

ForumIAS

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State Legislature

1. Consider the following statements regarding the passage of an ordinary bill in a State with a bicameral legislature:

1. The Legislative Council can delay an ordinary bill for a maximum of four months.
2. There is a constitutional provision for a joint sitting of both Houses to resolve a deadlock over such a bill.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- The Legislative Council can delay the bill for **three months** initially. If the Assembly re-passes the bill and sends it again, the Council can delay it for **one more month**, making a **total of four months**.
- Unlike Parliament, the **State Legislature does not have a provision for a joint sitting** to resolve disagreements between the two Houses.

Source: Laxmikant (Polity)

2. Consider the following statements regarding Money Bills in the State Legislature:

1. A Money Bill can be introduced only in the Legislative Assembly and only with the prior recommendation of the Governor.
2. The Legislative Council can amend a Money Bill but must return it within 14 days.
3. The Governor can return a Money Bill to the Legislative Assembly for reconsideration.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- A Money Bill can **only be introduced in the Legislative Assembly** and **only with the Governor's recommendation**.
- The Legislative Council **cannot amend** a Money Bill. It can **only make recommendations** and must return it within **14 days**.
- The **Governor cannot return** a Money Bill to the Assembly for reconsideration. He may **give assent, withhold assent, or reserve it for the President**, but cannot return it.

Source: Laxmikant (Polity)

3. Consider the following statements regarding the legislative procedure for ordinary bills in the **State Legislature**:

1. The Legislative Assembly can override the Legislative Council by passing the bill for the second time.
2. The Constitution provides for a joint sitting of the two Houses of the State Legislature to resolve a deadlock.
3. If a bill originating in the Legislative Council is rejected by the Assembly, it is considered to be passed after six months.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- The **Legislative Assembly can override** the Council by passing the bill **again**. If the Council rejects or does not act within one month, the bill is **deemed passed**.
- The **Constitution does not provide** for a **joint sitting** of the two Houses in a **State Legislature** (unlike Parliament).
- If a bill **originates in the Legislative Council** and is **rejected by the Assembly**, the **bill ends and becomes dead**. There is **no six-month waiting** like in Parliament.

Source: Laxmikant (Polity)

4. Consider the following statements regarding the **Legislative Council in a State**:

1. The Legislative Council has equal powers with the Legislative Assembly in approving ordinances issued by the Governor.
2. Ministers in a state can be members of either House, but are collectively responsible only to the Legislative Council.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- The Legislative Council and Assembly are **equal in approving ordinances** issued by the Governor.
- While ministers can be from **either House**, they are **collectively responsible only to the Legislative Assembly**, not the Council.

Source: Laxmikant (Polity)

5. Consider the following statements regarding the Legislative Council in a State:

1. The Legislative Council can delay an ordinary bill passed by the Assembly for a maximum of four months.
2. The Council has equal powers with the Assembly in voting on the demands for grants during the budget session.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- The Legislative Council can **delay an ordinary bill** for a **maximum of four months—three months initially** and **one month** if re-passed by the Assembly.
- The Council **cannot vote** on the demands for grants. This is an **exclusive power** of the Legislative Assembly.

Source: Laxmikant (Polity)

6. Consider the following statements regarding the privileges of the State Legislature:

1. The Advocate-General and state ministers enjoy the same privileges during legislative proceedings as the members of the State Legislature.
2. The Governor also enjoys legislative privileges as he is an integral part of the State Legislature.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- The **Advocate-General** and **state ministers**, though not always members of the legislature, enjoy the **same privileges** when participating in legislative proceedings.
- While the **Governor is an integral part** of the State Legislature, **he does not enjoy the legislative privileges** granted to the Houses or their members.

Source: Laxmikant (Polity)

7. Consider the following statements regarding the **individual privileges of members of a State Legislature**:

1. A member cannot be arrested in any case—civil or criminal—during the session of the State Legislature and 40 days before and after the session.
2. Members enjoy freedom of speech in the House and are not liable to court proceedings for anything said or voted in the House.

Which of the statements given above is/are correct?

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

Answer: B) 2 only

Explanation:

- Members **cannot be arrested in civil cases** during the session and **40 days before and after** it. However, this **does not apply to criminal or preventive detention cases**.
- Members have **freedom of speech** in the legislature and are **not liable to court proceedings** for anything said or any vote given in the House or its committees, **subject to constitutional and procedural rules**.

Source: Laxmikant (Polity)

8. Consider the following statements regarding the Cabinet in a State Government:

1. The Cabinet is the supreme decision-making body in the politico-administrative system of a state.
2. Cabinet Committees in a state are formed by the Governor and are of two types—Standing and Ad hoc.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- The Cabinet is the **real and highest decision-making authority** in the state and plays a central role in administration, legislation, finance, and crisis management.
- **Cabinet Committees are formed by the Chief Minister**, not the Governor. They may be **standing (permanent)** or **ad hoc (temporary)** depending on administrative needs.

Source: Laxmikant (Polity)

9. With reference to the **Legislative Council in Indian states**, consider the following statements:

1. The Legislative Council cannot vote on demands for grants and has only the right to discuss the budget.
2. The Council's existence can be abolished by the Parliament if the concerned State Legislative Assembly passes a resolution to that effect.
3. The Legislative Council has equal status with the Legislative Assembly in the ratification of a Constitutional Amendment Bill.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- The **Legislative Council can only discuss the budget**; it **cannot vote** on the **demands for grants**, which is an **exclusive privilege of the Assembly**.
- The **Legislative Council can be abolished by Parliament** through a law passed on the basis of a **resolution adopted by the State Legislative Assembly with a special majority**.
- The **Legislative Council has no effective role** in the **ratification of Constitutional Amendment Bills**. That function is performed by **State Legislative Assemblies**, and **the will of the Assembly prevails**.

Source: Laxmikant (Polity)

10. With reference to the **privileges of State Legislatures in India**, consider the following statements:

1. Members of the State Legislature enjoy immunity from arrest in both civil and criminal cases during the session and 40 days before and after its sitting.
2. The courts are prohibited from inquiring into the proceedings of a House or its committees.
3. The Advocate General and State Ministers are entitled to legislative privileges as they can participate in House proceedings.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- Members are **immune from arrest only in civil cases**, not **criminal or preventive detention cases**, during the session and **40 days before and after**.
- **Courts cannot inquire** into the **proceedings** of a House or its **committees**, maintaining the **autonomy of the legislature**.
- Since **Ministers and the Advocate General** have the **right to speak and participate** in House proceedings, they also **enjoy legislative privileges** (though they cannot vote unless members).

Source: Laxmikant (Polity)

Supreme Court

1. With reference to the **judicial system in India**, consider the following statements:

1. India has a unified judiciary that enforces both central and state laws.
2. The system of integrated judiciary in India was adopted from the Government of India Act, 1935.
3. It was inaugurated on January 26, 1950, replacing the Federal Court of India.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: D. 1, 2 and 3

Explanation:

- India has a **unified judicial system**—the same judiciary enforces **both central and state laws**.
- This system was **adopted from the Government of India Act, 1935**, which laid the foundation for such a structure.
- The **Supreme Court was inaugurated on January 28, 1950**, not January 26.

Source: Laxmikant (Polity)

Here is a **UPSC Prelims-style MCQ** (Multiple Choice Question) with **three statements** based on the information you provided:

2. Consider the following statements regarding the **Supreme Court of India**:

1. The Constitution of India prescribes a minimum age limit for appointment as a judge of the Supreme Court.
2. The recommendation of the Chief Justice of India for appointment of other judges is binding on the President only when supported by a majority of a collegium of four seniormost judges.
3. A judge of the Supreme Court can be removed from office by the President after an address by each House of Parliament supported by a special majority.

Which of the above statements is/are **correct**?

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

Answer: (b) 2 and 3 only

Explanation:

- The Constitution does **not prescribe any minimum age** for appointment as a Supreme Court judge. The qualifications relate to experience as a judge, advocate, or a distinguished jurist.
- As per the **Third Judges Case (1998)**, the Chief Justice of India must consult a **collegium of four seniormost judges**, and the recommendation must be supported by a majority (i.e., at least three out of five including CJI) for it to be binding.
- A judge of the Supreme Court can be removed **only by the President**, and that too **after** an address by **both Houses of Parliament** passed with a **special majority** (majority of total membership + two-thirds of those present and voting).

Source: laxmikant (Polity)

3. Consider the following statements about **special appointments in the Supreme Court**:

1. An ad hoc judge is appointed by the President when there is a vacancy among permanent judges.
2. A retired judge can be asked to work as a Supreme Court judge, but he is not considered a regular judge.
3. An acting Chief Justice is appointed when the Chief Justice is absent, unable to work, or the post is vacant.

Which of the above statements is/are **correct**?

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

Answer: (b) 2 and 3 only

Explanation:

- An **ad hoc judge** is **not appointed by the President**. He is **appointed by the Chief Justice of India** (with the President's consent) when there are **not enough judges** to hold court, **not just because of a vacancy**.
- A **retired judge** can be called back for a short time, but is **not treated as a full-time or regular judge**.
- An **acting Chief Justice** is appointed **if the Chief Justice is absent**, sick, or the position is empty.

Source: laxmikant (Polity)

4. Consider the following statements regarding the **Supreme Court of India**:

1. The Chief Justice of India can change the seat of the Supreme Court to another place, but only with the approval of the President.
2. Constitutional cases are heard by a bench of at least five judges, while other cases are usually heard by at least three judges.

Which of the above statements is/are **correct**?

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

Answer: (c) Both 1 and 2

Explanation:

- As per the Constitution, the **seat of the Supreme Court is Delhi**, but the **Chief Justice of India** can appoint another place as the seat, **with the President's approval**.
- **Constitutional cases** (like those referred by the President under Article 143) are heard by a **bench of at least five judges**, while **other cases** are usually decided by **at least three judges**.

Source: laxmikant (Polity)

5. Consider the following statements regarding the **independence of the Supreme Court**:

1. The salaries and expenses of Supreme Court judges are charged on the Consolidated Fund of India and are not subject to voting in Parliament.
2. After retirement, Supreme Court judges are allowed to practice in High Courts or tribunals.
3. The Parliament cannot reduce the powers and jurisdiction of the Supreme Court but can increase them.

Which of the above statements is/are **correct**?

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

Answer: (b) 1 and 3 only

Explanation:

- The **expenses of the Supreme Court** (including judges' salaries) are **charged on the Consolidated Fund of India**, so they **cannot be voted on** by Parliament. This protects financial independence.
- **Retired Supreme Court judges are banned** from practicing law in any court or before any authority in India. This prevents post-retirement influence or bias.
- The **Parliament cannot reduce** the powers or jurisdiction of the Supreme Court. It **can only increase** them if needed.

Source: laxmikant (Polity)

6. Consider the following statements about the **original jurisdiction of the Supreme Court**:

1. The Supreme Court has exclusive power to decide disputes between the Centre and one or more states.
2. A private citizen can directly file a suit against the Centre or a state under the Supreme Court's original jurisdiction.
3. The Supreme Court's original jurisdiction does not cover inter-state water disputes or commercial disputes between the Centre and states.

Which of the above statements is/are **correct**?

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

Answer: (b) 1 and 3 only

Explanation:

- The **Supreme Court has exclusive original jurisdiction** to resolve disputes between the Centre and one or more states, or between states.
- **Private citizens cannot file suits** under this jurisdiction. It is only for **federal disputes between governments**.
- **Inter-state water disputes**, commercial disputes, and other listed exceptions are **excluded** from the original jurisdiction of the Supreme Court.

Source: laxmikant (Polity)

7. Consider the following statements regarding the **writ jurisdiction of the Supreme Court**:

1. The Supreme Court and High Courts both can issue writs for the enforcement of Fundamental Rights.
2. The writ jurisdiction of the Supreme Court is wider than that of the High Courts.
3. The Supreme Court can issue writs only for enforcing Fundamental Rights, while High Courts can issue writs for other purposes too.

Which of the above statements is/are **correct**?

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

Answer: (b) 1 and 3 only

Explanation:

- Both the **Supreme Court and High Courts** can issue writs for enforcing **Fundamental Rights**.
- The **writ jurisdiction of High Courts is wider** than the Supreme Court's, because High Courts can issue writs **for other legal purposes** too, not just Fundamental Rights.
- The **Supreme Court can issue writs only** to enforce Fundamental Rights. High Courts can issue writs for **Fundamental Rights and other legal purposes** (like legal duties under statutes).

Source: laxmikant (Polity)

8. Consider the following statements regarding the **Appellate Jurisdiction of the Supreme Court**:

1. In criminal cases, if a High Court reverses an acquittal and gives a death sentence, appeal to the Supreme Court is allowed as a matter of right.
2. The Supreme Court can hear appeals in civil and constitutional matters only if the High Court certifies that the case involves a substantial question of law.
3. The Supreme Court can grant special leave to appeal from any judgment of any court or tribunal in the country, including court-martial.

Which of the above statements is/are **correct**?

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

Answer: (a) 1 and 2 only

Explanation:

- If a **High Court reverses an acquittal and gives a death sentence**, the **accused can appeal to the Supreme Court as a matter of right**, without needing a certificate.
- In **civil and constitutional matters**, a **certificate from the High Court** is needed saying that the case involves a **substantial question of law** important enough for the Supreme Court to decide.
- The **Supreme Court cannot grant special leave** to appeal against decisions of a **military tribunal or court-martial**. All other courts and tribunals are included, but military courts are excluded.

Source: laxmikant (Polity)

9. Consider the following statements about the powers of the **Supreme Court of India**:

1. The opinion given by the Supreme Court under Article 143 is binding on the President.
2. As a Court of Record, the Supreme Court can punish for contempt of itself as well as of lower courts and tribunals.
3. The Supreme Court must give its opinion to the President if the matter relates to a pre-constitutional treaty or agreement.

Which of the above statements is/are **correct**?

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

Answer: (b) 2 and 3 only

Explanation):

- The opinion given by the Supreme Court under Article 143 is **advisory**, not binding. The President **may or may not follow it**.
- As a **Court of Record**, the Supreme Court can **punish for contempt** of itself **and** of High Courts, subordinate courts, and tribunals across India.
- If the reference under Article 143 relates to a **pre-constitutional treaty or agreement**, the Supreme Court is **required** to give its opinion to the President.

Source: laxmikant (Polity)

10. Consider the following statements regarding **Advocates practicing in the Supreme Court of India**:

1. Senior Advocates can appear without an Advocate-on-Record in the Supreme Court.
2. Only **Advocates-on-Record** are entitled to file documents and act for a party in the Supreme Court.
3. Other Advocates can appear and argue cases in the Supreme Court but cannot file any documents before the Court.

Which of the above statements is/are **correct**?

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

Answer: (b) 2 and 3 only

Explanation:

- **Senior Advocates** must appear with an **Advocate-on-Record** in the Supreme Court and cannot appear without one.
- Only **Advocates-on-Record** can file documents, appear, or act for a party in the Supreme Court.
- **Other Advocates** can argue cases in the Supreme Court but cannot **file any documents** before the Court.

