correct: FDI brings in capital as well as better management skills and technology, it targets a specific sector of an economy. FII is only an investment in market of a foreign country, where as FDI is long term investment in economy a foreign country.

Statement 4 is correct: FII made above 10 percent of the post issue paid-up equity capital will be considered as FDI. But Once an FDI always an FDI.

Q.41)

Solution (d)

Exp) Option d is the correct answer.

An Incurred based approach requires banks to provide for losses that have already occurred. In contrast, under the expected loss approach banks are required to estimate expected credit losses based on forward-looking estimations. Thus, the expected loss approach results in excess provisions as compared to the incurred loss approach.

Option d is correct: The RBI defines a loan loss provision as an expense that banks set aside for defaulted loans. Banks set aside a portion of the expected loan repayments from all loans in their portfolio to cover the losses (of loan defaults) either completely or partially. In the event of a loss, the bank can use these funds to cover their loss.

Q.42)

Solution (b)

Exp) Option b is the correct answer.

Priority Sector means those sectors which the Government of India and Reserve Bank of India consider as important for the development of the basic needs of the country and are to be given priority over other sectors. The banks are mandated to encourage the growth of such sectors with adequate and timely credit.

Statement 1 is incorrect: Only Salaried Earners' Primary (Urban) Cooperative Banks are exempted from Priority sector lending norms. The PSL norms are applicable to all Commercial Banks including Regional Rural Bank (RRB), Small Finance Bank (SFB), Local Area Bank and foreign commercial banks too.

Statement 2 is correct: Loans to individual farmers, including to small and marginal farmers for purchase of land for agricultural purposes are classified as Priority Sector Lending (PSL). Following are some of the lending activities to farmers which are classified as PSL, 1. Crop loans include loans for traditional/nontraditional plantations, horticulture and allied activities. 2. Medium and long-term loans for agriculture and allied activities (e.g. purchase of agricultural implements and machinery and developmental loans for allied activities). 3. Loans for pre and post-harvest activities viz. spraying, harvesting, grading and transporting of their own farm produce. 4. Loans to distressed farmers indebted to noninstitutional lenders.

Statement 3 is correct: It is true that Commercial Banks having any shortfall in lending to priority sector have to transfer balance amounts to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other funds with NABARD/National Housing Bank (NHB) / Small Industries Development Bank of India (SIDBI)/ MUDRA Ltd., as decided by the Reserve Bank of India.

Q.43)

Solution (b)

Exp) Option b is the correct answer.

The Index of Industrial Production (IIP) and the Purchasing Managers' Index (PMI) are both important economic indicators used to assess the performance and trends in the industrial sector.

Statement 1 is incorrect: The Index of Industrial Production (IIP) assesses the performance of various Industries. The IIP is a monthly indicator that measures the growth of industrial output in three sectors: mining, manufacturing, and electricity. The IIP is a key economic indicator of the manufacturing sector.

On the other hand, the Purchasing Managers Index (PMI) primarily focuses on the manufacturing sector and service sectors. PMI is a survey-based measure that asks the respondents about changes in their perception about key business variables. It is calculated separately for the manufacturing and services sectors and then a composite index is also constructed.

Statement 2 is correct: The Index of Industrial Production (IIP) is published by a government agency, while the Purchasing Managers Index (PMI) is compiled by a private sector organisation. The IIP is compiled and published monthly by the Central Statistical Organisation (CSO), Ministry of Statistics and Programme. On the other hand, PMI is compiled by IHS Markit, a

Q.44)

Solution (a)

Exp) Option a is the correct answer.

Gross Domestic Product (GDP) and Gross National Product (GNP) are two of the most commonly used measures of a country's economy. Both represent the total market value of all goods and services produced over a certain period of time, usually a year. However, they are calculated in a different way, Statement 1 is correct: Gross domestic product (GDP) is the value of the finished domestic goods and services produced within a nation's borders. On the other hand, gross national product (GNP) is the value of all finished goods and services produced by a country's citizens, whether or not those goods are produced within the territory of the country. Thus, it is true that GDP measures economic activities happening within the nation, the GNP measures economic activities happening both inside and outside the nation.

Statement 2 is incorrect: While it is true that higher GDP indicates higher economic growth of a nation (which means production of goods and services by a nation.) but higher GNP may mean a country is increasing its international financial operations, trade, or production. Neither higher GDP nor higher GNP necessarily mean higher economic development of a nation, economic development is determined by the living standards of people. For instance, the persistence of high-income inequality in a country which has higher GDP or GNP means that the major portion of wealth generated were cornered by the few people and leaving the majority to poverty and low living standard, thus low economic development of a nation.

Statement 3 is incorrect: Both GDP and GNP are released by National statistical office, Ministry of Statistics and Program Implementation.

Q.45)

Solution (b)

Exp) Option b is the correct answer.

Option 1 is incorrect. The National Infrastructure Pipeline consists of the projects and programmes with a total allocation of INR 102 lakh crore for infrastructure development in the next five years. NIP includes both greenfield and brownfield projects. However, the National Monetisation Pipeline (NMP) covers leasing out only **de-risked and brownfield projects and not greenfield projects**. The proceeds from this can be used to finance greenfield projects. Moreover, under NMP, **only underutilized assets** will be monetized and **land will not be monetised**.

Option 2 is incorrect. Under the NIP, the **centre (39 percent) and state (40 percent) are expected to have an almost equal share** in implementing the projects, while the private sector has 21 percent share. However, there is **no such distribution of share under Monetisation Pipeline** since NIP aims at creating assets while NMP aims at monetising already created assets. The central government will divest its stake in central public sector units or other units as the case may be. Similarly, the state government will divest its stake in public sector undertakings.

Option 3 is correct. NIP includes economic and social infrastructure projects in sectors such as **Energy (24%), Roads (19%), Urban (16%), and Railways (13%)** which amount to around 70% of the projected capital expenditure in infrastructure in India. The projects will also be spread across sectors such as irrigation, mobility, education, health, water and the digital sector. Similarly, NMP also covers social and economic infrastructure projects. The top sectors covered under NMP includes: **Roads (27%)** followed by **Railways (25%), Power (15%), oil & gas pipelines (8%) and Telecom (6%)**. These five sectors in terms of value capture around 83 per cent of the aggregate pipeline value.

Option 4 is correct. NIP will improve project preparation and **attract investments (both domestic & foreign)** into infrastructure by setting up three committees to monitor project progress, eliminate delays, and find ways to raise resources, along with a steering committee in each of the infrastructure ministries. Similarly, NMP aims to **unlock the value of investment made in public assets** which have not yielded appropriate or potential returns so far and **create hitherto unexplored sources of income** for the company and its shareholders. A **more accurate estimation of public assets** would help in better financial management and attract further investments. The NMP aims to lease the assets to private players on a long-term basis, with substantial rights, **opening up new opportunities for foreign investors** in the infrastructure sector.

Q.46)

Solution (d)

Exp) option d is the correct answer.

BoP crisis is a situation in which a sovereign entity has developed an unsustainable balance of payments deficit. That is, a balance of payments crisis occurs when so much money is flowing outside a country that it has difficulty borrowing to make up the difference. A balance of payments crisis becomes acute in circumstances like an exceptionally large budget deficit that lasts for an extended period of time or a default on interest payments on publicly held debt.

Option 1 is correct. Devaluation of currency leads to increase in export and hence increase in inflow of foreign currency. Devaluation thus will help to earn foreign currency and reduce negative Balance of Payment.

Option 2 is correct: Dear monetary policy means restricting the volume of credit available in the economy coupled with increasing the rate of interest. It can be used to check aggregate expenditure or demand of imports. By raising the cost of bank credit and restricting the availability of credit, central banks can help reduce **expenditure and demand of imports**. The current account deficit thus may decline.

Option 3 is correct: Contractionary fiscal policy can be used as a means for **reducing aggregate expenditure**. It includes hiking direct taxes such as income tax and increase in indirect taxes such as excise duties and sales tax. This will cause reduction in expenditure and leading to **imports decline**.