High Court

1. **Consider the following statements regarding the appointment of High Court judges in India:**

1. The strength of a High Court is fixed by the Constitution and cannot be altered without a Constitutional Amendment.
2. The Chief Justice of a High Court is appointed by the President after consulting the Chief Justice of India and the Governor of the concerned state.

Which of the above statement(s) is/are correct?

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

Answer: B. 2 only

Explanation:

- The Constitution **does not specify the strength** of a High Court. It leaves this decision to the **discretion of the President**, who determines it from time to time based on workload. Hence, no Constitutional Amendment is required to alter the strength.
- The **Chief Justice of a High Court** is appointed by the **President** after **consultation with the Chief Justice of India and the Governor** of the concerned state, as per constitutional practice upheld by the judiciary.

Source: Laxmikant (Polity)

2. Consider the following statements:

Statement I: The Constitution of India allows the appointment of a distinguished jurist as a judge of a High Court.

Statement II: The qualifications for appointment as a judge of a High Court include being a citizen of India and either holding a judicial office for 10 years or being an advocate in a High Court for 10 years.

Which one of the following is correct?

- A. Both Statement I and Statement II are correct and Statement II is the correct explanation of Statement I
- B. Both Statement I and Statement II are correct but Statement II is not the correct explanation of Statement I
- C. Statement I is incorrect but Statement II is correct
- D. Statement I is correct but Statement II is incorrect

Answer: C. Statement I is incorrect but Statement II is correct

Explanation:

- The Constitution does not provide for the appointment of a distinguished jurist as a judge of a High Court (this provision exists only for the Supreme Court).
- It accurately lists the constitutional qualifications for a High Court judge: Must be a **citizen of India** and must have **held judicial office in India for 10 years** or been an **advocate of a High Court for 10 years**

Source: Laxmikant (Polity)

3. Consider the following statements about the removal of a High Court judge:

- 1. A High Court judge can be removed by the President after a special majority of both Houses of Parliament supports the removal.
- 2. The only grounds for removal are proved misbehaviour or incapacity.
- 3. The removal procedure for High Court judges is different from that of Supreme Court judges.

Which of the above statements is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- A High Court judge can be removed only after **both Houses of Parliament** pass the motion with a **special majority**, and then the **President issues the removal order**.
- The **only two grounds** for removal are **proved misbehaviour or incapacity**.
- The removal procedure is the **same** for judges of the **High Court and the Supreme Court**.

Source: Laxmikant (Polity)

4. Consider the following statements regarding the appointment of an Acting Chief Justice of a High Court:

1. The President can appoint a judge of a High Court as Acting Chief Justice only when the Chief Justice retires.
2. A judge can be appointed as Acting Chief Justice when the Chief Justice is temporarily absent or unable to perform duties.

Which of the above statement(s) is/are correct?

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

Answer: B. 2 only

Explanation:

- Appointment of an Acting Chief Justice is not **limited to retirement**. It also includes situations where the Chief Justice is **absent temporarily** or **unable to perform duties**.
- The **President can appoint** an Acting Chief Justice when the **Chief Justice is temporarily absent** or **unable to discharge duties**, apart from when the **office is vacant**.

Source: Laxmikant (Polity)

5. Consider the following statements:

1. An additional judge in a High Court can be appointed by the President for a period not exceeding two years to clear arrears of work.
2. A retired judge appointed temporarily to a High Court enjoys all powers of a judge but is not considered a regular judge of that court.

Which of the above statement(s) is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- The President can appoint an **additional judge** for up to **two years** in case of **arrears** or **temporary increase in work** in the High Court.
- A **retired judge** acting temporarily has **all the powers and privileges** of a judge but is **not deemed to be a permanent judge** of that High Court.

Source: Laxmikant (Polity)

6. Consider the following statements:

Statement I: The salaries and allowances of High Court judges are charged on the Consolidated Fund of India.

Statement II: This is done to ensure the independence of the High Court from the control of the state legislature.

Which one of the following is correct?

- A. Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I
- B. Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I
- C. Statement I is incorrect, but Statement II is correct
- D. Statement I is correct, but Statement II is incorrect

Answer: C. Statement I is incorrect, but Statement II is correct

Explanation:

- The salaries and allowances of High Court judges are charged on the Consolidated Fund of the respective state, not the Consolidated Fund of India. Only pensions of High Court judges are charged on the Consolidated Fund of India.
- The idea of charging salaries on the Consolidated Fund (non-votable) is indeed to ensure judicial independence by shielding the judiciary from financial control of the legislature.

Source: Laxmikant (Polity)

7. Consider the following statements:

1. Only the High Courts of Calcutta, Bombay, Madras, and Delhi exercise original civil jurisdiction in cases of higher pecuniary value.
2. High Courts can hear matters related to wills, marriage, divorce, and contempt of court under their original jurisdiction.

Which of the above statements is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- Only the High Courts of Calcutta, Bombay, Madras, and Delhi have original civil jurisdiction in matters of higher pecuniary value.
- High Courts have original jurisdiction in cases related to wills, marriage, divorce, company law, and contempt of court.

Source: Laxmikant (Polity)

8. Consider the following statements:

1. High Courts can issue writs not only for the enforcement of fundamental rights but also for the enforcement of ordinary legal rights.
2. The writ jurisdiction of the High Court under Article 226 is narrower than that of the Supreme Court under Article 32.

Which of the above statements is/are correct?

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

Answer: A. 1 only

Explanation:

- Article 226 empowers High Courts to issue writs for the enforcement of both fundamental rights and ordinary legal rights ("for any other purpose").
- The writ jurisdiction of High Courts is wider than that of the Supreme Court. The Supreme Court under Article 32 can issue writs only for fundamental rights, whereas High Courts can do so for both fundamental and other legal rights.

Source: Laxmikant (Polity)

9. Consider the following statements:

1. A High Court can hear second appeals in civil cases only when a substantial question of law is involved.
2. A death sentence awarded by a Sessions Court must be confirmed by the High Court even if no appeal is filed by the convicted person.

Which of the above statements is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- A **second appeal in civil matters** lies to the High Court **only on questions of law**, not on facts. This is clearly provided under its appellate jurisdiction.
- A **death sentence** passed by a Sessions or Additional Sessions Court **must be confirmed by the High Court, regardless of whether the convicted person files an appeal** or not.

Source: Laxmikant (Polity)

10. Consider the following statements:

1. The High Court can exercise supervisory jurisdiction over military tribunals functioning within its territorial limits.
2. The High Court's control over subordinate courts includes administrative matters like posting, promotion, and disciplinary control of judges below the rank of district judge.

Which of the above statements is/are correct?

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

Answer: B. 2 only

Explanation:

- The High Court's **supervisory jurisdiction does not extend to military courts or tribunals**.
- The High Court **has administrative control** over the **judicial service of the state (excluding district judges)** — including **posting, promotion, leave, transfer, and discipline**.

Source: Laxmikant (Polity)

Governor

1. With reference to the **appointment of Governors in India**, consider the following statements:

1. The Governor is appointed by the President and holds an independent constitutional office.
2. The Constitution requires the President to consult the Chief Minister of the concerned state before appointing a Governor.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- The **Governor** is appointed **by the President under Article 155 of the Constitution**. The Supreme Court has clarified that **the Governor is not an agent of the Central Government**, and instead, occupies an independent constitutional position.
- The **Constitution does not mandate that the President consult the Chief Minister** before appointing a Governor. While it may happen informally as a political courtesy, it is not a constitutional requirement.

Source: Laxmikant (Polity)

2. With reference to the **office of the Governor in India**, consider the following statements:

1. A Governor cannot be a member of Parliament or a State Legislature while in office.
2. The emoluments and allowances of a Governor cannot be reduced during their term of office.
3. The oath of office to the Governor is administered by the Chief Justice of India.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- A **Governor is not allowed to hold membership of either House of Parliament or any state legislature**. If such a person is appointed, their seat is automatically vacated.
- The Constitution ensures that the **emoluments and allowances of a Governor cannot be diminished** during their tenure.
- The **Chief Justice of the concerned State High Court**, not the Chief Justice of India, administers the oath of office to the Governor.

Source: Laxmikant (Polity)

3. With reference to the **veto powers of the Governor in India**, consider the following statements:

1. The Governor enjoys both suspensive and absolute veto with respect to ordinary bills.
2. The Governor has the power to reserve a state bill for the consideration of the President.
3. If a state bill is reserved for the President, the Governor has no further role in its enactment.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- The **Governor enjoys only a suspensive veto** with respect to ordinary bills — if a bill is returned and passed again, he **must give assent**. He **does not enjoy an absolute veto** in this case.
- The Governor can **reserve any state bill for the consideration of the President**, especially in cases involving constitutional issues or matters requiring central oversight.
- Once the **Governor reserves a bill**, he has **no further role** in the process. The bill's enactment **depends entirely on the President's decision**.

Source: Laxmikant (Polity)

4. With reference to the **executive powers of the Governor in India**, consider the following statements:

1. The Governor appoints the State Election Commissioner, but can remove him at his discretion.
2. The Governor appoints the Advocate General of the State, who holds office during the Governor's pleasure.
3. The Governor can recommend the imposition of President's Rule in the state to the President.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- While the **Governor appoints** the State Election Commissioner, **he cannot remove** him at his discretion. The **State Election Commissioner can only be removed in the same manner and on the same grounds as a High Court judge**, i.e., **by the President**, not the Governor.
- The **Governor appoints the Advocate General** of the State, and he **holds office during the pleasure of the Governor**, with his remuneration also determined by the Governor.
- The Governor can **recommend the imposition of constitutional emergency (President's Rule)** in a state to the President under Article 356.

Source: Laxmikant (Polity)

5. With reference to the **legislative powers of the Governor in India**, consider the following statements:

1. The Governor can return a money bill to the state legislature for reconsideration.
2. The Governor can nominate a member of the Anglo-Indian community to the State Legislative Assembly.
3. The Governor can promulgate ordinances when the state legislature is not in session, which must be approved within six weeks of reassembly.

Which of the statements given above is/are correct?

- A. 2 and 3 only
- B. 1 and 2 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 2 and 3 only

Explanation:

- A **money bill cannot be returned** by the Governor for reconsideration. It must either be **given assent** or **withheld** — **no provision exists for returning a money bill**.
- The Governor has the power to **nominate one member of the Anglo-Indian community** to the State Legislative Assembly if he/she believes the community is not adequately represented.
- The Governor can **promulgate ordinances** when the state legislature is not in session. Such ordinances must be **approved within six weeks** of the legislature's reassembly.

Source: Laxmikant (Polity)

6. With reference to the **financial powers of the Governor in India**, consider the following statements:

1. A Money Bill can be introduced in the State Legislature only with the prior recommendation of the Governor.
2. The Governor can authorize withdrawals from the Contingency Fund of the state to meet unforeseen expenditures.
3. The Governor constitutes the State Finance Commission every five years to review the financial position of Panchayats and Municipalities.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: D. 1, 2 and 3

Explanation:

- As per **Article 207**, Money Bills in the state can be introduced **only with the prior recommendation of the Governor**.
- The Governor is empowered to **make advances out of the Contingency Fund of the state** to meet **unforeseen expenditures**.
- The Governor constitutes a **State Finance Commission** every **five years** to assess and improve the **financial position of Panchayats and Municipalities**, as mandated by the **73rd and 74th Constitutional Amendments**.

Source: Laxmikant (Polity)

7. With reference to the **judicial powers of the Governor in India**, consider the following statements:

1. The Governor can pardon any person convicted under a state law, to the extent permitted by the executive power of the state.
2. The Governor appoints district judges in consultation with the Chief Justice of India.
3. The Governor is consulted by the President while appointing judges to the High Court of the concerned state.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- The Governor has the power to **grant pardons, reprieves, respites, and remissions of punishment** under laws related to matters within the **executive power of the state** (Article 161).
- The Governor **appoints district judges** in consultation with the **State High Court**, **not** the Chief Justice of India.
- The **President consults the Governor** of the concerned state while **appointing judges to the High Court** under Article 217.

Source: Laxmikant (Polity)

8. With reference to the **constitutional position of the Governor in India**, consider the following statements:

1. The Governor is constitutionally bound to act on the advice of the Council of Ministers in all matters, without exception.
2. The Constitution allows the Governor to act in his discretion in certain specific situations, such as reserving a bill for the President's consideration.
3. Unlike the President, ministerial advice is not constitutionally binding on the Governor.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- The Governor is **not constitutionally bound in all matters** to act on the advice of the Council of Ministers. There are **explicit provisions** for acting in **discretion** in certain situations.
- The Constitution provides for **discretionary powers** of the Governor in certain matters, such as **reserving a bill for the President's consideration, recommending President's Rule**, etc.
- Unlike the President (after the **42nd Amendment**), the **Governor is not constitutionally bound** to act on ministerial advice in all cases. **Article 163** allows discretion in certain functions.

Source: Laxmikant (Polity)

9. With reference to the **pardoning powers of the President and the Governor in India**, consider the following statements:

1. The Governor can pardon a death sentence awarded under state law.
2. The President can grant a pardon in cases of court-martial, but the Governor cannot.
3. Both the President and the Governor can suspend, remit or commute a death sentence.

Which of the statements given above is/are correct?

- A. 1 and 3 only
- B. 2 and 3 only
- C. 1 and 2 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- The **Governor cannot pardon a death sentence**, even under state law. Only the **President** has the power to grant a **pardon** for a death sentence. The Governor can only **suspend, remit, or commute** it.
- The **President** has the power to **grant pardons and other relief** in cases involving **court-martial (military court)**. The **Governor does not have** this power.
- **Both** the President and the Governor can **suspend, remit, or commute** a **death sentence**, but **only the President can pardon it**.

Source: Laxmikant (Polity)

10. With reference to the **ordinance-making power of the Governor in India**, consider the following statements:

1. The Governor can issue an ordinance only when he is satisfied that immediate action is necessary and the State Legislature is not in session.
2. The Governor can issue an ordinance only on the advice of the Council of Ministers headed by the Chief Minister.
3. The Governor does not require any instruction from the President to issue any ordinance.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- The Governor can promulgate an ordinance **only when the State Legislature is not in session and he is satisfied** that circumstances exist which require **immediate action**.
- The ordinance-making power of the Governor is **not discretionary**. He **must act on the advice** of the **Council of Ministers headed by the Chief Minister**.
- The **Governor does need the President's instructions** in **three specific cases**, such as when the provisions of the proposed ordinance would require prior sanction or would otherwise be invalid without Presidential assent.

Source: Laxmikant (Polity)

Subordinate Courts

1. With reference to the constitutional provisions regarding subordinate courts in India, consider the following statements:

1. The appointment of district judges in a state is made by the Governor in consultation with the State Public Service Commission.
2. A person already in the service of the Central or State Government is not eligible for appointment as a district judge.