Option 4 is correct. An immediate action that can be taken against the crisis included taking loan from international organisations like IMF and borrowing money from banks of other countries.

Q.47)

Solution (c)

Exp) Option c is the correct answer.

According to the provisions of the Income Tax Act, 1961, Profits or gains arising from “transfer” of a “capital asset” are called “Capital Gains” and are charged to tax under the head “Capital Gains”. Hence, to attract capital gain tax, the two pre-requisites are: There should be a transfer. The transfer should be of a capital asset. Selling an asset in lieu of compensation comes within the definition of transfer. Options 1 and 3 are correct: Both equity shares and residential property can be considered as “capital asset”.

Hence, profits/ gains on sale of these assets can attract capital gains tax.

Option 2 is correct: In general, movable personal belongings like wearing apparel etc. are excluded from the definition of “Capital assets”. However, as an exception, following items are included in the definition of capital assets: Hence, transfer of above-mentioned assets can attract capital gains tax.

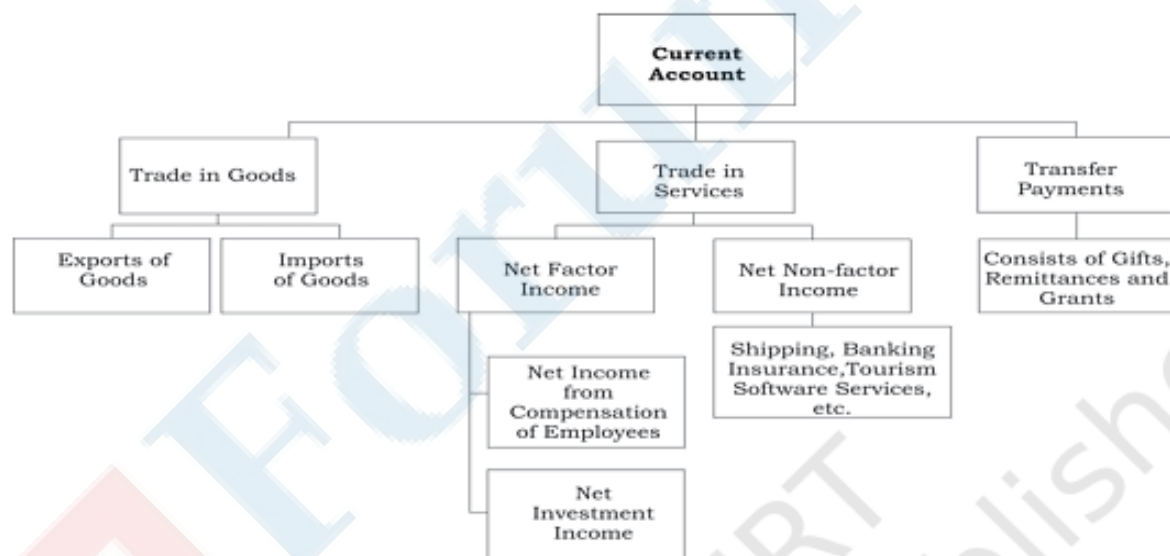
Option 4 is incorrect: When a property is received on inheritance or as a gift, it is not taxable for the receiver. Hence, gold received from father to son under inheritance does not attract capital gains tax.

Q.48)

Solution (b)

Exp) Option b is the correct answer.

Trade in Services includes **Factor Income and Non-Factor Income**. **Net Factor income includes- net income from compensation of employees, and net investment income**. On the other hand, **non-factor income includes shipping, banking, insurance, tourism, services, etc.**



Option 1 is incorrect- A person in United Arab Emirates sending remittances to India is not considered trade in services because it is a **transfer of money to family or friends, not a payment for a service**.

Option 2 is incorrect- A person importing Lamborghini Urus in India is not considered trade in services because the **person is buying a physical good, not a service**. Hence, it is an example of **trade in goods**.

Option 3 is correct- **Receiving rent from a land in London can be an example of trade in services**. When you rent out your land to someone, you are providing them with the service of allowing them to use your land. This is considered a trade in services because it is an exchange of intangible goods (the right to use the land) for money.

Option 4 is correct- Receiving dividend from the stock of a company is considered trade in services because it is income earned from an investment in a foreign company. The foreign company is providing a service to the investor, and the investor is paying for the service with their investment.

Q.49)

Solution (c)

Exp) Option c is the correct answer.

International Monetary Fund is an international financial institution, headquartered in Washington, D.C., consisting of 190 countries working to foster global monetary cooperation. The IMF provides loans including emergency loans to member countries experiencing actual or potential balance of payments problems.

Statement 1 is correct: Unlike development banks, **the IMF does not lend for specific projects.** The IMF provides financial support for balance of payments needs upon request by its member countries. Following such a request, an IMF staff team holds discussions with the government to assess the economic and financial situation, and the size of the country's overall financing needs, and agree on the appropriate policy response.

Statement 2 is correct: All **IMF members** are eligible to access the Fund's resources in the **General Resources Account (GRA) on non-concessional terms.** The IMF also provides concessional financial support (currently at zero interest rates through June 2021) through the Poverty Reduction and Growth Trust which is better tailored to the diversity and needs of low-income countries.

Statement 3 is correct: **The Rapid Credit Facility (RCF) provides rapid concessional financial assistance to low-income countries (LICs)** facing an urgent balance of payments need with no ex-post conditionality where a full-fledged economic program is neither necessary nor feasible. The RCF was created under the Poverty Reduction and Growth Trust (PRGT) as part of a broader reform to make the Fund's financial support more flexible and better tailored to the diverse needs of LICs, including in times of crisis.

Knowledge Base: The IMF's resources mainly come from the money that countries pay as their capital subscription (quotas) when they become members. Each member of the IMF is assigned a quota, based broadly on its relative position in the world economy. Countries can then borrow from this pool when they fall into financial difficulty.

Q.50)

Solution (d)

Exp) Option d is the correct answer.

Foreign Capital can be accessed in two ways, one which is Foreign Direct Investment (FDI) and the other Foreign Institutional Investment (FII). A foreign institutional investor (FII) is an investor or pool of investors that invest in a fund in a country that is outside their own country. In India, the entities investing in the nation's financial institution markets are called the Foreign Institutional Investor (FII).

Option 1 is correct: A Foreign Institutional Investors (FIIs) can invest in Government securities. FIIs who obtain specific approval from SEBI have been permitted to invest 100% of their portfolios in dated government securities.

Option 2 is correct: Foreign Institutional Investors (FIIs) have been permitted to invest in unlisted companies. FIIs can invest in listed, unlisted, and to-be-listed companies on the stock markets, in both the primary and secondary markets.

Option 3 is correct: Foreign Institutional Investors can invest in schemes floated by domestic mutual funds including Unit Trust of India, whether listed on a recognised stock exchange or not.

Option 4 is correct: Foreign Institutional Investors (FIIs) have been permitted to invest in units of Real Estate Investment (REITs), Infrastructure Investment Trusts (InvITs) and Category III Alternative Investment Funds (AIFs).

Option 5 is correct: Foreign Institutional Investors are allowed to invest in commercial paper of Indian companies. Commercial paper is an unsecured, short-term debt instrument issued by corporations to raise funds. The maturity period of commercial paper usually ranges from three to six months.

Q.51)

Solution (b)

Exp) Option b is the correct answer.

Cotton is one of the most important fiber and cash crop of India and plays a dominant role in the industrial and agricultural economy of the country.

Statement 1 is correct: Minimum Support Price (MSP) is a form of market to insure agricultural producers against any sharp fall in farm prices. Cotton is covered under the Minimum support Price (MSP) framework.

Statement 2 is correct: There are four cultivated species of cotton viz. *Gossypium arboreum*, *G. herbaceum*, *G. hirsutum* and *G. barbadense*. India is the country where all the four cultivated species are grown on commercial scale.

Statement 3 is incorrect: Cotton is one of the most important commercial crops cultivated in India and accounts for around 25% of the total global cotton production. India is the largest producer of cotton in the world and the third largest exporter. It is also the largest consumer of cotton in the world

Q.52)

Solution (c)

Exp) Option c is the correct answer.

Non-tariff barriers refer to non-tax measures used by the country's government to restrict imports from foreign countries. It covers those restrictions which lead to prohibition, formalities or conditions, making the import of goods difficult and decrease market opportunities for foreign items. These are quantitative and exchange control that affects the trade volume or prices, or both.

Statement 1 is correct: Sanitary and phytosanitary measures are type of non-tariff barriers. It includes all conformity assessment measures related to food safety, such as certification, testing and inspection and quarantine.

Statement 2 is correct: Technical non-tariff barriers/ measures refers to measures such as labelling and other measures protecting the environment, standards on technical specifications and quality requirements.

Statement 3 is correct: Licensing, quotas and other quantity control measures are the non-tariff trade barriers/ measures that are intended to limit the quantity of traded goods, such as quotas. It also covers license and import prohibitions that are not SPS (sanitary and phytosanitary) or TBT (technical barriers on trade) related non-tariff trade barriers.

Statement 4 is incorrect: Countervailing duties, also known as anti-subsidy duties, are import duties imposed under World Trade Organization (WTO) rules and aimed to neutralize the negative effects of subsidies. These are the type of tariff barriers on trade and not the non-tariff trade barriers.

Statement 5 is correct: Finance measures are the non-tariff trade barriers/measures restricting the payments of imports.

Q.53)

Solution (c)

Exp) Option c is correct.

Option 1 is correct: The **economy** has become **highly specialised** today, and **correct valuation of various types of assets with varying degrees of stress** is important to ensure that there is **least loss** in the sale of these assets. This **requires a wide variety of experts from various sectors of economy** who can provide proper valuation of these assets. As of now, there is **no clear procedure to determine at what price and which loans should be transferred to the bad bank**.

Option 2 is correct: the public sector banks will be both shareholders and customers of the bad bank—and it leads to the danger of the bad bank being nothing more than a means to shift some bad debt from one book to another.

Option 3 is incorrect: One of the advantages of Bad banks are it will **not delay resolution** of stressed assets due to governance deficiencies, slow-moving judicial architecture, poorly designed regulation, etc (as Bad bank is being supported by the government)—the major issues faced by ARCs. Overall, it will give a huge boost to the macro economy.

Option 4 is correct: Setting a bad bank may also create moral hazard problems among the banks that would enable them to continue with their **reckless lending practices, further exacerbating the NPA problem**.

Knowledge Base: Creating a Bad Bank, will **not resolve systemic issues** like **regulatory loopholes, poor financial conditions of companies, excess capacities, poor demand**, etc in the various economy sectors which will **continue to generate Non Performing Assets** that will have to be bought by the Bad Bank from the other banks in the economy. So its **creation will not solve the root problem of NPAs**.

Q.54)

Solution (c)

Exp) Option c is the correct answer.

Statement 1 is correct. All Public Sector Enterprises (PSEs) in non-strategic sectors will either be **fully privatized or closed down**. A **revised mechanism** will be introduced that will ensure timely closure of sick or loss making CPSEs. There will be a **bare minimum presence of PSE** only in the following **four strategic sectors**:

- Atomic energy, Space and Defence
- Transport and Telecommunications
- Power, Petroleum, Coal and other minerals
- Banking, Insurance and financial services

Statement 2 is correct. The new strategic disinvestment policy clears decks for disinvestment and privatisation of Public Sector Enterprises (PSEs). **Existing CPSEs, Public Sector Banks and Public Sector Insurance Companies** to be covered under it. The policy envisages **two-fold classification** of sectors to be disinvested: **strategic and non-strategic sectors**.

Statement 3 is correct. The strategic disinvestment policy of the government is aimed at making use of disinvestment proceeds to **finance various social sector and developmental programmes** and to **infuse private capital, technology and best management practices** in Central Government Public Sector Enterprises.

Statement 4 is incorrect: Recognising that idle assets and the non-core assets largely **consist of surplus land** with government Ministries/Departments and Public Sector Enterprises, a **Special Purpose Vehicle in the form of a company** will be used to carry out monetization of idle land.

Q.55)

Solution (c)

Exp) Option c is the correct answer.

PM Gati Shakti - National Master Plan for Multi-modal Connectivity is essentially a **digital platform to bring 16 Ministries** including Railways and Roadways together **for integrated planning and coordinated implementation** of infrastructure connectivity projects.

Statement 1 is correct: Traditionally, there was lack of coordination between different Departments, for example, once a road was constructed, other agencies dug up the constructed road again for activities like laying of underground cables, gas pipelines etc. PM- GATI SHAKTI will **help in removing long-standing issues such as disjointed planning, lack of standardization, problems with clearances**, and timely creation and utilisation of infrastructure capacities.

Statement 2 is correct: A **holistic and integrated transport connectivity** strategy under the PM- GATI SHAKTI will **greatly support Make in India** and integrate different modes of transport. It would **aid in cutting logistics costs** as well as the scheme is also aimed at **increasing cargo handling capacity and reducing the turnaround time** at ports to boost trade.

Statement 3 is correct: Gati-Shakti will **provide the entire data at one place with GIS based spatial planning and analytical tools having 200+ layers**, enabling better visibility to the executing agency for mapping of **both existing and future projects**.

Statement 4 is incorrect: There is **no direct correlation** with meeting our goals under Paris Climate Agreement and the PM-Gati Shakti Scheme.

Q.56)

Solution (d)

Exp) Option d is the correct answer.

Statement 1 is incorrect: Loan evergreening extending new or additional loans with changed terms and tenures.

Statement 2 is incorrect: when banks and financial institutions think that there is no chance of recovering a loan given to a borrower, the lender forgives or waives off the loan.

Statement 3 is incorrect: Loan write-offs are a process of removing bad loans from the books of banks after making adequate provisions for them whereas evergreening of loans is a practice of extending new or additional loans.

Statement 4 is incorrect. The P J Nayak Committee highlighted significant evergreening in banks which can be harmful to the growth of the Indian economy.

Q.57)

Solution (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect. Indian Depository Receipts (IDRs) is an instrument through which a foreign company can access Indian securities market for raising funds.

Statement 2 is correct. It is denominated in Indian Rupees in the form of a depository receipt created by a Domestic Depository (custodian of securities registered with the SEBI). It is issued against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets.

Statement 3 is incorrect. IDRs involve currency risk for the underlying shares in another country. Fluctuations in the exchange rate could impact on the value of the dividend payment

Q.58)

Solution (b)

Exp) Option b is the correct answer.

Statement 1 is correct: Both petrol and diesel prices have been deregulated i.e., their prices will be market determined. Public sector Oil Marketing Companies (OMCs) revise the retail prices of petrol and diesel in India on a daily basis, according to changes in the price of global crude oil.

Statement 2 is incorrect: Excise duty is constant all over the country as it is levied by the Centre. The retail prices of petrol and diesel vary because the state taxes like VAT imposed upon them vary from state to state.

Statement 3 is correct: The central government taxes the production of petroleum products, while states tax their sale.

Q.59)

Solution (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: The minimum Tier 1 capital ratio and the minimum Tier 2 capital ratio have to be maintained at 10.5% and 2% of risk-weighted assets respectively.

Statement 2 is correct and statement 3 is incorrect. Capital Adequacy Ratio (CAR) is decided by central banks and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process. The Basel III norms stipulated a capital to risk weighted assets of 8%. However, as per RBI norms, Indian scheduled commercial banks are required to maintain a CAR of 9%.

Q.60)

Solution (c)

Exp) Option c is the correct answer.

Rupee depreciation means that the rupee has become less valuable with respect to the dollar. It means that the rupee is now weaker than it used to be earlier. For example, USD 1 used to equal to Rs. 80, now USD 1 is equal to Rs. 87, implying that the rupee has depreciated relative to the dollar i.e. it takes more rupees to purchase a dollar.