Which of the statements given above is/are correct?

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

Answer: (b) 2 only

Explanation:

- The Governor appoints district judges **in consultation with the High Court**, not the State Public Service Commission.
- A person already in the service of the Central or State Government is not eligible to be appointed as a district judge.

Source: Laxmikant (Polity)

2. With reference to the control and classification of subordinate courts under the Constitution of India, consider the following statements:

1. The High Court has control over the posting, promotion, and leave of all judges in the state, including district judges.
2. The term 'district judge' includes judges of city civil courts, sessions courts, and small cause courts.

Which of the statements given above is/are correct?

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

Answer: (b) 2 only

Explanation:

- The High Court has control over subordinate courts **excluding** district judges (i.e., over posts **inferior** to district judge). Control over **district judges** involves the Governor in consultation with the High Court
- The term 'district judge' includes various posts such as judge of a city civil court, additional district judge, joint district judge, assistant district judge, chief judge of a small cause court, etc.

Source: Laxmikant (Polity)

3. With reference to the structure and jurisdiction of subordinate courts in India, consider the following statements:

1. The District Judge has both original and appellate jurisdiction in civil and criminal matters and also functions as the Sessions Judge.
2. The Chief Judicial Magistrate can impose any sentence, including capital punishment, subject to confirmation by the High Court.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- The District Judge is the highest judicial authority in the district and functions as the Sessions Judge when dealing with criminal cases. He has both original and appellate jurisdiction in civil and criminal matters.
- Only the **Sessions Judge** can impose life imprisonment or capital punishment, **not** the Chief Judicial Magistrate. The Chief Judicial Magistrate can impose imprisonment **up to seven years** only.

Source: Laxmikant (Polity)

4. With reference to the National Legal Services Authority (NALSA), consider the following statements:

1. NALSA was constituted under Article 39A of the Constitution to monitor and implement legal aid programmes across the country.
2. Victims of trafficking and industrial disasters are eligible for free legal services under the Legal Services Authorities Act, 1987.

Which of the statements given above is/are correct?

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

Answer: (b) 2 only

Explanation:

- NALSA was constituted under the **Legal Services Authorities Act, 1987**, **not directly under Article 39A** (though Article 39A provides the constitutional basis for free legal aid).
- Victims of trafficking, industrial disasters, and other vulnerable groups are eligible for free legal services under the Act.

Source: Laxmikant (Polity)

5. With reference to Lok Adalats in India, consider the following statements:

1. Lok Adalats can settle disputes only after they have been formally brought before a court of law.
2. Lok Adalats are based on Gandhian principles and aim to provide an informal, inexpensive, and speedy resolution of disputes through conciliation and negotiation.

Which of the statements given above is/are correct?

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

Answer: (b) 2 only

Explanation:

- Lok Adalats can settle both **pending cases** and **pre-litigation disputes** (i.e., cases not yet brought before a court).
- Lok Adalats are indeed based on **Gandhian principles** and offer an **alternative dispute resolution** mechanism focused on **amicable settlement** through **negotiation and conciliation**, in an **informal and cost-effective manner**.

Source: Laxmikant (Polity)

6. With reference to the functioning of Lok Adalats in India, consider the following statements:

1. The award passed by a Lok Adalat is binding on the parties and is non-appealable.
2. Lok Adalats strictly follow the Civil Procedure Code and the Indian Evidence Act during the proceedings.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- The **award of a Lok Adalat** is **binding**, has the **status of a civil court decree**, and is **non-appealable**, ensuring finality of settlement.
- Lok Adalats offer **procedural flexibility** and do **not strictly apply** the Civil Procedure Code or Evidence Act. This is what allows for **speedy and informal resolution** of disputes.

Source: Laxmikant (Polity)

7. With reference to Permanent Lok Adalats (PLAs), consider the following statements:

1. Permanent Lok Adalats have jurisdiction over public utility services and can decide disputes even if parties fail to reach a settlement.
2. Once a matter is referred to a Permanent Lok Adalat, the parties can still approach a regular court for the same dispute.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- Permanent Lok Adalats deal with disputes related to **public utility services** and can **decide the matter on merits** if conciliation fails.
- Once an application is made to a PLA, **no party can invoke the jurisdiction of any court** in respect of that dispute.

Source: Laxmikant (Polity)

8. Consider the following statements about the Family Courts Act, 1984:

Statement I: Family Courts deal with cases like divorce, child custody, maintenance, and guardianship.

Statement II: Parties in Family Courts have an automatic right to be represented by a lawyer in all cases.

Which one is correct?

- (a) Both statements are correct and Statement II explains Statement I
- (b) Both statements are correct but Statement II does not explain Statement I
- (c) Statement I is correct but Statement II is incorrect
- (d) Statement I is incorrect but Statement II is correct

Answer: (c) Statement I is correct but Statement II is incorrect

Explanation:

- Family Courts handle issues related to marriage, child custody, maintenance, and similar matters.
- In Family Courts, parties **do not have an automatic right** to be represented by a lawyer. The court may allow a lawyer **only if necessary for justice**.

Source: Laxmikant (Polity)

9. With reference to the Gram Nyayalayas Act, 2008, consider the following statements:

1. Gram Nyayalayas were established to provide speedy and affordable justice to rural citizens at their doorstep.
2. The Gram Nyayalayas Act, 2008 was enacted on the directions of the recommendations of the Law Commission's 114th Report.

Which of the statements given above is/are correct?

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

Answer: (c)

Explanation:

- The main objective of Gram Nyayalayas is to bring **speedy, inexpensive, and accessible justice** to people, especially in **rural areas**.
- The Act was **not enacted solely on the Supreme Court's directions** under Article 39A. It was based largely on the **recommendations of the Law Commission's 114th Report**, and aligns with **Article 39A**, but was a **legislative initiative**.

Source: Laxmikant (Polity)

10. With reference to the Gram Nyayalayas Act, 2008, consider the following statements:

1. Gram Nyayalayas are mobile courts that exercise both civil and criminal jurisdiction and aim to promote conciliation between parties.
2. The presiding officer of a Gram Nyayalaya is appointed by the High Court and functions with the powers of a District Judge.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- Gram Nyayalayas **function as mobile courts**, have **civil and criminal jurisdiction**, and aim for **conciliation** using conciliators.
- The **presiding officer (Nyayadhikari)** is appointed by the **State Government in consultation with the High Court**, and they function as **Judicial Magistrates of First Class, not District Judges**.

Source: Laxmikant (Polity)

Inter-state relations

1. With reference to Article 262 of the Indian Constitution and related laws, consider the following statements:

1. Parliament is empowered to legislate on the adjudication of inter-state river water disputes.
2. The Supreme Court has exclusive jurisdiction over inter-state water disputes once a tribunal gives its verdict.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- Article 262(1) of the Constitution allows **Parliament to make laws for adjudication** of inter-state water disputes. Accordingly, the **Inter-State Water Disputes Act, 1956** was enacted.
- Article 262(2) **explicitly permits Parliament to exclude the jurisdiction of the Supreme Court and all other courts** in such disputes. The Inter-State Water Disputes Act enforces this by stating that once a **tribunal is constituted and gives its decision, no court can intervene**.

Source: Laxmikant (Polity)

2. With reference to the Inter-State Council as mentioned in Article 263 of the Indian Constitution, consider the following statements:

1. The Inter-State Council can be established by the President if it appears that public interest would be served.
2. The Council has the power to give binding decisions on legal disputes between states.
3. The Council can make recommendations to improve coordination of policy and action between the Centre and states.

Which of the statements given above is/are correct?

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

Answer: (b) 1 and 3 only

Explanation:

- Article 263 empowers the **President to establish an Inter-State Council** if it appears to him that doing so would serve public interest. He also has the authority to define its duties, organisation, and procedures.
- The Inter-State Council's role is **advisory**, not adjudicatory. It can **enquire into and advise** on inter-state disputes, but it **cannot give binding decisions** like the Supreme Court under Article 131.
- One of the explicitly mentioned functions of the Council is **making recommendations** to improve **coordination of policy and action** between the Centre and the states on subjects of common interest.

Source: Laxmikant (Polity)

3. **With reference to the Inter-State Council, consider the following statements:**

1. It was established in 1990 based on the recommendations of the Sarkaria Commission.
2. The Prime Minister is the Chairman of the Council.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- The **Sarkaria Commission (1983-87)** strongly recommended the establishment of a **permanent Inter-State Council** under Article 263. Acting on this recommendation, the **V. P. Singh Government established the Inter-State Council in 1990**.
- The **Prime Minister is the Chairman** of the Inter-State Council. Other members include Chief Ministers of States and UTs with legislatures, Administrators of UTs without legislatures, Governors of states under President's Rule, and nominated Central Ministers.

Source: Laxmikant (Polity)

4. With reference to the Constitution of India, consider the following statements:

1. The final judgments of civil courts in one state are enforceable in any other part of India without the need for a fresh suit.
2. Article 301 guarantees absolute freedom of inter-state trade and commerce, with no restrictions permitted under any circumstances.
3. A state legislature can impose reasonable restrictions on intra-state trade, but only with the prior sanction of the President.

Which of the statements given above is/are correct?

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

Answer: (b) 1 and 3 only

Explanation:

- Under the **“Full Faith and Credit” clause**, final civil judgments from courts in one part of India are **automatically executable anywhere in India—no fresh suit is required**. However, this applies **only to civil** and **not criminal** cases.
- Article 301 guarantees freedom of trade, commerce, and intercourse **throughout India**, but this freedom is **not absolute**. Articles **302–305** allow for **reasonable restrictions** by Parliament or State Legislatures in the **public interest**.
- A **State Legislature** can indeed impose **reasonable restrictions** on trade within or into its territory **in public interest, but only with the previous sanction of the President**.

Source: Laxmikant (Polity)

5. With reference to the Zonal Councils in India, consider the following statements:

1. Zonal Councils are constitutional bodies created under Article 263 of the Constitution.
2. The Home Minister of India is the common Chairman of all Zonal Councils.
3. Zonal Councils have powers to adjudicate inter-state disputes.

Which of the statements given above is/are correct?

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

Answer: (b) 2 only

Explanation:

- Zonal Councils are **statutory bodies**, not constitutional. They were established under the **States Reorganisation Act, 1956, not under Article 263**.
- The **Union Home Minister** is the **common Chairman** of all the five Zonal Councils—Northern, Southern, Eastern, Western, and Central.
- Zonal Councils are **deliberative and advisory bodies**. They do **not have adjudicatory powers**. They can only discuss and make **recommendations** on matters like border disputes, economic planning, and inter-state coordination.

Source: Laxmikant (Polity)

6. With reference to the **North-Eastern Council (NEC)**, consider the following statements:

1. It is a constitutional body established under Article 263 of the Constitution.
2. Its functions include preparing a coordinated regional plan and reviewing security measures in the region.
3. Sikkim is also a member of the North-Eastern Council.

Which of the statements given above is/are correct?

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

Answer: (b) 2 and 3 only

Explanation:

- The **North-Eastern Council is a statutory body, not a constitutional body**. It was established by a **separate Act of Parliament—the North-Eastern Council Act, 1971, and not under Article 263**.
- NEC functions include **formulating a coordinated regional plan and reviewing security and public order measures** taken by member states in the region.
- Though **Sikkim** was not an original member, it was later **included as a member of NEC**, along with the other seven North-Eastern states (Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura).

Source: Laxmikant (Polity)

7. With reference to the Inter-State Council established under Article 263 of the Constitution, consider the following statements:

1. The Inter-State Council is a Constitutional body established under Article 263 of the Constitution of India.
2. Its members include CMs of States/UTs with legislatures, UT Administrators, Governors under President's Rule, and 6 Union Ministers.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- The **Inter-State Council is a constitutional body** provided for under **Article 263** of the Indian Constitution. It is meant to **facilitate coordination between states and between the Centre and states** on policy and administrative issues.
- As per the composition approved by the government:
 - **Chief Ministers of all States**
 - **Chief Ministers of Union Territories with legislatures** (e.g., Delhi, Puducherry)
 - **Administrators of Union Territories without legislatures**
 - **Governors of States under President's Rule**
 - **Six Union Ministers of Cabinet rank** nominated by the Prime Minister

Source: Laxmikant (Polity)

8. With reference to the National Development Council (NDC), consider the following statements:

1. The NDC was established by an Act of Parliament in 1952.
2. It serves as the apex body for decision-making and deliberations on development matters in India.
3. The NDC is neither a constitutional body nor a statutory body.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- The NDC was **not established by an Act of Parliament**. It was created by an **executive resolution** in 1952 and thus is **not statutory**.
- The NDC functions as the **apex body for decision-making and deliberation on development matters**.
- The NDC is **neither a constitutional nor a statutory body**, making it an **executive (non-legal) body**.

Source: Laxmikant (Polity)

9. With reference to the constitutional provisions governing inter-state relations in India, consider the following statements:

1. Article 262 empowers Parliament to prohibit the jurisdiction of the Supreme Court and High Courts in matters related to inter-state river water disputes.
2. Articles 301 to 307, under Part XIII of the Constitution, aim to ensure freedom of trade, commerce, and intercourse throughout the territory of India, subject to reasonable restrictions.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- **Article 262** gives **Parliament the power** to provide by law for the **adjudication of disputes relating to inter-state rivers and river valleys**. It also allows Parliament to **exclude the jurisdiction of the Supreme Court and High Courts** in such disputes, as done in the **Inter-State River Water Disputes Act, 1956**.
- **Articles 301 to 307** fall under **Part XIII** of the Constitution, which deals with **Trade, Commerce and Intercourse within the Territory of India**.
 - **Article 301** guarantees freedom of trade and commerce across the country.
 - However, **Articles 302–305** allow for **reasonable restrictions** in the interest of public interest, national security, or state welfare.

Source: Laxmikant (Polity)

10. With reference to the constitutional provisions on inter-state trade and commerce, consider the following statements:

1. Article 303 places restrictions on the legislative powers of both the Union and the States with regard to trade and commerce.
2. Article 307 empowers Parliament to establish an authority to ensure proper implementation of provisions related to inter-state trade.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- Article 303 restricts the **legislative powers** of both the **Union and States** from making any law that gives **preferential treatment to one state over another** or **discriminates between states** in matters of trade and commerce. However, exceptions are allowed by Parliament.
- Article 307 allows Parliament to set up an authority to oversee and implement the trade-related provisions in Articles 301 to 304.

Source: Laxmikant (Polity)

Panchayati Raj

1. Consider the following statements regarding the **73rd Constitutional Amendment Act**:

1. The chairperson of a Panchayat at the district level is directly elected by the people.
2. The Act mandates the reservation of at least one-third of the total number of seats and offices of chairpersons in Panchayats for women.

Which of the statements given above is/are correct?