Statement 1 is correct: Lower interest rates in India might lead to an outflow of capital seeking better returns and hence can lead to depreciation of the rupee. The rate hikes by the US Federal Reserve have this impact which creates more demand for dollars and hence depreciation of the rupee.

Statement 2 is incorrect: High inflation increases the export prices and also reduces the real returns on investment. This would lead to depreciation. Low inflation has the opposite effect.

Statement 3 is correct: A high fiscal deficit will lead to the lowering of the sovereign ratings and hence reduce the demand for domestic currency in the international markets. This will lead to the depreciation of the currency. Similarly, an increase in the Current account deficit shows that imports are more than exports. Since the imports are paid in foreign currency, without sufficient exports, the rupee will depreciate.

Statement 4 is correct: Foreign capital outflows affect the domestic currency's exchange rate, which leads to depreciation in the domestic currency. More people sell their local currency and exchange it for foreign currency when capital leaves the country. The value of the local currency decreases as a result.

Statement 5 is correct: The value of the Indian rupee to the US Dollar works on a demand and supply basis. If there is a higher demand for the US Dollar, the value of the Indian rupee depreciates and vice-versa.

Q.61)

Solution (d)

Exp) Option d is the correct answer.

Zero coupon zero principal instrument means an instrument issued by a Not-for-Profit Organisations. The Social Stock Exchange (SSE) is a novel concept in India and such a bourse is meant to serve private

and non-profit sector providers by channelling greater capital to them. The idea was floated by Finance Minister in her Budget Speech 2019-20. Zero coupon zero principal instrument are governed by rules made by the Securities and Exchange Board of India (SEBI).

Statement 1 and 2 are incorrect: Zero Coupon Zero Principal Instruments shall be issued only by a Not-for-Profit Organization registered on a Social Stock Exchange and shall have a specific tenure. Zero Coupon Zero Principal Instruments shall be issued without any coupon and no principal amount shall be payable on its maturity

Q.62)

Solution (c)

Exp) Option c is the correct answer.

Statement 1: Railway Budget was merged with the Union Budget on 1 February 2017, ending a practice that began in 1924 under British rule. A NITI Aayog commission submitted a white paper recommendation to do away with the practice of a separate Railway Budget.

Statement 2: GST finally materialised with the Parliament passing the Constitutional Amendment Act in September 2016, followed by the State Legislatures and GST was rolled out with effect from 1 July 2017.

Statement 3: On 8 November 2016, the Government of India announced the demonetization of all ₹500 and ₹1,000 banknotes of the Mahatma Gandhi Series. As a result, the existing ₹ 500 and ₹ 1,000 currency notes ceased to be legal tender from that date.

Statement 4: UPI has been termed a revolutionary product in the payment ecosystem. The pilot system was launched in India on April 11, 2016. Banks across the country started to upload their interface in August 2016. Correct order is 4-3- 1-2. Hence, c is the correct answer.

Q.63)

Solution (c)

Exp) Option c is the correct answer.

India is actively enhancing its appeal to global investors by increasing Foreign Direct Investment (FDI) limits, eliminating regulatory obstacles, and implementing significant reforms across various sectors.

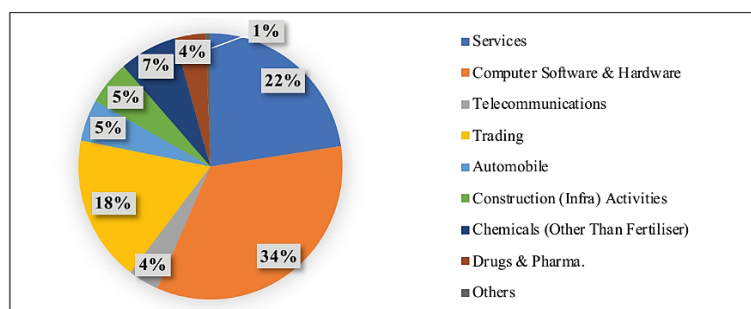
Statement 1 is incorrect: The United States currently holds the position of the world's top destination for Foreign Direct Investment (FDI), not India. The latest data indicates the prominence of smaller economies in attracting FDI, with countries like the Netherlands, Luxembourg, Hong Kong SAR, Singapore, Ireland, and Switzerland featuring prominently in the top 10 FDI destinations.

Statement 2 is correct: It is true that the Indian government has allowed 100% Foreign Direct Investment (FDI) in insurance intermediaries, which is expected to create new opportunities for foreign investors in the Indian insurance market. Insurance intermediaries are entities or individuals that act as **intermediaries or middlemen between insurance companies and policyholders**.

Statement 3 is incorrect: According to economic survey 2022 - 2023, in terms of FDI inflow, Singapore was the top investing country with a 37.0 per cent share, followed by Mauritius (12.1 per cent), UAE (11.0 per cent), and the USA (10.0 per cent). Hence this statement is incorrect.

Statement 4 is incorrect: In the year 2022–2023, the Computer software and hardware sector (34%) has emerged as the top sector for FDI equity inflows in India followed by Services (22%) and Trading (18%). The drug and **pharmaceuticals** sector share in FDI inflows is **merely 4%**.

Figure IX.8: Sector-wise FDI Equity Inflows in 2022-23 during April-September 2022



Source: DPIIT data

Q.64)

Solution (d)

Exp) Option d is correct

Statement 1 and 2 are incorrect: Under the Engineering, Procurement, and Construction (EPC) model, **government pays private players to lay roads.** The private player has no role in the project’s ownership, toll collection or maintenance (it is taken care of by the government).

Build Operate Transfer (BOT) model is conventional PPP model in which private partner is responsible to design, build, operate (during the contracted period) and transfer back the facility to the public sector. Private sector partner has to bring the finance for the project and take the responsibility to construct and maintain it.

Statement 3 is incorrect: HAM’s a hybrid – a mix of the EPC (engineering, procurement and construction) and BOT (build, operate, transfer) models. HAM combines EPC (40 per cent) and BOT-Annuity (60 per cent). The Government provides **40 per cent of the total project cost.** The balance 60 per cent is arranged by the developer.

Knowledge Base:

Type of Risk → Type of Model ↓	Financing Risk	Revenue Risk or Toll collection Risk	O & M Risk
BOT Model	By Private	By Private	By Private
Annuity Model	By Private	By Govt.	By Private
BOT-VGF Model	By Govt. & Private	By Private.	By Private
EPC Model	By Govt.	By Govt.	By Govt.
HAM Model	By Govt. & Private	By Govt.	By Private

Q.65)

Solution (b)

Exp) Option b is correct.

Statement 1 is incorrect: Debtors borrow money from creditors to pay the later with interest on a future date. During inflation when prices rise, the value of money goes down, the debtor pays less in real term than what they had borrowed. Thus, debtors are the gainers and **creditors are the losers.**

Statement 2 is correct: When prices rise the producers, traders, entrepreneurs gain as price rise is faster than the cost of production in short-term. This results in **increased employment.** This inverse relationship between unemployment and inflation can be depicted by the **Phillip curve:**

Statement 3 is correct: High inflation results in low interest rates in a country. This also results in high demand and less supply of goods and services. Low interest rates do not attract foreign investment. So,

there is less supply of foreign currency and high demand, which results in **depreciation of the local currency**.

Knowledge Base: Wage earners and other fixed salaried persons, generally suffer during inflation. Although they obtain an increase in wages but it does not rise as much as rise in price of commodities consumed by the workers.

On the other hand, entrepreneurs gain during inflation due price of their products/services.

Q.66)

Solution (b)

Exp) Option b is correct.

The Finance Ministry in its report has warned of a Twin Deficit Problem due to higher commodity prices and a rising subsidy burden.

A twin deficit basically refers to a situation where the country runs relatively large current account and fiscal deficits.

A higher twin deficit is inherently destabilizing and was the primary reason why India faced a currency crisis back in 1991.

Since the Government revenues take a hit following cuts in excise duties on diesel and petrol. Due to this, upside risk to the budgeted level of gross fiscal deficit emerge. Hence, the government needs to trim its revenue expenditure (or the money the government spends just to meet its daily needs) to protect its growth-supporting Capital Expenditure (Capex) and for avoiding fiscal slippages.

Q.67)

Solution (c)

Exp) Option c is the correct answer

The Fair and Remunerative Price (FRP) of sugarcane replaced the concept of Statutory Minimum Price (SMP) of sugarcane in 2009-10. The FRP is approved by the Central Government on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) in consultation with the State Governments and after taking feedback from associations of the sugar industry.

Options 1,2,3 and 4 are correct: The Sugarcane (Control) Order, 1966 provides for fixation of FRP of sugarcane after taking following factors 1. Cost of production of sugarcane; 2. Return to the growers from alternative crops and the general trend of prices of agricultural commodities. 3. Availability of sugar to consumers at a fair price; 4. Price at which sugar produced from sugarcane is sold by sugar producers; 5. Recovery of sugar from sugarcane; 6. Price realization from the sale of by-products of Sugarcanes such as molasses, bagasse and press mud 7. Reasonable margins for the growers of sugarcane on account of risk and profits

Option 5 is incorrect: Under the FRP system, the farmers are not required to wait till the end of the season or for any announcement of the profits by sugar mills or the Government.

Q.68)

Solution (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect. Internationalization of the rupee can reduce transaction costs for Indian businesses as they will not have to incur exchange rate fees for converting rupees into foreign currencies for international transactions. This can make it more attractive for foreign investors to do business in India and make India's exports more competitive in global markets.

Statement 2 is correct. An internationalized Rupee can reduce the cost of holding foreign reserve by the Reserve Bank of India (RBI). When the Rupee is widely used and accepted in international transactions, the RBI may not need to hold as much foreign currency to conduct its operations, thereby reducing costs.

Statement 3 is incorrect. Recently, the Reserve Bank of India (RBI) has put in place a mechanism to facilitate International Trade in Rupees (INR), with immediate effect. However, banks acting as authorized dealers for such transactions would have to get prior approval from the RBI to facilitate this. The approval process is that for opening of Special INR Vostro accounts, banks of partner countries may approach Authorised Dealer (Abanks in India which may seek approval from RBI with details of the arrangement. The AD bank maintaining the Special INR Vostro Account is required to ensure that the correspondent bank is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non-Co-operative Jurisdictions on which FATF has called for counter measures. So, the approval for international settlement of exports / imports in Indian Rupee to all banks by RBI is not unconditional.

Q.69)

Solution (a)

Exp) Option b is the correct answer.

Statement 1 is incorrect: It's a 25-year sovereign bond. It is an avenue for people to bring their money stashed offshore without fear of being prosecuted. Once they declare their offshore money, they will be asked to invest 40 per cent of that amount in these elephant bonds.

Statement 2 is incorrect: The fund will be utilised for infrastructure projects only.

Statement 3 is correct: It was issued on the recommendation of Surjit Bhalla committee. The Committee has recommended "Elephant Bonds" as a specialised security product providing funds towards Long Term Infrastructure.

Q.70)

Solution (c)

Exp) Option c is the correct answer.

While fundamentally it is based on the "buy low, sell high" approach, the sequence of transactions is reversed in short selling – to sell high first and buy low later. Also, in short selling, the trader usually does not own the securities he sells, but merely borrows them.

Q.71)

Solution (b)

Exp) Option b is the correct answer.

Effective exchange rates (EERs) serve as a gauge for **assessing** the fair **value of a currency, the external competitiveness** of an economy and even serve as **guideposts for setting monetary and financial conditions**.

The nominal effective exchange rate (NEER) is an unadjusted weighted average rate at which one country's currency exchanges for a basket of multiple foreign currencies. The nominal exchange rate is the amount of domestic currency needed to purchase foreign currency.

A real effective exchange rate (REER) is the NEER adjusted by relative prices or costs, typically captured in inflation differentials between the home economy and trading partners. Conceptually, EERs are founded on the purchasing power parity (PPP) hypothesis.

Statement 1 is correct: An increase in REER implies that exports become more expensive and imports become cheaper; therefore, an increase indicates a loss in trade competitiveness.

Statement 2 is incorrect: Nominal/ real effective exchange rate (NEER/REER) Index is based on the Indian rupee adjusted to a **basket of 40-currency**. Recently RBI, updated it by expanding the basket from 36 to **40 currencies**, with the inclusion of eight new currencies and exclusion of four currencies.

Statement 3 is correct: Recently, RBI has shifted the base year for calculation of REER/NEER from 2004-05 to **2015-16**.

Q.72)

Solution (c)

Exp) Option c is the correct answer.

All scheduled commercial banks and foreign banks (with a sizable presence in India) are mandated to set aside 40% of their Adjusted Net Bank Credit (ANBC) for Priority Sector Lending (PSL). Regional rural banks, co-operative banks and small finance banks have to allocate 75% of ANBC to PSL. Priority Sector includes the following categories: • Agriculture • Micro, Small and Medium Enterprises (MSME) • Export Credit • Education • Housing • Social Infrastructure • Renewable Energy • Others Recently, RBI added some new categories under PSL - Bank finance to start-ups up to Rs. 50 crore, loans to farmers for installation of solar power plants for solarisation of grid connected agriculture pumps and loans for setting up Compressed BioGas plants have been included as fresh categories eligible for finance under priority sector.

Q.73)

Solution (c)

Exp) Option c is the correct answer.

The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. Its five institutions share a commitment to reducing poverty, increasing shared prosperity, and promoting sustainable development.

These are:

- a) The International Bank for Reconstruction and Development
- b) The International Development Association
- c) The International Finance Corporation
- d) The Multilateral Investment Guarantee Agency
- e) The International Centre for Settlement of Investment Disputes.

Pair 1 is correct: The **International Bank for Reconstruction and Development (IBRD)** is a global development cooperative owned by 189 member countries. It supports the World Bank Group's mission by **providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries**, as well as by coordinating responses to regional and global challenges.

Pair 2 is correct: The **International Development Association (IDA)** 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.

IDA lends money on concessional terms. This means that IDA credits have a zero or very low interest charge and repayments are stretched over 30 to 40 years. More than half of IDA countries receive all, or half, of their IDA resources on **grant terms, which carry no repayments at all**. These grants are targeted to the low-income countries at higher risk of debt distress.

In addition to concessional loans and grants, IDA provides significant levels of debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).

Pair 3 is correct: **International Finance Corporation** is the largest global development institution focused on the private sector in developing countries. IFC was founded in 1956 on an idea that the private sector has the potential to transform developing countries. It helps countries develop their private sectors in a variety of ways:

- Investing in companies through loans, equity investments, debt securities and guarantees.
- Mobilizing capital from other lenders and investors through loan participations, parallel loans and other means.

- Advising businesses and governments to encourage private investment and improve the investment climate.

Q.74)

Solution (b)

Exp) Option b is the correct answer.

A government budget is an annual financial statement which outlines the estimated government expenditure and expected government receipts or revenues for the forthcoming fiscal year. Depending on the feasibility of these estimates, budgets are of three types -- balanced budget, surplus budget and deficit budget.

Statement 1 is incorrect: A government budget is said to be a balanced budget if the estimated government expenditure is equal to expected government receipts in a particular financial year. Though it ensures economic stability, if implemented successfully, a balanced budget is inapplicable in less developed countries as it limits the scope of economic growth and restricts the government from spending on public welfare.

Statement 2 is correct: A government budget is said to be a surplus budget if the expected government revenues exceed the estimated government expenditure in a particular financial year. A surplus budget denotes the financial affluence of a country. Such a budget can be implemented at times of inflation to reduce aggregate demand.

Statement 3 is correct: A government budget is said to be a deficit budget if the estimated government expenditure exceeds the expected government revenue in a particular financial year. Especially helpful at times of recession, a deficit budget helps generate additional demand and boost the rate of economic growth. Here, the government incurs excessive expenditure to improve the employment rate. This results in an increase in demand for goods and services which helps to revive the economy.