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

Answer: B. 2 only

Explanation:

- The chairperson of a Panchayat at the **district and intermediate levels** is elected **indirectly**, i.e., **by and from among the elected members** of the Panchayat. Only **members** at all levels are directly elected by the people, not chairpersons at the intermediate and district levels.
- The Act **mandates the reservation of not less than one-third** of the total number of seats in every Panchayat and also **one-third of the total number of offices of chairpersons** at each level for **women**, including those belonging to SCs and STs.

Source: Laxmikant (POLITY)

2. Consider the following statements regarding the provisions of the 73rd Constitutional Amendment Act:

1. A Panchayat reconstituted after premature dissolution shall serve a fresh full term of five years.

2. The Act empowers the State Election Commission to conduct elections to the Panchayats and prepare electoral rolls for the same.

Which of the statements given above is/are correct?

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

Answer: B. 2 only

Explanation:

- If a Panchayat is **dissolved prematurely**, the newly constituted Panchayat **does not serve a full five-year term**. Instead, it serves **only the remainder of the term** of the dissolved Panchayat.
- The **State Election Commission** is responsible for the **superintendence, direction, and control** of the preparation of electoral rolls and the conduct of all elections to the Panchayats.

Source: Laxmikant (POLITY)

3. Consider the following statements:

1. The State Finance Commission is constituted by the Governor every five years to review the financial position of Panchayats.
2. The Central Finance Commission directly distributes grants-in-aid to Panchayats.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- The **Governor** of a state is required to constitute a **State Finance Commission every five years** to review the financial position of Panchayats and make recommendations on sharing of resources, grants-in-aid, and financial improvements.
- The **Central Finance Commission does not directly distribute funds to Panchayats**. It recommends measures to **augment the Consolidated Fund of a State** so that states can **supplement the resources of Panchayats**, based on recommendations from the **State Finance Commission**.

Source: Laxmikant (POLITY)

4. Consider the following statements:

1. The President of India can apply the provisions of the 73rd Constitutional Amendment Act to Union Territories with exceptions and modifications.
2. The act allows courts to entertain petitions related to the delimitation of Panchayat constituencies.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- The **President** may direct that the provisions of the 73rd Constitutional Amendment Act **apply to any Union Territory** with such exceptions and modifications as he may specify.
- The Act **bars courts from interfering** in matters related to the **delimitation of constituencies or allotment of seats** for Panchayats. Such matters **cannot be questioned in any court**, and Panchayat elections can only be challenged **through an election petition** as per the procedure laid down by the **state legislature**.

Source: Laxmikant (POLITY)

5. Consider the following statements regarding the Eleventh Schedule of the Indian Constitution:

1. It contains subjects on which Panchayats may be assigned functions by the State Legislature.
2. Subjects like education, health, and public distribution system are not included in this schedule.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- The **Eleventh Schedule** lists **29 functional items** that may be **entrusted to Panchayats** by State Legislatures, relating to economic development and social justice.
- The schedule **does include** subjects like **education (item 17), health and sanitation (item 23), and public distribution system (item 28)**.

Source: Laxmikant (POLITY)

6. Consider the following statements regarding the 73rd Constitutional Amendment Act:

1. The establishment of a State Finance Commission every five years is a compulsory provision under the Act.
2. The minimum age for contesting Panchayat elections is 25 years.

Which of the statements given above is/are correct?

- A. 1 only
- B. 2 only

- C. Both 1 and 2
D. Neither 1 nor 2

Answer: A. 1 only

Explanation:

- The **Constitution of a State Finance Commission every five years** to review the financial position of Panchayats is a **compulsory (mandatory) provision** under the 73rd Amendment.
- The **minimum age** to contest elections to Panchayats is **21 years**, not 25. This is another **compulsory provision** under the Act.

Source: Laxmikant (POLITY)

7. Consider the following statements regarding the Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 (PESA Act):

1. Under PESA, all seats of Chairpersons in Panchayats at all levels in Scheduled Areas are reserved for Scheduled Tribes.
2. The recommendation of the Gram Sabha is optional for granting mining leases of minor minerals in Scheduled Areas.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- The PESA Act mandates that **all seats of Chairpersons in Panchayats at all levels** in Scheduled Areas shall be **reserved for Scheduled Tribes (STs)**.
- The **recommendation of the Gram Sabha or Panchayats** at the appropriate level is **mandatory** (not optional) for the **grant of prospecting licences or mining leases** of minor minerals in the Scheduled Areas.

Source: Laxmikant (POLITY)

8. Consider the following statements regarding the finances of Panchayati Raj Institutions (PRIs) in India:

1. Gram Panchayats have more powers to generate internal revenue through taxes than the Intermediate and District Panchayats.
2. Most funds received by Panchayats from Union and State Governments are untied grants that can be used at their discretion.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- **Gram Panchayats** have a broader **tax domain** (e.g., property tax, profession tax, water tax, etc.) and thus are **better positioned to generate internal revenue**. Intermediate and District Panchayats have limited powers, mostly in non-tax areas like markets, ferry services, or fees.

- Most funds received from the **Union and State Governments are tied (scheme-specific) grants**, meaning Panchayats have **limited discretion** in how to spend them. This **restricts their financial autonomy**.

Source: Laxmikant (POLITY)

9. Consider the following statements regarding the **Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 (PESA Act)**:

Statement I: The Gram Sabha has the power to approve plans and select beneficiaries for development programmes before implementation by the Panchayat.

Statement II: Under PESA, the recommendation of the Gram Sabha is mandatory before granting mining leases for minor minerals in the Scheduled Areas.

Which of the statements given above is/are **correct**?

- A) Only Statement I
- B) Only Statement II
- C) Both Statement I and II
- D) Neither Statement I nor II

Answer: C) Both Statement I and II

Explanation:

- Gram Sabha must approve development plans and identify beneficiaries before they are implemented by the Panchayat.
- The PESA Act makes it mandatory to have the **recommendation of the Gram Sabha or the Panchayats at the appropriate level** before granting **prospecting licenses or mining leases for minor minerals** in Scheduled Areas.

Source: Laxmikant (POLITY)

10. Consider the following committees related to Panchayati Raj in India:

1. L.M. Singhvi Committee
2. Ashok Mehta Committee
3. Balwant Rai Mehta Committee
4. G.V.K. Rao Committee

Which of the following is the **correct chronological order** of their formation?

- A. 1 – 2 – 3 – 4
- B. 3 – 2 – 4 – 1
- C. 2 – 3 – 1 – 4
- D. 3 – 1 – 2 – 4

Answer: B. 3 – 2 – 4 – 1

Explanation:

- **Balwant Rai Mehta Committee (1957)** – First to recommend the **three-tier PR system**.
- **Ashok Mehta Committee (1977)** – Suggested a **two-tier system** and constitutional status.
- **G.V.K. Rao Committee (1985)** – Focused on making **Zila Parishad central to rural development**.
- **L.M. Singhvi Committee (1986)** – Advocated for **constitutional recognition** and **Gram Sabha**.

Source: Laxmikant (POLITY)

Municipalities

1. With reference to the 74th Constitutional Amendment Act, consider the following statements:

1. A *Nagar Panchayat* are governed by a Chairperson-in-Council system, with a Chairperson as the head and a Vice-Chairperson to assist him/her.

2. All members of a municipality are elected directly by the people of the municipal area.

Which of the statements given above is/are **correct**?

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

Answer: B. 2 only

Explanation:

- A *Nagar Panchayat* is meant for a **transitional area**, i.e., an area in transition from rural to urban, not for areas that are completely urban. They are governed by a Chairperson-in-Council system, with a Chairperson as the head and a Vice-Chairperson to assist him/her.
- As per the Act, **all members** of a municipality are **directly elected** by the people of the municipal area.

Source: Laxmikant (Polity)

2. Consider the following statements:

- 1. Ward committees must be constituted in all municipalities, regardless of population size.
- 2. The 74th Amendment mandates that not less than one-third of the total seats in every municipality are reserved for women.
- 3. The State Legislature has the power to provide for the reservation of chairperson offices in municipalities for SCs, STs, women, and backwards classes.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- Wards Committees are **mandated only in municipalities with a population of three lakh or more**, not in all municipalities.
- The Act provides for **not less than one-third** reservation of seats for **women**, including women from SC/ST categories.
- The **State Legislature** is empowered to provide for the reservation of **offices of chairpersons** for **SCs, STs, women, and even backwards classes**.

Source: Laxmikant (Polity)

3. Consider the following statements regarding the 74th Constitutional Amendment Act:

- 1. Elections to a dissolved municipality must always be held within six months, regardless of the remainder of its term.
- 2. A reconstituted municipality after dissolution enjoys a fresh five-year term.
- 3. A person who is at least 21 years of age is eligible to be a member of a municipality.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 3 only

Explanation:

- If the **remainder of the term is less than six months, elections are not mandatory**.
- A reconstituted municipality after premature dissolution **continues only for the remainder** of the original term, **not a fresh five-year term**.

- A person **must be at least 21 years of age** to be eligible for membership in a municipality, even though the general disqualification age is 25 for legislative assemblies.

Source: Laxmikant (Polity)

4. Consider the following statements:

1. The State Election Commission is responsible for preparing electoral rolls and conducting all elections to the municipalities.
2. The 74th Constitutional Amendment mandates devolution of powers to municipalities for the implementation of schemes related only to urban infrastructure.

Which of the statements given above is/are **correct**?

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

Answer: **A. 1 only**

Explanation:

- The **State Election Commission** has the power of **superintendence, direction, and control** over municipal elections and electoral rolls.
- The devolution of powers includes a **broad range of functions** beyond urban infrastructure, such as **economic development and social justice**, covering **18 subjects** listed in the **Twelfth Schedule**.

Source: Laxmikant (Polity)

5. Consider the following statements:

Statement I: The State Finance Commission is required to review the financial position of municipalities every five years and recommend principles for sharing taxes between the state and municipalities.

Statement II: The Central Finance Commission directly allocates funds from the Consolidated Fund of India to municipalities based on urban population.

Which one of the following is correct?

- A. Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I
- B. Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I
- C. Statement I is correct, but Statement II is incorrect
- D. Statement I is incorrect, but Statement II is correct

Answer: **C. Statement I is correct, but Statement II is incorrect**

Explanation:

- The **State Finance Commission**, constituted **every five years**, reviews the financial position of municipalities and makes recommendations on the sharing of taxes, grants, and other financial matters.
- The **Central Finance Commission** does **not directly allocate funds to municipalities**; instead, it **recommends measures to augment the Consolidated Fund of a state**, based on the recommendations of the **State Finance Commission**.

Source: Laxmikant (Polity)

6. Consider the following statements:

1. The provisions of the 74th Constitutional Amendment Act automatically apply to all Union Territories and Scheduled Areas in India.

2. The Darjeeling Gorkha Hill Council is exempted from the applicability of the 74th Constitutional Amendment Act.

Which of the statements given above is/are **correct**?

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

Answer: B. 2 only

Explanation:

- The Act **does not automatically apply** to Union Territories; its provisions **apply only when directed by the President**, and **do not apply to Scheduled and Tribal Areas**.
- The Act **specifically exempts** the **Darjeeling Gorkha Hill Council** in West Bengal from its provisions.

Source: Laxmikant (Polity)

7. Consider the following statements:

1. Four-fifths of the members of a District Planning Committee are to be elected by the elected members of Panchayats and Municipalities in the district from among themselves.

2. While preparing the draft development plan, the District Planning Committee is required to consider matters of common interest such as spatial planning, resource sharing, and environmental conservation.

Which of the statements given above is/are **correct**?

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

Answer: C. Both 1 and 2

Explanation:

- The Act mandates that **4/5th of the DPC members** be elected from among the elected members of **Panchayats and Municipalities** in proportion to the rural-urban population ratio.
- The DPC must consider **common interest areas** such as **spatial planning, infrastructure development, resource sharing, and environmental conservation** while preparing the district development plan.

Source: Laxmikant (Polity)

8. Consider the following statements:

1. The Mayor is the chief executive authority of a Municipal Corporation and is responsible for implementing the decisions of the council.

2. The Municipal Commissioner is appointed by the state government and is generally an IAS officer.

Which of the statements given above is/are **correct**?

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

Answer: B. 2 only

Explanation:

- The **Mayor** is primarily an **ornamental and formal head** of the Municipal Corporation who presides over meetings but **does not execute decisions**.
- The **Municipal Commissioner** is appointed by the **state government** and is usually an **IAS officer**; he is the **chief executive authority** of the corporation responsible for implementing decisions.

Source: Laxmikant (Polity)

9. Consider the following statements regarding different types of urban local bodies in India:

1. A Notified Area Committee is fully nominated by the state government and is not an elected or statutory body.
2. A Town Area Committee may be wholly elected, wholly nominated, or partly both, depending on the provisions of the state act.
3. A Cantonment Board is created and administered by the Central Government under the Cantonments Act, 2006.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: D. 1, 2 and 3

Explanation:

- A Notified Area Committee is **fully nominated** by the state government and **not elected** or statutory.
- A Town Area Committee can be **elected, nominated, or a mix**, depending on the state legislation.
- A Cantonment Board is governed by the **Cantonments Act, 2006**, and is under the **control of the Ministry of Defence, Central Government**.

Source: Laxmikant (Polity)

10. Consider the following statements regarding sources of revenue for Urban Local Bodies (ULBs):

1. Property tax is the most important source of tax revenue for municipalities.
2. Urban local bodies can raise loans from financial institutions without requiring approval from the state government.
3. The devolution of funds to ULBs is based on the recommendations of the State Finance Commission.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- **Property tax** is indeed the most important and consistent source of **tax revenue** for municipal bodies.
- Urban local bodies **require state government approval** to raise loans from financial institutions or other bodies.
- **Devolution** of funds is based on the **recommendations of the State Finance Commission**.

Source: Laxmikant (Polity)

Union territories and special areas

1. **With reference to the administration of Union Territories in India, consider the following statements:**

1. Both Delhi and Puducherry have legislative assemblies and councils of ministers, but the Parliament retains the power to legislate on matters in the State List for them.
2. The President can make regulations having the force of law for Andaman and Nicobar Islands and Lakshadweep.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- Delhi and Puducherry have legislative assemblies, but **Parliament retains supremacy**, even over the State List.
- The **President can make regulations** for certain Union Territories which carry the **same force as an Act of Parliament**.

Source: Laxmikant (Polity)

2. With reference to the National Capital Territory (NCT) of Delhi, consider the following statements:

1. The Chief Minister of Delhi is appointed by the President.
2. The Delhi Legislative Assembly can make laws on all matters of the State List except public order, police, and land.
3. The Lieutenant Governor of Delhi can promulgate ordinances during the recess of the Assembly only with the prior permission of the President.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: D. 1, 2 and 3

Explanation :

- Unlike in the States (where the Governor appoints the CM), in Delhi, the **President appoints the Chief Minister**. The other ministers are also appointed by the President **on the advice of the Chief Minister**, as per the special provisions under the **69th Constitutional Amendment**.
- Delhi has been given legislative powers similar to a state, but **with three key exceptions** in the State List: **public order, police, and land**. On these subjects, only the **Parliament** can legislate.
- The **Lt. Governor has ordinance-making power** when the Assembly is not in session, but this **requires prior permission of the President**. Also, such ordinances must be approved by the Assembly **within six weeks** of reassembly.