Q.75)

Solution (b)

Exp) Option b is the correct answer.

There are three sectors of any domestic economy:

- General government sector
- Real sector
- Financial sector

Options 1 and 2 are correct: The real sector of the economy consists of enterprises (non-financial corporations), households and non-profit institutions serving households. **Non-financial organizations comprise all resident units involved in production of market goods and non-financial services. Market goods and services are those goods and services that are sold at market prices (economically significant prices).**

Options 3 and 4 are incorrect: The financial sector consists of corporations principally engaged in financial intermediation or in auxiliary financial activities that contribute to financial intermediation.

Q.76)

Solution (a)

Exp) Option a is the correct answer.

Open Unemployment. In this category when the labourers live without any work and don't find any work to do. Open unemployment includes educated unemployment and skilled labour unemployment. The migration from rural to urban areas in search of work is very often found in India is an example of Open Unemployment.

Option b is incorrect: Structural Unemployment is the unemployment caused by the structural changes like rapidly growing population, fall in the rate of capital formation, technological changes etc in the economy.

Option c is incorrect: Disguised Unemployment. In this category people are apparently employed but their marginal productivity is zero (contribution to production is nil). In this case more workers than required are engaged in a job where not all of them are productively contributing to creating output.

Option d is incorrect: Frictional Unemployment occurs when people change from one job to another and remain unemployed during this interval period. This can happen even in a situation of full employment to avoid this usually people resign the current job only after getting employment elsewhere.

Q.77)

Solution (c)

Exp) Option c is the correct answer

Statement 1 is correct. Special Safeguard Mechanism (SSM) is an option under the Agreement on Agriculture (AoA) available for countries to impose additional temporary duties on agricultural imports when there is a surge in imports at a lower price.

Statement 2 is incorrect. Green Box Subsidies are the subsidies that don't distort free trade or distort the free trade at a very minimal or negligible level. Amber Box subsidies are trade-distorting in nature and need to be curbed at any cost.

Statement 3 is correct. Peace clause was introduced in Bali Package 2013. The 'peace clause' said that no country would be legally barred from food security programmes even if the subsidy breached the limits specified in the WTO agreement on agriculture. The Peace Clause is used by India to justify the MSP regime in agriculture to support its NFSA and food security programmes.

Statement 4 is correct. "De Minimis" refers to the minimum level prescribed in Agreement on Agriculture (AoA) towards product specific and non-product specific (Amber box) subsidies. For Developed countries the de minimis level is 5% and for developing countries it is 10%.

Q.78)

Solution (a)

Exp) Option a is the correct answer.

The relationship between asset price & interest rate is inversely related. When interest rate is low, asset prices are high, and when the interest rate is high, asset prices are low. Bond prices have an inverse relationship to interest rates. When the cost of borrowing money rises (when interest rates rise), bond prices usually fall, and vice versa. Bonds also are a type of asset.

Q.79)

Solution (c)

Exp) Option c is the correct answer

Statement 1 is correct. Fiat money or fiat currency is any money that the government declares as legal tender. It is issued on the order of the government and is not backed by a physical commodity such as gold or silver. In other words, fiat money has no intrinsic value. Market forces determine the value of fiat money. There is no obligation on any person to accept this money as a medium of exchange. No legal action can be initiated in this case. Governments introduced this type of money as an alternative to representative and commodity money (gold coin).

Statement 2 is correct. Legal tender is the money that is recognized by the law of the land, as valid for payment of debt. Similarly, it must be accepted for discharge of debt. It is compulsory to accept this type of money for the settlement of any monetary obligation. The government can issue fiat money and can declare it to be a legal tender. The coins issued by the Government of India under The Coinage Act, 2011

are legal tender. Similarly, the One Rupee notes issued by the Ministry of Finance (Government of India) under the Currency Ordinance, 1940 are legal tender. Every banknote issued by Reserve Bank of India under RBI Act, 1934 unless withdrawn from circulation (demonetisation), is a legal tender.

Statement 3 is correct. Fiduciary money refers to money backed up by trust between the payer and payee. Example: Cheques are fiduciary money as these are accepted as a means of payment on the basis of trust but not on the basis of any order of the government.

Q.80)

Solution (a)

Exp) Option a is the correct answer.

Gross domestic product, or GDP, measures the total output of the economy, including activity, stability, and growth of goods and services; as such, it's seen as a proxy for the economy.

Statement 1 is incorrect: Economic growth and economic development may mean that the quality of life increases faster within the middle class than within the lower class. The lower class may not gain in the same proportion as individuals who are placed in higher income groups.

Statement 2 is incorrect: The rising GDP may or may not lead to decline in inequality depending upon the distribution of the income.

Statement 3 is correct: Rising GDP means the economy is growing, and the resources available to people in the country – goods and services, wages and profits – are increasing.

Statement 4 is incorrect: GDP and unemployment rates usually go together because a decrease in the GDP is reflected in a decrease in the rate of employment. A rise in employment levels is a natural result of increased GDP levels caused by an increase in consumer demands for goods and services. But we have seen instances of jobless growth in India (constant unemployment despite rising GDP).

Q.81)

Solution (b)

Exp) Option b is the correct answer.

Statement 1 is correct. External Commercial Borrowings (ECBs) are basically loans availed by an Indian entity **from a non-resident lender**. Most of these loans are provided by foreign commercial banks and other institutions **in foreign currency**. It is a loan availed from non-resident lenders with a **minimum average maturity of 3 years**. It includes commercial bank loans, buyers' credit, suppliers' credit, securitized instruments such as Floating Rate Notes and Fixed Rate Bonds etc., credit from official export credit agencies and commercial borrowings from Multilateral Financial Institutions.

Statement 2 is incorrect. The External Commercial Borrowing (ECB) policy is regularly reviewed by the Ministry of Finance in consultation with Reserve Bank of India (RBI) to keep it in tune with the evolving macroeconomic situation, changing market conditions, sectoral requirements, etc. The RBI has decided to keep the **minimum average maturity period at 3 years (earlier 5 years) for all ECBs**, irrespective of the amount of borrowing, except for borrowers specifically permitted to borrow for a shorter period, like manufacturing companies.

Statement 3 is correct. The ECB proceeds cannot be utilised for **real estate activities, investment in capital market, equity investment**, working capital purposes (except from foreign equity holder), repayment of Rupee loans (except from foreign equity holder).

Q.82)

Solution (c)

Exp) Option c is the correct answer.

A convertible debenture is an instrument that can be converted into equity shares of the Company who issued them. Conversion can be done after a predetermined period.

Statement 1 is correct: Debenture holders are creditors of a company. Shareholders have a right to participate in the affairs of the company. The holders of shares are the owners of a company. So, on conversion the debenture holder will become the owner (commensurate to the percentage shareholding) of the company.

Statement 2 is correct: Dividend is paid on shares by the company. The rate of dividend is not fixed. Whereas Interest is paid on debentures at a fixed rate.

Statement 3 is correct: Debenture holders get payment in priority as compared to all the creditors. Equity shares get the refund only when all liabilities have been paid off in case of liquidation.

Q.83)

Solution (a)

Exp) Option a is the correct answer.

A trade barrier refers to any regulation or policy that restricts international trade, especially tariffs, quotas, licenses etc.

Statement 1 is correct: Tariffs are a type of protectionist trade barrier that can come in several forms. Tariffs may benefit a few domestic sectors. Tariffs are **paid by domestic consumers and not the exporting country**, but they have the effect of raising the relative prices of imported products.

Statement 2 is incorrect: The World Trade Organisation agreements in general follows the following principles:

- a) Most Favored Nation- All nations should be treated equally. No one country can grant any other member country any special favour.
- b) Non-Discrimination
- c) National Treatment- Same treatment to all products, either local or foreigners.
- d) Reciprocity- Lowering of import duties and other trade barriers in return for similar concessions from another country.