Source: Laxmikant (Polity)

3. With reference to the difference between States and Union Territories in India, consider the following statements:

1. States have a federal relationship with the Centre, whereas Union Territories have a unitary relationship.
2. The executive head of a state is a constitutional authority, but the executive head of a Union Territory is an agent of the President.
3. Parliament can make laws on all subjects of the State List only for the Union Territories, not for the States.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: D. 1, 2 and 3

Explanation:

- States have a **federal relationship**, but Union Territories are under **unitary control** of the Centre.
- The **Governor** is a **constitutional head** in states, while the **Administrator/Lt. Governor** in UTs is an **agent of the President**.
- **Parliament cannot make laws** on State List subjects for states (except under special circumstances), but it **can legislate on any subject from all three lists** for Union Territories.

Source: Laxmikant (Polity)

4. With reference to the administration of Scheduled Areas under the Fifth Schedule of the Indian Constitution, consider the following statements:

1. The President can declare, alter, or revoke the status of Scheduled Areas in consultation with the Governor of the concerned state.
2. The Governor can modify or exclude the application of laws in Scheduled Areas and frame regulations for their governance, but these regulations require the President's assent.
3. The Tribes Advisory Council is mandatory in every state where Scheduled Tribes reside, regardless of whether Scheduled Areas are notified in that state.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- The President has the power to declare, alter, or cancel a Scheduled Area **in consultation with the Governor** of the concerned state.
- The Governor can **modify or exclude laws**, and **make regulations** for Scheduled Areas after consulting the **Tribes Advisory Council**. But **all such regulations require the President's assent**.
- The **Tribes Advisory Council is mandatory only in states with Scheduled Areas**. In other states having Scheduled Tribes **but not Scheduled Areas**, it can be established **only if the President so directs**, not mandatorily.

Source: Laxmikant (Polity)

5. Consider the following statements regarding the administration of Scheduled Areas under the Fifth Schedule of the Indian Constitution:

1. The Governor is required to submit an annual report to the President regarding the administration of Scheduled Areas in the state.
2. A regulation made by the Governor for Scheduled Areas can restrict land transfers and money lending involving Scheduled Tribes.
3. The Constitution mandates the appointment of a commission every ten years to review the administration of Scheduled Areas.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- The Governor has a **special responsibility** to submit a report to the President **annually or whenever required** on the administration of Scheduled Areas.
- The Governor can **frame regulations** for Scheduled Areas that may **restrict land transfers** among Scheduled Tribes and **regulate money lending** activities involving them.
- The Constitution does **not mandate** a commission **every ten years**. It requires the **first commission to be appointed after ten years** from the commencement of the Constitution. Subsequent commissions are not mandatory but can be appointed by the President **at any time**.

Source: Laxmikant (Polity)

6. **With reference to the Sixth Schedule of the Indian Constitution, consider the following statements:**

1. Autonomous districts under the Sixth Schedule fall outside the executive authority of the concerned state government.
2. The District Council under the Sixth Schedule can make laws on matters such as land, marriage, social customs, and shifting cultivation.
3. All laws made by District or Regional Councils under the Sixth Schedule require the assent of the Governor.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- Autonomous districts **do not fall outside** the executive authority of the state government.
- District and Regional Councils can make laws on **land, marriage, divorce, social customs, etc.**
- Such laws **require the Governor's assent** to become effective.

Source: Laxmikant (Polity)

7. **Consider the following statements regarding the powers and functions of District and Regional Councils under the Sixth Schedule of the Constitution:**

1. These councils can establish primary schools, markets, and dispensaries within their jurisdictions.
2. They are empowered to impose taxes and collect land revenue in their respective areas.
3. Acts of Parliament automatically apply to autonomous districts under the Sixth Schedule without any modifications.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- District Councils can manage **primary schools, dispensaries, markets, roads, etc.**
- They can **assess and collect land revenue and impose specified taxes.**
- **Acts of Parliament do not automatically apply** to these areas; they apply **only with modifications or exceptions, or may not apply at all.**

Source: Laxmikant (Polity)

8. **With reference to the constitutional provisions related to Scheduled and Tribal Areas, consider the following statements:**

1. Article 244 provides for the administration of both Scheduled Areas (Fifth Schedule) and Tribal Areas (Sixth Schedule).
2. Article 244A enables the formation of an autonomous state with a local legislature and council of ministers within the state of Meghalaya.
3. Article 339 empowers the Union government to oversee the administration and welfare of Scheduled Tribes and Scheduled Areas.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- Article **244** deals with **Scheduled Areas (Fifth Schedule)** and **Tribal Areas (Sixth Schedule)**.
- Article **244A** applies specifically to **Assam**, not Meghalaya. It provides for the creation of an **autonomous state** with a legislature and council of ministers **within Assam**.
- Article **339** gives the **Union** power to exercise **control over the administration** of Scheduled Areas and **ensure the welfare** of Scheduled Tribes.

Source: Laxmikant (Polity)

9. With reference to the constitutional provisions for Union Territories, consider the following statements:

1. Article 239AA provides special provisions for Delhi, including the creation of a Legislative Assembly and a Council of Ministers.
2. Article 240 empowers the President to make regulations for all Union Territories without exception.
3. Article 239B allows the Administrator of a Union Territory to promulgate ordinances during the recess of the Legislature.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: C. 1 and 3 only

Explanation:

- Article **239AA** deals with **special provisions for Delhi**, including the establishment of a **Legislative Assembly and a Council of Ministers**.
- Article **240** empowers the President to make regulations for **specific Union Territories** (like Andaman & Nicobar, Lakshadweep, etc.) **not for all UTs—Delhi and Puducherry are exceptions** as they have legislatures.
- Article **239B** allows the **Administrator** to **promulgate ordinances during the recess** of the legislature in Union Territories.

Source: Laxmikant (Polity)

10. With reference to the Advisory Committees for Union Territories in India, consider the following statements:

1. The Home Minister's Advisory Committee (HMAC) is chaired by the Union Home Minister.
2. Members of Parliament and elected representatives from local bodies are part of the Advisory Committees in Union Territories.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- The **HMAC** is indeed chaired by the **Union Home Minister** and applies to UTs **without a legislature** (like Lakshadweep, Chandigarh, etc.).
- The Advisory Committees include **Members of Parliament** and **elected members from local bodies** like **District Panchayats and Municipal Councils**.

Source: Laxmikant (Polity)

Election Commission of India

1. With reference to the **Election Commission of India**, consider the following statements:

1. The Chief Election Commissioner and the other Election Commissioners have equal powers and status.

2. The Election Commission has always functioned as a multi-member body since its inception in 1950. Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- The Chief Election Commissioner and the other Election Commissioners have equal powers, salary, allowances, and perquisites. In case of disagreement, the decision is taken by majority.
- The Election Commission functioned as a **single-member body** (only the Chief Election Commissioner) from **1950 till October 1989**, and again briefly in **1990**. Only since **1993** has it consistently functioned as a multi-member body.

Source: Laxmikant (Polity)

2. Consider the following statements regarding the **appointment and tenure of Election Commissioners** in India:

1. The President appoints the Chief Election Commissioner and other Election Commissioners.
2. The tenure of the Election Commissioners is fixed by the Constitution as six years or until the age of 65 years, whichever is earlier.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- As per Article 324, the **President appoints** the Chief Election Commissioner and other Election Commissioners.
- The **Constitution does not fix** their tenure. The tenure (six years or 65 years age limit) is **determined by the President** through rules and is not specified in the Constitution itself.

Source: Laxmikant (Polity)

3. With reference to the security of tenure of the Chief Election Commissioner (CEC) of India, consider the following statements:

1. The CEC can be removed by the President on the recommendation of the Prime Minister.
2. The CEC can be removed by the President only after a resolution passed by both Houses of Parliament with a special majority on grounds of proved misbehaviour or incapacity.
3. After appointment, the service conditions of the CEC cannot be varied to his disadvantage.

Which of the statements given above are correct?

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

Answer: (b) 2 and 3 only

Explanation:

- The Chief Election Commissioner **cannot be removed** merely on the **recommendation of the Prime Minister**.
- The CEC can be removed **only by the President** and **only after a special majority resolution** is passed by **both Houses of Parliament**, on grounds of **proved misbehaviour or incapacity**—the **same process as for a Supreme Court judge**.
- The Constitution explicitly states that **service conditions of the CEC cannot be altered to his disadvantage** after appointment, to ensure independence and impartiality.

Source: Laxmikant (Polity)

4. Which of the following functions of the **Election Commission of India** are of a **quasi-judicial nature**?

1. Settling disputes related to recognition of political parties.
2. Allotting election symbols to political parties.
3. Advising the President on disqualification of Members of Parliament.
4. Cancelling polls in case of booth capturing and violence.

Select the correct answer using the code below:

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

Answer: (a) 1 and 2 only

Explanation:

- **Quasi-judicial functions** involve decision-making in disputes using the force of law, similar to a court.
- **Recognition of political parties** and **allotment of symbols** are **quasi-judicial** functions, as the Commission acts as a court in these matters.
- **Advising the President/Governor** on disqualification is an **advisory** function.
- **Cancelling polls** due to rigging or violence is an **administrative** power.

Source: Laxmikant (Polity)

5. With reference to the **powers and responsibilities of the Election Commission of India**, consider the following statements:

1. The Election Commission can advise the President whether elections can be held in a state under President's Rule after one year.
2. The Commission determines the territorial boundaries of constituencies on its own.
3. The Commission registers political parties and grants them national or state party status.

Which of the statements given above are correct?

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

Answer: (b) 1 and 3 only

Explanation:

- The Election Commission **advises the President** on whether elections can be held in a state under **President's Rule after one year**, which is necessary to **extend President's Rule beyond one year**.
- The **delimitation of constituencies** is done **based on the Delimitation Commission Act**, passed by **Parliament**, not solely by the Election Commission.

- The Commission **registers political parties** and determines whether they qualify as **national or state parties** based on poll performance.

Source: Laxmikant (Polity)

6. With reference to the **composition and functioning of the Union Public Service Commission (UPSC)**, consider the following statements:

1. The Constitution of India prescribes that at least half of the members of the UPSC must have held office under the Central or State Government for at least ten years.
2. The President of India appoints the Chairman and other members of the UPSC and also determines their conditions of service.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- The Constitution **requires** that **one-half of the UPSC members** must have held **at least ten years of service** under the Government of India or a state government.
- The **President** of India **appoints** both the **Chairman** and **other members** of the UPSC and also **determines their service conditions**.

Source: Laxmikant (Polity)

7. With reference to the provisions ensuring the independence of the UPSC, consider the following statements:

1. The salaries and pensions of UPSC members are subject to approval by Parliament through annual appropriation bills.
2. The service conditions of UPSC members cannot be varied to their disadvantage after appointment.
3. A member of UPSC can be appointed as Chairman of UPSC or as Chairman of a State Public Service Commission after retirement.

Which of the statements given above is/are correct?

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

Answer: (b) 2 and 3 only

Explanation:

- The salaries, allowances, and pensions of the UPSC members are **charged on the Consolidated Fund of India**, hence they **do not require approval or vote of Parliament**.
- The **service conditions cannot be varied to the disadvantage** of a member after appointment.
- A UPSC member, after demitting office, **can be appointed as Chairman of UPSC or of a State Public Service Commission**, but **not for any other government employment**.

Source: Laxmikant (Polity)

8. Which of the following conditions **can lead to the removal** of the Chairman or any other Member of the UPSC **by the President without requiring Supreme Court enquiry**?

1. If the member is adjudged an insolvent.
2. If the member engages in any paid employment during their term of office.
3. If the member is declared unfit to continue in office due to infirmity of mind or body.
4. If the member is found to be concerned in government contracts for profit.

Select the correct answer using the code below:

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

Answer: (a) 1, 2 and 3 only

Explanation:

- Under the Constitution of India, the **President can remove the Chairman or any Member of the UPSC directly** (i.e., **without referring the matter to the Supreme Court**) under the following circumstances:
 - If a member is declared **insolvent (bankrupt)**, the President **can remove them directly**.
 - If a member engages in **paid employment outside the duties of the office during their term**, it is a **clear violation**, and the **President can remove** them without court enquiry.
 - If, in the **opinion of the President**, the member is **unfit to continue** due to **mental or physical infirmity**, removal can be done **without referring the matter to the Supreme Court**.
- This falls under the category of “**misbehaviour**”, which **requires an enquiry by the Supreme Court** before the President can remove the member. So, this ground **cannot** lead to direct removal.

Source: Laxmikant (Polity)

9. With reference to the **functions of the UPSC**, consider the following statements:

1. The UPSC is consulted on all disciplinary matters affecting civil servants, including matters like compulsory retirement, demotion, and dismissal.
2. The advice of the UPSC is binding on the government in all matters related to personnel management.
3. UPSC's jurisdiction can be extended to any public authority or institution by an Act of Parliament.

Which of the statements given above are correct?

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

Answer: (c) 1 and 3 only

Explanation:

- The UPSC is consulted in **disciplinary matters**, including **censure, demotion, compulsory retirement, dismissal**, etc.
- The **advice of the UPSC is not binding**. The **government may reject it**, but must **explain reasons in writing**, and such rejection must be **approved by the Appointments Committee of the Cabinet**.
- **Parliament can extend the jurisdiction** of the UPSC to any authority, public institution, or corporation via legislation.

Source: Laxmikant (Polity)

10. Which of the following statements is/are correct regarding the UPSC Annual Report under Article 323?

1. It is submitted to the President.
2. The President places it before Parliament with reasons for non-acceptance of UPSC advice.
3. The Appointments Committee of the Cabinet must approve any case of non-acceptance.

Select the correct answer using the code below:

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

Answer: (d) 1, 2 and 3

Explanation:

- The UPSC submits its report annually to the President, who lays it before Parliament, along with a memorandum for non-acceptance of advice.
- Any non-acceptance must be approved by the Appointments Committee of the Cabinet.

Source: Laxmikant (Polity)

Comptroller and Auditor General of India and Attorney General of India

1. Consider the following statements regarding the Comptroller and Auditor General (CAG) of India:
1. The CAG can be removed by the President of India through a resolution passed by both Houses of Parliament with a special majority.
 2. The term of the CAG is six years or until the age of 62 years, whichever is earlier.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- The **CAG can be removed by the President** on the same grounds and in the same manner as a **judge of the Supreme Court** — that is, through a resolution passed by both Houses of Parliament with a **special majority** on grounds of **proved misbehaviour or incapacity**.
- The **term of the CAG is six years or until the age of 65 years, not 62 years**, whichever is earlier.