The Technical Barriers to Trade Agreement (TBT) tries to ensure that regulations, standards, testing and certification procedures do not create superfluous obstacles to trade. The WTO agreements **also allow exceptions** in some circumstances. Three of these issues are:

- a) actions taken against dumping (selling at an unfairly low price)
- b) subsidies and special “countervailing” duties to offset the subsidies
- c) emergency measures to limit imports temporarily, designed to “safeguard” domestic industries.

Statement 3 is incorrect: Quotas are a type of nontariff barrier governments enact to restrict trade. **Quotas focus on limiting the quantities** of a particular good that a country imports or exports for a specific period, whereas tariffs impose specific fees on those goods.

Governments design **tariffs** to raise the overall cost to the producer or supplier seeking to sell products within a country. Tariffs **provide a country with extra revenue**, and they offer **protection to domestic producers** by causing imported items to become more expensive.

Quotas are more effective in restricting trade than tariffs, especially if domestic demand for something is not price sensitive. Applied selectively to various countries, they can be utilized as a coercive economic weapon.

Knowledge Base: Types of Trade barriers:

- (a) Tariff Barriers. These are taxes on certain imports. They raise the price of imported goods, making imports less competitive.
- (b) Non-Tariff Barriers. These involve rules and regulations which make trade more difficult. For example, if foreign companies have to adhere to complex manufacturing laws it can be difficult to trade.
- (c) Quotas. A limit placed on the number of imports.
- (d) Voluntary Export Restraint - Similar to quotas, this is where countries agree to limit the number of imports.

- (e) Subsidies. A domestic subsidy from the government can give the local firm a competitive advantage.
(f) Embargo. A complete ban on imports from a certain country.

Q.84)

Solution (b)

Exp) Option b is the correct answer.

The conversion of **raw materials into valuable products** serves as the **primary method by which secondary activities add value to natural resources**. Secondary activities encompass industries involved in **manufacturing, processing and construction (infrastructure)**. These secondary activities also encompass **blue-collar workers**, who are engaged in occupations categorized as secondary.

Option 1 is incorrect- A nurse providing healthcare facilities to a patient can be classified as a **tertiary sector**. The tertiary sector is the sector of the economy that provides **services to consumers and businesses**. It includes a wide range of industries, such as **healthcare, education, retail, transportation, and tourism**.

Option 2 is correct- Labor involved in construction of a shopping mall is an example of **Secondary Sector**. Secondary Sector includes the construction works such as the **building and maintenance of infrastructure, such as roads, bridges, and buildings**.

Option 3 is incorrect- Royal Enfield trying to design and make sports bike by applying **Research and Development** is an example of **quaternary sector**. The quaternary sector includes industries that provide services that are **knowledge-intensive and require a high level of skill**. R&D is essential for **innovation and technological advancement**, and it plays a vital role in many different industries, including **manufacturing, healthcare, information technology, and energy**.

Option 4 is correct- Ford Motors producing a new Mustang Car with a modified engine is an example of **secondary sector**. Infacts all the manufacturing activities like the production of finished goods from raw materials, such as the **production of cars from steel and plastic, or the production of food from agricultural products** can be classified as secondary sector.

Option 5 is correct- Tata Powers providing electricity to homes is an example of **secondary sector**. Secondary Sector includes the **generation, transmission, and distribution of electricity and other forms of energy**.

Q.85)

Solution (a)

Exp) Option a is the correct answer.

Statement 1 is incorrect: 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).

Statement 2 is correct: In India, Gilt accounts are accounts maintained by authorized banks or financial institutions on behalf of investors who wish to invest in government securities, including Treasury Bills, Government Bonds, and other securities issued by the Reserve Bank of India (RBI) on behalf of the Government of India.

Statement 3 is incorrect: In addition to central and state governments, bonds can also be issued by public sector entities such as PSUs. These entities may issue bonds to finance their capital expenditure, working capital requirements, or other financial needs.

Statement 4 is incorrect: The Clearing Corporation of India Ltd. (CCIL) was set up in April 2001 to provide guaranteed clearing and settlement functions for transactions in Money, G-Secs, Foreign Exchange and Derivative markets. Government securities or G-secs, issued by RBI. The RBI manages the public debt of the Indian government

Q.86)

Solution (b)

Exp) Option b is the correct answer.

The passage discusses the challenges and complexities of the modern world, so it is an aspect being discussed, but not the critical message being conveyed. Hence Option a is incorrect.

The passage is all about finding inspiration in the wisdom of those who came before us. The passage discusses the challenges and complexities of the modern world and the need for mindfulness and resilience in the face of these challenges. But emphasizes the importance of drawing upon the wisdom and inspiration of those who have faced similar struggles in the past. The critical message conveyed by the passage is that we can find hope and guidance in the experiences of those who have come before us, and that their wisdom and resilience can help us navigate the challenges of our own time. Hence option b is correct.

Option c discusses the nature of challenge that it can be overwhelming, so this is not the critical message being conveyed. Hence option c is incorrect.

The passage also tells about the need for mindfulness and resilience in the face of these challenges. So it again discusses the precautions to be taken, so it is not the critical message being conveyed. Hence option d is incorrect.

Q.87)

Solution (b)

Exp) Option b is the correct answer.

The passage nowhere mentions or indicates that climate change has no clear solutions. Hence Option a is incorrect.

The passage in the beginning mentions that some governments have made commitments to transition, but the progress has been slow, also there is lack of political will and at the end also it's mentioned in the passage that decisive actions are needed because the consequences of inactions are dire. So the most critical message being conveyed is that the government needs to take bolder commitments to address climate change'. Hence Option b is correct.

The passage states that the consequences of inaction are described as dire, with rising sea levels, more frequent natural disasters, and widespread environmental degradation. So this is a message being conveyed, but not the most critical message. Hence Option c is incorrect.

In the passage it's mentioned that 'While some governments have made commitments to transition away from fossil fuels and invest in renewable energy sources', from this it can't be implied that renewable energy sources are the solution to mitigate the effects of climate change, hence option d is incorrect.

Q.88)

Solution (a)

Exp) Option a is the correct answer.

The passage states that India is the world's second-largest fish-producing country, and the sector employs millions of people. So it implies that it is a significant contributor to the country's economy. Hence statement 1 is a valid assumption.

In the passage it's mentioned that the lack of proper infrastructure for storage and transportation has resulted in significant losses for fishermen and huge upsurge in the price of fish stock has been observed due to wastage during movement from sea to plate. So it's implicit that Efficient means of transportation keeps a check on the price of the fish stock. So statement 2 is a valid assumption.

While the passage does mention that the fisheries industry is a source of livelihood for millions of people, it does not state that it is sustainable. Statement 3 is an invalid assumption.

Q.89)

Solution (c)

Exp) Option c is the correct answer

The author clearly argues that woman of tomorrow is yet to emerge. The author is suggesting that the woman of today recognizes that the present society, including its history and cultural norms, is not the only form of human life. She refuses to accept the current status quo as the only way things should be and insists on revising the past to achieve a more accurate historical perspective. The following lines highlight the same, “She is aware that her true significance and potential cannot be measured in terms of the current concept of a woman. She refuses to accept the present as the only form of human life and insists upon a complete revision of the past in order to achieve a true historical perspective. And she is right.”

Q.90)

Solution (a)

Exp) Option a is the correct answer.

Let's $n(M)$ = Percentage of students who ate Mexican food = 49%

$n(C)$ = Percentage of students who ate Chinese food = 53%

$n(I)$ = Percentage of students who ate Italian food = 62%

$n(M \cap C)$ = Percentage of students who ate both Mexican and Chinese = 27%

$n(I \cap C)$ = Percentage of students who had both Italian and Chinese = 29%

$n(M \cap I)$ = Percentage of students who had Mexican and Italian = 28%

Since 5% ate nothing, so $n(M \cup C \cup I) = 95\%$

Now the formula of Union is ,

$n(M \cup C \cup I) = n(C) + n(M) + n(I) - n(M \cap C) - n(I \cap C) - n(M \cap I) + n(C \cap M \cap I)$

Putting all the values from the given above equations:-

$95\% = 53\% + 49\% + 62\% - 27\% - 29\% - 28\% + n(C \cap M \cap I)$

$n(C \cap M \cap I) = 15\%$

So 15% students ate all three foods,

Number of students who ate all three foods = $500 \times (0.15) = 75$

Q.91)

Solution (c)

Exp) Option c is the correct answer.

Statement-1 : 3 Pizzas + 7 Frappes + 1 Ice cream = Rs 120 -----(1)

Statement-2 : 5 Pizzas + 9 Frappes + 3 Ice creams =Rs 164.50----- (2)

Adding equation 1 and 2:

8 Pizzas + 16 Frappes + 4 Ice creams = Rs 284.40

Dividing both the sides by '4' :- 2 Pizzas + 4 Frappes + 1 Ice cream = Rs 71.10

Hence it is evident that either of the Statements alone is not sufficient to answer the question.

Both Statement-1 and Statement-2 are required to answer the question.

Q.92)

Solution (c)

Exp) Option c is the correct answer.

The main goal in this type of series is to identify the series type. Typically it focuses on basic arithmetic operations (addition, subtraction, multiplication, and division). There could be uncountable numbers of series because the series is an imagination. So the best approach is to find logic between sequences of numbers in Sequence-I,

Check the difference between successive numbers.

$$18-12 = 6$$

$$27-18 = 9$$

$$40.5-27 = 13.5$$

$$60.75-40.5 = 20.25$$

$$91.125 - 60.75 = 30.375$$

From the above, we can see that the 'difference between the two consecutive numbers' is half of the previous number.

That is: Difference between 12 and 18 is half of 12.

$$(18-12) = 12/2$$

$$(27-18) = 18/2$$

$$(40.5-27) = 27/2$$

$$(60.75-40.5) = 40.5/2$$

$$(91.125-60.75) = 60.75/2$$

So, If we simplify the above sequence, we can write the formula as

$$(x_n - x_{n-1}) = (x_{n-1})/2 \quad \dots\dots\dots \text{equation 1}$$

And since sequence I and sequence II are identical, and first number of sequences II is second number of sequences I, hence sequence II will be exactly same as sequence I upto second last value (up to "D" cell)

i.e. 18,27,40.5,60.75,91.125

Let's assume last number is x, so from equation 1 we can write

$$(x-91.125) = 91.125/2$$

$$(x-91.125) = 45.5625$$

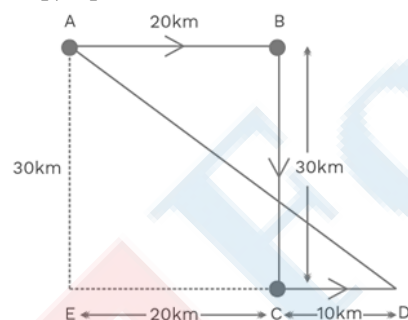
$$x = 136.6875$$

So, entry in place of E is 136.6875

Q.93)

Solution (d)

Exp) Option d is the correct answer



$$\text{Distance } AD^2 = AE^2 + ED^2$$

$$AD^2 = 30^2 + 30^2$$

$$AD^2 = 1800 = 900 \times 2$$

$$AD = 30\sqrt{2}$$

Q.94)

Solution (b)

Exp) Option b is the correct answer

The given number = 8470522 is divisible by 9

Divisibility rule of 9: If the sum of digits of the number is divisible by 9, then the number itself is divisible by 9.

According to the above concept,

$$84705Z2 = 8 + 4 + 7 + 0 + 5 + Z + 2$$

= 26 + Z = 26+0 (if we replace Z by 0) which is not divisible by 9

Now, we replace Z by 1, then it becomes 27, which is divisible by 9.

Thus, the minimum required value is 1.

Q.95)

Solution (c)

Exp) Option c is the correct answer.

The passage states that 'reasons include the defeat of the Indian state in addressing the socio-economic grievances (underlying resentment) of the people,'. So, it assumes that the state has failed to address the resentment of the public. Hence Statement 1 is a valid assumption.

In the passage it's mentioned that they 'use violence to achieve their goals'. In the passage only violence is meant. Hence statement 2 is a valid assumption.

Q.96)

Solution (d)

Exp) Option d is the correct answer.

The passage states that 'the only way to bring about a just and equal society is through a revolution that will fundamentally alter the existing power structures', this statement is about the ideologies which the left-wing extremist people carry, it is not the critical message of the passage. Hence option a is incorrect. Option b is again the belief of the extremist people which is mentioned in the passage 'The ideology of left-wing extremism is premised on the belief that the capitalist system is inherently unjust'. So this too is not the critical message of the passage. Hence option b is incorrect.

The passage states that 'The movement has had a profound impact on India's social and political fabric,' this is one aspect of the movement being discussed in the passage. It is not the critical message of the passage. Hence option c is incorrect.

The passage in the beginning mentions that the the movement is 'primarily inflamed by the deep-seated inequalities at the societal level and on the income front that continue to plague India', and even in end it states that the state has failed to address the socio economic grievances of the people, that's why the movement has kept on flourishing. Hence this is the critical message being conveyed that eliminating this would end this movement as this is the root cause and this is keeping it going. Hence option d is correct.

Q.97)

Solution (a)

Exp) Option a is the correct answer

Wife of Vidya's husband – Vidya;

Brother of daughter – Son.

So, the boy on the stage is Vidya's son.

Vidya's son's sister is the sister of boy who is in the stage because Vidya's daughter has only one brother.

Q. 98)

Solution (b)

Exp) Option b is the correct answer.

Since cumulative percentage is given,

For year 2006,

% of Type E bike produced = (100-80)%

Type E bike production during 2006 = 450,000x (100-80)% = 90,000

% of Type E bike produced during 2007 = $(100-90) = 10\%$

Type E bike production during 2007 = $520,000 \times 10\% = 52,000$

Sum of Type E bike produced during 2006 and 2007 = $52,000 + 90,000 = 142,000$ ---(1)

% of Type C bike production during 2006 = $(80-70)\% = 10\%$

Type C bike production during 2006 = $450,000 \times 10\% = 45,000$

% of Type C bike production during 2007 = $(90-70) = 20\%$

Type C bike production during 2007 = $520,000 \times 20\% = 104,000$

Sum of type C bike produced during 2006 and 2007 = $45,000 + 104,000 = 149,000$ -----(2)

From equation 1, 2

Sum of Type E bike produced during 2006 and 2007 is less than Sum of type C bike produced during 2006 and 2007 by $(149,000 - 142,000 = 7000)$

And by $(7000/149,000) \times 100\% = 4.7\%$

Q.99)

Solution (d)

Exp) Option d is the correct answer.

Let the age of the teacher be T.

According to the problem, the average age of 20 students is 15 years:

$$20 \times 15 = 300$$

Now, if we include the age of the teacher, the total age of the class becomes:

$$20 \times 15 + T$$

And the new average age of the class becomes:

$$(20 \times 15 + T) / 21$$

We are given that this new average age is 1 year greater than the previous average age, which was 15:

$$(20 \times 15 + T) / 21 = 15 + 1$$

Simplifying this equation:

$$300 + T = 21 \times 16$$

$$300 + T = 336$$

$$T = 36$$

Therefore, the age of the teacher is 36 years old.

Q.100)

Solution (a)

Exp) Option a is the right answer.

Let's assume that Aman received Rs x, Babita received Rs $(1200-x)$

Given, they are left with the sum that constitutes 85% of the whole sum.

Hence, they are left with $(1200) \times (85/100) = \text{Rs } 1020$.

Implies, they spent Rs $(1200-1020)$ that is Rs.180

Given Aman spends 12% of his money and Babitha spends 20% of her money,

$$\{x \times (12/100)\} + \{(1200-x) \times (20/100)\} = 180$$

$$0.12x + (240 - 0.20x) = 180$$

$$x = 750$$

Aman received Rs 750,

He spent $750 \times (12/100) = \text{Rs } 90$

He is left with $\text{Rs } 750 - 90 = \text{Rs } 660$