Source: Laxmikant (Polity)

2. Consider the following statements regarding the independence of the Comptroller and Auditor General (CAG) of India:

1. The salary and service conditions of the CAG are determined by the President of India.

2. The administrative expenses of the CAG's office are charged upon the Consolidated Fund of India and are not subject to vote in Parliament.

Which of the statements given above is/are correct?

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

Answer: B. 2 only

Explanation:

- The **salary and service conditions of the CAG are determined by Parliament, not by the President.**
- The **administrative expenses** of the CAG's office are **charged on the Consolidated Fund of India**, making them **not subject to parliamentary vote**, which ensures financial independence.

Source: Laxmikant (Polity)

3. Consider the following statements regarding the duties and powers of the Comptroller and Auditor General (CAG) of India:

- 1. The CAG audits all expenditure from the Consolidated Fund, Contingency Fund, and Public Account of both the Centre and the States.
- 2. The CAG is responsible for compiling and maintaining the accounts of both the Central and State Governments.
- 3. The CAG submits three audit reports to the President: one on appropriation accounts, one on finance accounts, and one on public undertakings.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: C. 1 and 3 only

Explanation:

- The CAG audits all expenditure from the **Consolidated Fund, Contingency Fund, and Public Account** of both the **Centre and States**.
- After the **1976 amendment**, the CAG was **relieved of the responsibility of compiling and maintaining the Central Government accounts**. He now only compiles and maintains the **accounts of state governments**.

The CAG submits **three audit reports to the President**:

- Audit Report on Appropriation Accounts
- Audit Report on Finance Accounts

- Audit Report on Public Undertakings

These are then **laid before Parliament**, after which the **Public Accounts Committee** examines them.

Source: Laxmikant (Polity)

4. Consider the following statements regarding the role of the Comptroller and Auditor General (CAG) of India:

1. The legal and regulatory audit is mandatorily to be done by CAG.
2. The audit of secret service expenditure by the CAG is limited and based only on a certificate issued by the competent authority.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- The **legal and regulatory audit** is **mandatory** for the CAG, while the **propriety audit** (which examines the wisdom and economy of expenditure) is **discretionary**.
- For **secret service expenditure**, the CAG **cannot demand details** and must accept a **certificate from the competent authority**.

Source: Laxmikant (Polity)

5. Consider the following statements regarding the role of the Comptroller and Auditor General (CAG):

1. The audit of Life Insurance Corporation of India and Reserve Bank of India is carried out entirely by the CAG without the involvement of private auditors.
2. The CAG can conduct a supplementary audit of government companies even though they are primarily audited by private auditors appointed in consultation with the CAG.

Which of the statements given above is/are correct?

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

Answer: B. 2 only

Explanation:

- The **Life Insurance Corporation of India, RBI, SBI, and FCI** are **audited exclusively by private professional auditors**. The **CAG does not audit them** directly or even supplementarily. These corporations submit their annual reports directly to Parliament.
- **Government companies** are **primarily audited by private auditors** appointed by the Government **on the advice of the CAG**, and the **CAG can conduct supplementary or test audits** of these companies.

Source: Laxmikant (Polity)

6. Consider the following statements regarding the Attorney General (AG) of India:

1. The Attorney General must be qualified to be appointed as a judge of the Supreme Court of India.
2. The Constitution of India specifies the tenure and removal procedure for the Attorney General.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- As per Article 76, the AG must be **qualified to be a judge of the Supreme Court**. This includes being a citizen of India and having served either as a **High Court judge for 5 years, advocate for 10 years**, or being an **eminent jurist** in the opinion of the President.
- The Constitution **does not specify the tenure or removal procedure** for the AG. He holds office **during the pleasure of the President**, and **may be removed at any time**.

Source: Laxmikant (Polity)

7. Consider the following statements:

Statement I: The Attorney General of India represents the Government of India in all cases before the Supreme Court, even if not requested by the President.

Statement II: The Attorney General is the chief legal advisor to the Government of India and performs duties assigned by the President.

Which one of the following is correct?

- A. Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I
- B. Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I
- C. Statement I is incorrect, but Statement II is correct
- D. Statement I is correct, but Statement II is incorrect

Answer: C. Statement I is incorrect, but Statement II is correct

Explanation:

- The AG appears in cases **only when the Government of India requires him to**, not in **all Supreme Court cases** by default.
- The AG is indeed the **chief legal advisor to the Government of India** and performs **legal duties assigned by the President**, including advice and court appearances.

Source: Laxmikant (Polity)

8. Consider the following statements regarding the Attorney General of India:

1. The Attorney General has the right to speak and participate in the proceedings of both Houses of Parliament and their committees without voting rights.
2. The Attorney General is a full-time government servant and is not allowed to practice privately.

3. The Attorney General should not advise or hold a brief against the Government of India.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- The AG **can speak and take part** in the proceedings of Parliament and its committees **without voting rights**.
- The AG is **not a full-time government servant** and **is allowed to practice privately**, though **certain restrictions** apply to avoid conflict of interest.
- The AG **should not advise or hold a brief against the Government of India**, as this would create a conflict with his constitutional role.

Source: Laxmikant (Polity)

9. Consider the following statements regarding the law officers of the Government of India:

- 1. The office of the Solicitor General of India is mentioned in Article 76 of the Constitution.
- 2. The Solicitor General and Additional Solicitor Generals assist the Attorney General in carrying out his duties.

Which of the statements given above is/are correct?

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

Answer: B. 2 only

Explanation:

- **Article 76 of the Constitution** mentions only the **Attorney General (AG)**. The offices of the **Solicitor General and Additional Solicitor Generals** are **not constitutional posts** and are created by **executive rules**.
- The **Solicitor General** and **Additional Solicitor Generals** are appointed to **assist the Attorney General** in discharging his legal duties for the Government of India.

Source: Laxmikant (Polity)

10. Consider the following statements:

- 1. Article 148 of the Constitution deals with the appointment and functions of the Comptroller and Auditor-General of India.
- 2. Article 88 of the Constitution provides for the powers and duties of the Comptroller and Auditor-General of India in relation to Parliament.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- **Article 148** provides for the **appointment, oath, and conditions of service** of the **Comptroller and Auditor-General (CAG) of India**.
- **Article 88** relates to the **rights of the Attorney-General of India** (not the CAG) to speak and participate in Parliament and its committees, **without the right to vote**. The **duties and powers of the CAG** are provided in **Article 149**, not Article 88.

Source: Laxmikant (Polity)

National Human Rights Commission and State Human Rights Commission

1. Consider the following statements regarding the National Human Rights Commission (NHRC):

1. The NHRC is a constitutional body established under Article 338 of the Constitution.
2. The Chairman of the NHRC must be a retired Chief Justice of India.

Which of the statements given above is/are **correct**?

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

Answer A. 2 only

Explanation:

- NHRC is **not a constitutional body**. It is a **statutory body** created under the **Protection of Human Rights Act, 1993**, not under Article 338 (which pertains to the National Commission for SCs).
- The Chairman of NHRC must be a **retired Chief Justice of India**.

Source: Laxmikant (Polity)

2. Consider the following statements regarding the National Human Rights Commission (NHRC):

1. A sitting Supreme Court judge can be appointed as a member of the NHRC only after consultation with the Chief Justice of India.
2. The conditions of service of NHRC members can be altered by the Central Government even after their appointment.

Which of the statements given above is/are **correct**?

- A. 1 only
- B. 2 only

- C. Both 1 and 2
- D. Neither 1 nor 2

Answer A. 1 only

Explanation

- A **sitting judge of the Supreme Court or a Chief Justice of a High Court** can be appointed to NHRC **only after consultation with the Chief Justice of India**, as per the Act.
- The **conditions of service** (like salary and allowances) **cannot be varied to the disadvantage** of a member **after appointment**, ensuring independence.

Source: Laxmikant (Polity)

3. Consider the following statements regarding the functions of the NHRC:

1. The NHRC can intervene in ongoing court proceedings that involve allegations of human rights violations.
2. The NHRC can directly punish public servants found guilty of human rights violations after conducting its inquiry.

Which of the statements given above is/are **correct**?

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

Answer A. 1 only

Explanation

- The NHRC can **intervene in any proceeding** involving allegations of human rights violations **pending before a court**.
- The NHRC **does not have judicial powers** to punish offenders. It can **inquire, make recommendations**, and **advise** the government, but it **cannot impose penalties or pass binding orders** like a court.

Source: Laxmikant (Polity)

4. Consider the following statements regarding the working of the National Human Rights Commission (NHRC):

1. The NHRC can recommend compensation and approach courts for directions, but it cannot directly enforce its decisions.
2. The NHRC can inquire into any human rights violation at any time, irrespective of when the incident occurred.

Which of the statements given above is/are **correct**?

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

Answer A. 1 only

Explanation:

- The NHRC can recommend actions like compensation, prosecution of public servants, interim relief, and can approach courts—but its powers are **recommendatory** in nature and **not binding**. It **cannot enforce** its decisions directly.

- The NHRC **cannot inquire** into a matter **after one year** of the alleged human rights violation. It is **time-bound** in this regard.

Source: Laxmikant (Polity)

5. With reference to the Protection of Human Rights (Amendment) Act, 2006, consider the following statements:

1. The Amendment empowers the NHRC to visit jails without prior intimation to the state governments.
2. After the amendment, the absence of any member in the Selection Committee for NHRC or SHRC appointments invalidates the decisions of the Committee.

Which of the statements given above is/are **correct**?

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

Answer A. 1 only

Explanation:

- One of the key amendments in 2006 was to **empower the NHRC to visit jails even without prior intimation** to the state governments.
- The amendment **clarified that the absence** of any member in the Selection Committee **does not invalidate** its decisions.
- So, absence does **not vitiate** the process.

Source: Laxmikant (Polity)

6. With reference to the State Human Rights Commissions (SHRCs), consider the following statements:

1. SHRCs can inquire into matters related to subjects in the State List and the Concurrent List of the Constitution.
2. SHRCs can inquire into a case even if the NHRC or any other statutory commission is already investigating the same matter.

Which of the statements given above is/are **correct**?

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

Answer A. 1 only

Explanation

- SHRCs are empowered to inquire into violations of human rights **only in respect of subjects in the State List and Concurrent List**.
- SHRCs **cannot inquire** into any matter that is **already being investigated by the NHRC or any other statutory commission**.

Source: Laxmikant (Polity)

7. Consider the following statements regarding the State Human Rights Commission (SHRC):

1. The Chairperson and Members of the SHRC are appointed by the Governor but can be removed only by the President.
2. The salaries and service conditions of SHRC members can be altered by the State Government even after appointment, subject to financial necessity.

Which of the statements given above is/are **correct**?

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

Answer A. 1 only

Explanation

- The **Governor appoints** the Chairperson and Members of the SHRC, but they **can be removed only by the President**, following the same process as for NHRC members.
- While the **state government decides** the salaries and service conditions, **these cannot be altered to the disadvantage** of a member **after appointment**, to maintain independence.

Source: Laxmikant (Polity)

8. Consider the following statements:

Statement I The State Human Rights Commission cannot inquire into a human rights violation if more than one year has passed since its occurrence.

Statement II The functioning of the State Human Rights Commission is primarily judicial in nature, and its recommendations are binding on the state government.

Which one of the following is correct?

- A. Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I.
- B. Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I.
- C. Statement I is correct, but Statement II is incorrect.
- D. Statement I is incorrect, but Statement II is correct.

Answer C.

Explanation:

- The SHRC **cannot inquire into any matter** after **one year** from the date of the alleged violation.
- Though SHRC proceedings have a **judicial character**, its role is **recommendatory**, and its **recommendations are not binding** on the state government.

Source: Laxmikant (Polity)

9. Consider the following statements regarding Human Rights Courts under the Protection of Human Rights Act, 1993

1. A Human Rights Court can be established in a district only with the concurrence of the Chief Justice of the High Court of the concerned state.
2. Only a government-appointed public prosecutor can appear in Human Rights Courts; private advocates are not permitted.

Which of the statements given above is/are **correct**?

- A. 1 only
- B. 2 only

- C. Both 1 and 2
- D. Neither 1 nor 2

Answer A. 1 only

Explanation:

- A Human Rights Court in a district can be established **only with the concurrence of the Chief Justice** of the High Court of the respective state.
- The state government may either specify a **public prosecutor** or **appoint an advocate with at least seven years of experience** as a **special public prosecutor** — so **private advocates** can also be appointed.

Source: Laxmikant (Polity)

10. With reference to the institutional framework for human rights in India, consider the following statements

1. The Chairperson of the State Human Rights Commission submits its annual reports directly to the State Legislature.
2. The Protection of Human Rights Act, 1993 enables the National Human Rights Commission to transfer complaints to the concerned State Human Rights Commission.

Which of the statements given above is/are **correct**?

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

Answer B. 2 only

Explanation:

- The **SHRC submits its report to the State Government**, which in turn **lays it before the State Legislature**. It is not submitted **directly by the Chairperson** to the legislature.
- As per the **2006 Amendment**, the NHRC is empowered to **transfer complaints** to the concerned **SHRC** for appropriate action.

Source: Laxmikant (Polity)

Central Vigilance Commission (CVC)

1. With reference to the Central Vigilance Commission (CVC), consider the following statements:

1. The Central Vigilance Commission was granted statutory status in 2003.
2. The CVC is the only designated agency to receive whistleblower complaints under the Public Interest Disclosure and Protection of Informers (PIDPI) Resolution, 2004.

Which of the statements given above is/are correct?

- A. 1 only
- B. 2 only

- C. Both 1 and 2
D. Neither 1 nor 2

Answer: C. Both 1 and 2

Explanation:

- The CVC was originally an executive body (1964), but was **granted statutory status in 2003** through an Act of Parliament.
- Since **2004**, under the **PIDPI (Whistle Blowers) Resolution**, the CVC is the **only designated agency** to receive complaints of corruption or misuse of office from whistleblowers.

Source: Laxmikant (Polity)

2. With reference to the Central Vigilance Commission (CVC), consider the following statements:

1. The Central Vigilance Commissioner is appointed by the President.
2. The conditions of service of the Central Vigilance Commissioner can be altered after appointment with presidential approval.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- The CVC is appointed by the President on the recommendation of a three-member committee:
 - Prime Minister (Chairperson)
 - Union Minister of Home Affairs
 - Leader of Opposition in Lok Sabha
- The conditions of service of the Central Vigilance Commissioner are similar to that of the Chairman of the UPSC (not the CAG). Also, these conditions cannot be varied to his disadvantage after appointment, even with presidential approval.

Source: Laxmikant (Polity)

3. With reference to the organisational structure of the Central Vigilance Commission (CVC), consider the following statements:

1. The Chief Technical Examiners' Wing of the CVC assists in technical audits, evaluates properties, and supports CBI in investigations involving engineering matters.
2. The Commissioners for Departmental Inquiries (CDIs) are responsible for conducting oral inquiries in departmental proceedings initiated against private contractors.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- The Chief Technical Examiners' Wing (CTE) performs technical audits of construction works, investigates complaints related to such works, assists CBI in technical investigations and property valuation, and advises CVC/CVOs on technical matters.
- The Commissioners for Departmental Inquiries (CDIs) conduct oral inquiries in departmental proceedings against public servants, *not* private contractors.

Source: Laxmikant (Polity)

4. Consider the following statements regarding the Central Vigilance Commission (CVC):

1. The Central Vigilance Commission was established by an executive resolution of the Government of India.

2. The CVC is responsible for the investigation and prosecution of offences under the Prevention of Corruption Act.

Which of the above statements is/are correct?

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

Answer: A. 1 only

Explanation:

- The CVC was originally established in 1964 by an executive resolution of the Government of India, based on the recommendations of the Santhanam Committee.
- However, it was later given statutory status in 2003 through the Central Vigilance Commission Act.
- The CVC does not conduct investigations or prosecutions itself.
- It has supervisory powers over vigilance matters and over the CBI in corruption cases, but the actual investigation and prosecution are carried out by the CBI and other agencies.

Source: Laxmikant (Polity)

5. With reference to the jurisdiction of the Central Vigilance Commission (CVC), consider the following statements:

1. The CVC's jurisdiction covers Group A officers of the Central Government and members of All India Services serving in connection with the affairs of the Union.
2. The CVC has jurisdiction over all employees of Public Sector Banks, Insurance Companies, and local authorities under the Central Government.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- The CVC does have jurisdiction over Group A officers of the Central Government and All India Services officers serving in the Union. This is explicitly mentioned.
- The CVC's jurisdiction does not extend to all employees in PSBs, insurance companies, or local authorities.
- It is limited to specific senior ranks:
 - Scale V and above in Public Sector Banks
 - Managers and above in General Insurance Companies
 - Senior Divisional Managers and above in LIC
 - Officers drawing salary of ₹8700 (pre-revised) or above in certain societies/local authorities

Source: Laxmikant (Polity)

6. Which of the following statements is not correct regarding the advisory role of the CVC?

- (a) The Central Government is legally bound to accept the advice of the CVC.
- (b) The CVC can advise the Central Government or its authorities on vigilance matters.
- (c) If the government disagrees with the CVC's advice, it must record reasons in writing.
- (d) The CVC's advice is considered while taking appropriate action by the concerned authorities.

Answer: A

Explanation:

- The advice of the CVC is not binding.

- If the government does not accept the advice, it must record reasons in writing and communicate them to the CVC.

Source: Laxmikant (Polity)

7. Consider the following functions of the Central Vigilance Commission (CVC):

1. It may call for reports or information from Central Government authorities.
2. It regulates its own procedure.
3. It can remove officers found guilty of corruption.

Which of the above are correct?

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

Answer: A

Explanation:

- The CVC can call for reports from the Central Government or its authorities.
- The CVC regulates its own procedure.
- The CVC is not an executive body and cannot remove officers; it can only recommend action.

Source: Laxmikant (Polity)

8. With reference to the Whistle Blowers Protection Act, 2011, consider the following statements:

1. The Act provides for the protection of the identity of whistleblowers.
2. The Act empowers the CVC as the competent authority to receive complaints.
3. Disclosures can be made anonymously under the Act and action will be taken.

Which of the statements given above is/are correct?

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

Answer: A

Explanation:

- The Act provides protection of the identity of whistleblowers.
- The CVC is the designated competent authority under the Act.
- Anonymous disclosures are not accepted; if the identity is not indicated or found incorrect, no action is taken.

Source: Laxmikant (Polity)

9. Which of the following is/are excluded from the purview of the Whistle Blowers Protection Act, 2011?

1. Armed Forces
2. Jammu and Kashmir
3. Ministers of Central Government
4. Special Protection Group (SPG)

Select the correct answer using the code below:

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

Answer: A

Explanation:

- Armed Forces, Jammu & Kashmir, and SPG are excluded from the Act's purview.
- Ministers are *not excluded*; they can be the subject of complaints.

Source: Laxmikant (Polity)

10. Consider the following statements:

Statement I: Chief Vigilance Officers (CVOs) act as a link between their respective ministries and both the Central Vigilance Commission (CVC) and the Central Bureau of Investigation (CBI).

Statement II: CVOs are responsible for investigating allegations of corruption only when referred by the CVC. Which one of the following is correct?

- A. Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I.
- B. Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I.
- C. Statement I is correct, but Statement II is incorrect.
- D. Statement I is incorrect, but Statement II is correct.

Answer: C

Explanation:

- CVOs serve as the nodal points between their ministries and both the CVC and the CBI.
- CVOs do not require a reference from the CVC to investigate allegations of corruption. They are empowered to investigate verifiable allegations independently.

Source: Laxmikant (Polity)

SOME BASIC CONCEPTS OF MACROECONOMICS

1. Consider the following statements regarding the types of Gross Domestic Product (GDP):

- 1. Nominal GDP is always lower than Real GDP since it does not account for inflation.
- 2. Real GDP enables comparison across years by adjusting for inflation using a price deflator.
- 3. GDP at Purchasing Power Parity (PPP) helps in comparing living standards across countries.

Which of the above statements is/are **correct**?

- A. 2 and 3 only
- B. 1 and 2 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 2 and 3 only

Explanation:

- **Nominal GDP is usually higher** than Real GDP in times of inflation, not lower.
- Real GDP uses a **price deflator** to adjust for inflation and allow **inter-year comparison**.
- GDP at PPP adjusts for **cost of living and price differences**, allowing for **better international comparisons**.

Source: Laxmikant (Polity)

2. With reference to the methods of calculating Gross Domestic Product (GDP), consider the following statements:

- 1. The income method includes the total earnings of factors of production like labour and capital.
- 2. The expenditure method includes consumption, investment, government spending, and net exports.
- 3. The production method calculates GDP by adjusting nominal GDP for taxes and subsidies to derive real GDP.

Which of the statements given above is/are correct?

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

(c) 1 and 3 only

(d) 1, 2 and 3

Answer: (a) 1 and 2 only

Explanation:

- The income method considers the income of labour and capital (factors of production).
- The expenditure method is calculated as $C + I + G + (X - IM)$.
- The production/output method involves calculating the market value of all goods/services produced, and *Real GDP is GDP at constant prices*. It does not derive real GDP by subtracting taxes and adding subsidies from nominal GDP. In fact, **GDP at market price = GDP at factor cost + Indirect Taxes – Subsidies**, not Real GDP.

Source: Laxmikant (Polity)

3. Consider the following statements regarding national income aggregates:

1. GDP at Factor Cost is derived by subtracting depreciation and indirect taxes from GDP at Market Price.
2. NNP at Market Price is calculated by adjusting NNP at Factor Cost for indirect taxes and subsidies.
3. GNP at Factor Cost includes net income from abroad added to GDP at Factor Cost.

Which of the statements given above is/are correct?

(a) 2 and 3 only

(b) 1 and 2 only

(c) 1 and 3 only

(d) 1, 2 and 3

Answer: (a) 2 and 3 only

Explanation:

- Depreciation is not subtracted while calculating GDP at Factor Cost from GDP at Market Price. The correct formula is:
GDP at Factor Cost = GDP at Market Price – Indirect Taxes + Subsidies
- **NNP at Market Price = NNP at Factor Cost + Indirect Taxes – Subsidies**
- **GNP at Factor Cost = GDP at Factor Cost + Net Income from Abroad (Exports – Imports)**

Source: Laxmikant (Polity)

4. With reference to the GDP Deflator, consider the following statements:

1. The GDP deflator includes both final goods and imports while measuring price changes in the economy.
2. A rise in the GDP deflator indicates an increase in the overall price level in the economy.
3. Real GDP is always higher than Nominal GDP in times of high inflation.

Which of the statements given above is/are correct?

(a) 2 only

(b) 1 and 3 only

(c) 2 and 3 only

(d) 1, 2 and 3

Answer: (a) 2 only

Explanation:

- The GDP deflator includes the value of **final goods including exports** but **excludes imports**, because imports are not produced domestically.
- A higher GDP deflator implies that prices have increased compared to the base year → it's a measure of inflation.
- During inflation, **Nominal GDP > Real GDP** (because Nominal includes inflation, Real removes it).

Source: Laxmikant (Polity)

5. Consider the following statements regarding the Expenditure Method of calculating GDP:

1. Expenditure on intermediate goods is included in GDP since they form part of the production process.
2. In the expenditure method, GDP is calculated as the sum of consumption expenditure, investment, government spending, and net exports.

Which of the statements given above is/are correct?

- A. 1 only**
- B. 2 only**
- C. Both 1 and 2**
- D. Neither 1 nor 2**

Answer: B. 2 only

Explanation:

- **Expenditure on intermediate goods is not included in GDP** to avoid double-counting. Only **final expenditure** (not meant for further production) is considered in GDP calculations.
- The Expenditure Method formula is:
 $GDP = C + I + G + (X - M)$
where:
 - C = Final Consumption Expenditure
 - I = Investment Expenditure
 - G = Government Expenditure
 - X = Exports
 - M = Imports
- The formula ensures that only **domestically produced final goods and services** are counted.

Source: Laxmikant (Polity)

6. With reference to **Green GDP**, consider the following statements:

1. Green GDP accounts for environmental degradation and depletion of natural resources while measuring economic growth.
2. Green GDP incorporates investments in both carbon-intensive and zero-carbon technologies while evaluating capital formation.
3. Green GDP excludes government revenue and subsidies related to environmental sectors to avoid bias in measurement.

Which of the statements given above is/are correct?

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

Answer: (b) 1 and 2 only

Explanation:

- Green GDP adjusts traditional GDP by **accounting for environmental degradation and resource depletion**.
- Green GDP **differentiates investments** into zero-carbon and carbon-intensive categories.
- It **includes** taxation and subsidies related to polluting and environment-friendly industries to highlight fiscal policy impacts on sustainability.

Source: Laxmikant (Polity)

7. Consider the following statements regarding the treatment of taxes in National Income accounting:

1. Direct taxes do not require any adjustment whether national income is measured at factor cost or market cost.
2. Indirect taxes are deducted from NNP at market cost to arrive at national income at factor cost.

Which of the above statements is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- Direct taxes are imposed on income and are accounted for in both factor cost and market cost identically. Hence, no adjustment is needed for national income calculations.
- Indirect taxes are included in market prices. To get the national income at **factor cost**, they must be **deducted** from NNP at market cost.

Source: Laxmikant (Polity)

8. Consider the following statements regarding basic concepts of macroeconomics:

1. Capital goods are final goods that do not undergo transformation during the production process and contribute to future production cycles.
2. Intermediate goods are included in the calculation of national income to ensure a complete measure of economic activity.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- Capital goods like machines or tools are final goods used in the production of other goods. They do not get transformed in the production process and are durable, aiding future production.
- Intermediate goods are not included in the calculation of national income because their value is already embedded in the value of final goods. Including them would lead to double counting.

Source: Laxmikant (Polity)

9. Consider the following statements regarding the Product or Value Added Method of measuring National Income:

1. In value added method, the value of intermediate goods is subtracted from the value of output to avoid the problem of double counting.

2. Unplanned accumulation of inventories is excluded from the calculation of Gross Value Added (GVA) as it is not a deliberate production activity.

Which of the statements given above is/are correct?

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

Answer: A. 1 only

Explanation:

- To avoid double counting, intermediate goods (like raw materials already included in the output of other firms) are subtracted from total output to arrive at Value Added. This ensures only the net contribution of each firm is measured.
- Both planned and unplanned accumulation or decumulation of inventories are included in Gross Value Added because they reflect production activities, even if they are not sold. Inventory changes are treated as part of investment, and hence are included in GDP.

Source: Laxmikant(Polity)

10. Consider the following statements regarding the Income Method of measuring GDP:

1. The income method calculates GDP by summing up all factor incomes such as wages, profits, interest, and rents earned by households from firms.
2. The income method includes only those factor incomes which are received from production activities within the domestic territory of the country.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- GDP by the Income Method = Wages + Profits + Interest + Rents
These are the remunerations paid by firms to the factors of production owned by households.
- Only incomes generated within the domestic territory from productive economic activities are included in GDP. Transfer payments (like pensions, gifts) or foreign incomes are excluded from GDP (though they may be relevant for GNP).

Source: Laxmikant (Polity)

Money Supply and Banking

1. Consider the following statements regarding the **money supply and banking system in a modern economy:**
 1. High-powered money refers to the currency issued by the central bank and held by the public and commercial banks.
 2. Commercial banks are mandated to keep the entire amount of public deposits as reserves and cannot lend them out.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- High-powered money (also called reserve money or monetary base) refers to the currency issued by the central bank that is held by the public and commercial banks. This forms the basis for credit creation in the economy.
- Commercial banks **do not** keep the entire amount of public deposits as reserves. They retain only a portion (known as reserve ratio) to meet withdrawal demands and **lend out the rest** to earn interest. This process enables credit creation, as described in the story of Lala the goldsmith.

Source: Laxmikant (Polity)

2. With reference to the nature of Monetary Policy, consider the following statements:

1. An expansionary monetary policy is used to control inflation by decreasing the money supply and raising interest rates.
2. A contractionary monetary policy aims to reduce inflationary pressure in the economy by tightening liquidity and increasing borrowing costs.

Which of the statements given above is/are correct?

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

Answer: (b) 2 only

Explanation:

- Expansionary (or accommodative) monetary policy is aimed at boosting economic activity by **increasing** the money supply and **lowering** interest rates—not for controlling inflation but for stimulating growth and reducing unemployment.
- Contractionary (or tight) monetary policy is adopted to **reduce inflation** by **reducing the money supply** and **increasing interest rates**, thereby discouraging excessive spending and borrowing.

Source: Laxmikant (Polity)

3. Consider the following statements regarding Open Market Operations (OMO):

1. When the RBI buys government securities through OMO, it reduces the money supply in the economy.
2. Outright OMO refers to the permanent purchase or sale of government securities without any repurchase agreement.

Which of the statements given above is/are correct?

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

Answer: (b) 2 only

Explanation:

- When RBI **buys** government bonds, it **injects** money into the system, thereby **increasing** the money supply.
- Outright OMO implies **permanent** transactions without a repurchase clause.

Source: Laxmikant (Polity)

4. Which of the following best describes the term 'Repo Rate'?

- (a) The rate at which the RBI permanently sells government securities to commercial banks.
- (b) The rate at which the RBI lends to commercial banks through a repurchase agreement.
- (c) The rate at which commercial banks lend to the public for housing loans.
- (d) The interest rate offered by commercial banks on term deposits.

Answer: (b) The rate at which the RBI lends to commercial banks through a repurchase agreement.

Explanation:

- **Repo Rate** is the interest rate at which the RBI lends to commercial banks through **repurchase agreements**, where it temporarily buys securities with a promise to sell them back.

Source: Laxmikant (Polity)

5. Consider the following statements regarding instruments used by RBI to control money supply:

1. An increase in the Cash Reserve Ratio (CRR) by the RBI leads to a reduction in money supply in the economy.
2. The RBI uses moral suasion and margin requirements as qualitative tools to influence lending behaviour of commercial banks.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- Increasing CRR reduces the amount available with banks for lending, thus reducing money supply.
- **Moral suasion and margin requirements** are qualitative tools used by RBI to **encourage or discourage specific lending behaviour**.

Source: Laxmikant (Polity)

6. Consider the following statements regarding the Monetary Policy Committee (MPC) of India:

1. The Monetary Policy Committee is a statutory body constituted under the RBI Act, 1934 as amended by the Finance Act, 2016.
2. The committee is chaired by the Finance Minister of India and is responsible for targeting wholesale price index (WPI) inflation.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- The MPC is a **statutory body** formed by amending the **RBI Act, 1934** through the **Finance Act, 2016**. It is tasked with setting the **benchmark interest rate (repo rate)** and guiding monetary policy.
- The **RBI Governor**, not the Finance Minister, is the **ex-officio chairperson** of the MPC. Also, the MPC targets **Consumer Price Index (CPI)-based inflation, not WPI**.

Source: Laxmikant (Polity)

7. Which of the following are considered Qualitative Instruments of monetary policy?

1. Repo Rate
2. Moral Suasion
3. Selective Credit Control
4. Cash Reserve Ratio

Select the correct answer using the code below:

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

Answer: (b) 2 and 3 only

Explanation:

- **Moral Suasion** and **Selective Credit Control** are qualitative tools used to **influence lending behaviour** and direct credit to preferred sectors.
- **Repo Rate** and **Cash Reserve Ratio** are **quantitative tools** aimed at adjusting the **total money supply**.

Source: Laxmikant (Polity)

8. Which of the following statements regarding instruments of monetary policy is/are correct?

1. **Open Market Operations** are a qualitative instrument used by the RBI to direct credit toward priority sectors.
2. **Statutory Liquidity Ratio (SLR)** is a quantitative instrument that influences the overall credit availability in the economy.

Select the correct answer using the code below:

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

Answer: (b) 2 only

Explanation:

- Open Market Operations (OMO) are a **quantitative** instrument, **not qualitative**. They are used to manage the **overall money supply** by buying/selling government securities.
- SLR is a **quantitative tool** used to control the amount of funds banks can use for credit creation. It affects the **total supply of credit** in the economy.

Source: Laxmikant (Polity)

9. Consider the following statements regarding instruments of monetary policy:

1. Moral suasion and selective credit control are qualitative instruments used by the RBI to influence the allocation of credit.
2. The Repo Rate and Cash Reserve Ratio (CRR) are tools used by the RBI to influence the total volume of credit in the economy.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- **Moral suasion** and **selective credit control** are **qualitative instruments** used to direct credit flow to or from specific sectors.
- **Repo Rate** and **CRR** are **quantitative instruments** used to regulate the **overall supply of money** or liquidity in the economy.

Source: Laxmikant (Polity)

10. Consider the following statements about quantitative instruments of monetary policy:

1. The **Cash Reserve Ratio (CRR)** and **Statutory Liquidity Ratio (SLR)** are tools used to control liquidity and credit creation by banks.
2. The **Repo Rate** and **Reverse Repo Rate** are tools through which the RBI manages short-term borrowing and lending with commercial banks.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- **CRR**: Percentage of total deposits banks must hold as reserves with the RBI—reduces lendable funds.
- **SLR**: Percentage of deposits banks must maintain in liquid assets (like gold, government securities) — controls credit growth and liquidity.
- **Repo Rate**: Rate at which the RBI lends to banks (injects liquidity).
- **Reverse Repo Rate**: Rate at which the RBI borrows from banks (absorbs liquidity).
- These are key quantitative tools used by the RBI for liquidity management and credit control.

Source: Laxmikant (Polity)

GOVERNMENT BUDGET AND THE ECONOMY

1. With reference to the Government Budget in India, consider the following statements:

1. The Revenue Budget includes all those receipts and expenditures which are confined to the current financial year and do not affect the government's assets or liabilities.
2. The Capital Budget comprises those items that lead to creation or reduction of government assets and liabilities.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- The **Revenue Budget** deals with the regular, day-to-day income and expenditure of the government during a financial year (1 April to 31 March). These do **not** result in any asset creation or liability for the government.
- The **Capital Budget** includes receipts and expenditures that affect the **assets and liabilities** of the government. These items, such as infrastructure investments or borrowings, often have a multi-year impact beyond the current financial year.

Source: Indian Economy (NCERT)

2. With reference to the objectives of the Government Budget in India, consider the following statements:

1. The allocation function of the budget implies the provision of public goods like national defense and pollution control, which are non-rivalrous and non-excludable in nature.
2. The redistribution function of the budget aims to ensure a fair distribution of income by altering personal disposable income through taxation and transfer payments.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- The **allocation function** of the government budget deals with the provision of **public goods**, which are **non-rivalrous** (consumption by one does not reduce availability for others) and **non-excludable** (no one can be prevented from enjoying them). Examples include **national defense, public parks, roads, and pollution control**. These goods are not efficiently provided by the market due to the **free-rider problem**, so the government intervenes.
- The **redistribution function** is performed by the government through its budget by collecting **taxes** and making **transfer payments** (such as subsidies, pensions, welfare schemes). This affects the **personal disposable income** and helps reduce inequality in income distribution, aiming for **social justice and economic fairness**.

Source: Indian Economy (NCERT)

3. With reference to the Stabilisation Function of the Government Budget, consider the following statements:

1. The stabilisation function aims to correct fluctuations in income, employment, and prices by influencing aggregate demand in the economy.
2. During periods of low demand and underutilization of resources, the government may intervene to reduce aggregate demand through restrictive fiscal measures.
3. In situations of excessive demand and inflation, the government can adopt policies to contract demand and stabilise prices.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- The **stabilisation function** refers to the government's role in maintaining economic stability by correcting **fluctuations in income, employment, and prices**, typically through **fiscal policy** measures that influence **aggregate demand**.
- During **low demand and underutilisation**, the government does **not reduce aggregate demand**. Instead, it adopts **expansionary fiscal policy** (e.g., increased spending or tax cuts) to **raise** aggregate demand and stimulate employment.
- When **demand exceeds output** and inflation arises, the government may implement **restrictive (contractionary)** measures like reducing public expenditure or increasing taxes to **curb excess demand** and bring **stability**.

Source: Indian Economy (NCERT)

4. With reference to the classification of receipts in the Government Budget, consider the following statements:

1. Revenue receipts do not create any future liability for the government and are therefore non-redeemable.
2. Capital receipts include both debt-creating sources such as borrowings and non-debt-creating sources such as disinvestment.
3. All forms of tax revenue are progressive in nature and aim to reduce income inequality.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- Revenue receipts, such as taxes and non-tax revenues, **do not create any liability** for the government and hence are called **non-redeemable**.
- Capital receipts include both:
 - **Debt-creating receipts** (e.g., borrowings and loans)
 - **Non-debt-creating receipts** (e.g., **disinvestment** of PSUs, which reduces government's financial assets)
- Not all tax revenues are **progressive**.

- **Direct taxes** like personal income tax can be progressive.
- However, **indirect taxes** like excise duties or GST are often **regressive**, since they apply equally regardless of income, and may disproportionately affect lower-income groups.

Source: Indian Economy (NCERT)

5. With reference to the classification of government expenditure in India, consider the following statements:

1. Revenue Expenditure does not lead to the creation of physical or financial assets and includes interest payments, subsidies, and salaries.
2. Capital Expenditure includes spending that results in the acquisition of assets or reduction of liabilities, such as investments in shares or construction of infrastructure.
3. According to the Fiscal Responsibility and Budget Management Act (FRBMA), revenue expenditure must always be financed through capital receipts and borrowings.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- Revenue Expenditure includes expenses that **do not create assets or reduce liabilities**. This includes **interest payments, defence, subsidies, salaries, and pensions**.
 - Capital Expenditure includes outlays that **create assets** (e.g., buildings, roads, investments) or **reduce liabilities** (e.g., loan repayments). This type of expenditure enhances the productive capacity of the economy.
- The **FRBMA** encourages **sustainable financing** of revenue expenditure **through revenue receipts**, not capital receipts or borrowings. It seeks to avoid using borrowed money for regular (revenue) expenses.

Source: Indian Economy (NCERT)

6. With reference to government deficit measures in India, consider the following statements:

1. Revenue deficit occurs when the government's total expenditure exceeds its total receipts, excluding borrowings.
2. Fiscal deficit represents the total borrowing requirement of the government and includes revenue deficit as a component.
3. Primary deficit helps isolate the current fiscal imbalance by subtracting interest payments from the fiscal deficit.

Which of the statements given above is/are correct?

- A. 2 and 3 only
- B. 1 and 2 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 2 and 3 only

Explanation:

- **Revenue deficit = Revenue Expenditure – Revenue Receipts**
It refers only to the imbalance in the **revenue account**, not total receipts and expenditures.
- **Fiscal deficit = Total Expenditure – (Revenue Receipts + Non-debt creating capital receipts).**
It includes the **revenue deficit** and reflects the **total borrowing requirement** of the government.
- **Primary deficit = Fiscal deficit – Net interest liabilities.**
It gives a measure of **current fiscal imbalance** by excluding the burden of past debt (interest payments).

Source: Indian Economy (NCERT)

7. Consider the following statements regarding government budgets:

1. A balanced budget is when government expenditure is equal to its revenue.
2. A budget surplus occurs when government revenue falls short of its expenditure.
3. A budget deficit is a situation where government expenditure exceeds its revenue.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- A **balanced budget** means government expenditure equals revenue.
- A **budget surplus** means revenue is **more than** expenditure, not less.
- A **budget deficit** occurs when expenditure **exceeds** revenue.

Source: Indian Economy (NCERT)

8. Consider the following statements with reference to government budgeting terms:

1. Receipts include both the money earned by the government and the money it borrows or receives as repayment of loans.
2. Plan expenditure includes routine items like pensions, interest payments, and statutory transfers to states.
3. Non-plan expenditure covers spending on infrastructure projects like electricity, roads, and irrigation.

Which of the statements given above is/are **correct**?

- A. 1 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: A. 1 only

Explanation:

- "Receipts" include both earned income (like taxes, dividends) and borrowed funds, as well as repayments of loans by states.
- Plan expenditure includes developmental activities like infrastructure, not routine items like pensions or interest payments.
- Non-plan expenditure includes routine and obligatory expenses like pensions and interest payments, not developmental or infrastructure projects.

Source: Indian Economy (NCERT)

9. Consider the following statements regarding types of budgeting followed by the Government of India:

1. Zero-Based Budgeting requires justification for all expenditures from a zero base in each new budget cycle.
 2. Outcome Budget was introduced in 2005 to link the money allocated to ministries with measurable results.
 3. Gender Budgeting focuses solely on increasing the overall budget allocation for women-centric ministries.
- Which of the statements given above is/are **correct**?

- A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- Zero-Based Budgeting (ZBB) starts from scratch ("zero base") and every expense must be justified anew.
- Outcome Budgeting, introduced in 2005, links budget outlay with the actual performance and results of government schemes.
- Gender Budgeting is not merely about increasing budget allocations for women-specific ministries; it is about integrating a gender perspective across all departments and restructuring expenditures to promote **gender equity**.

Source: Indian Economy (NCERT)

10. With reference to the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, consider the following statements:

1. The FRBM Act mandates the elimination of revenue deficit and creation of a revenue surplus thereafter.
2. Under the FRBM Act, the Central Government is allowed to borrow from the RBI only under exceptional circumstances like national security or natural calamity.
3. The FRBM Act requires the government to present a Medium Term Fiscal Policy Statement and Fiscal Policy Strategy Statement before the Parliament annually.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
B. 2 and 3 only

- C. 1 and 3 only
D. 1, 2 and 3

Answer: D. 1, 2 and 3

Explanation:

- One of the core mandates of the FRBM Act is to eliminate the **revenue deficit** and subsequently create a **revenue surplus**.
- The Act prohibits borrowing from the RBI **except** under certain **exceptional circumstances** like national security and natural calamity.
- As per the **2012 Amendment**, the government must annually present the **Macro-Economic Framework Statement, Medium Term Fiscal Policy Statement, and Fiscal Policy Strategy Statement** before Parliament along with the **Annual Financial Statement**.

Source: Indian Economy (NCERT)

Open Economy Macroeconomics

1. Which of the following statements best describes an open economy?

- A. An economy that does not interact with other economies in any form.
B. An economy that only allows the movement of goods, not financial assets.
C. An economy that engages in trade of goods, services, and often financial assets with other countries.
D. An economy that has no restrictions on the movement of labour across borders.

Answer: C

Explanation:

- An open economy is defined as one that interacts with other countries, primarily through the output market (goods and services) and the financial market (assets).
- While labour market integration exists, it is typically restricted by immigration laws.

Source: Economy (NCERT)

2. Consider the following statements about the impact of foreign trade on aggregate demand in India:

1. Imports lead to a leakage from the circular flow of income, thus decreasing aggregate demand.
2. Exports act as an injection into the circular flow of income, increasing aggregate demand.

Which of the statements given above is/are correct?

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

Answer: C

Explanation:

- When Indians buy imports, money goes out of the Indian economy — this is a leakage, reducing aggregate demand.
- When foreigners buy Indian exports, money comes into India — this is an injection, increasing aggregate demand.

Source: Economy (NCERT)

3. With reference to the Balance of Payments (BoP), consider the following statements:

1. The Current Account records transactions related to trade in goods, services, and unilateral transfers.
2. Import of goods leads to an increase in domestic demand for goods and services in the country.
3. Remittances sent by citizens living abroad are considered transfer payments in the Current Account.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: C. 1 and 3 only

Explanation:

- The Current Account includes trade in goods and services and unilateral transfers (like remittances, gifts, and grants).
- Imports represent expenditure to foreign countries and reduce the *domestic* demand for goods and services as money flows out.
- Remittances from abroad are unilateral transfers and are part of the Current Account under transfer payments.

Source: Economy (NCERT)

4. With reference to the Balance on Current Account in the Balance of Payments (BoP), consider the following statements:

1. A Current Account surplus implies that a country is a net lender to the rest of the world.
2. Balance on Current Account comprises only the trade in goods, i.e., exports and imports.
3. A Current Account deficit occurs when the payments on the current account exceed the receipts.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- A surplus on the current account indicates that the country's receipts exceed its payments, making it a net lender to other countries.
- The Current Account includes both trade in goods (balance of trade) and invisibles (like services, income, and transfers), not just goods.
- A Current Account deficit means payments are more than receipts — the country is a net borrower.

Source: Economy (NCERT)

5. With reference to the Balance of Trade (BOT) and Net Invisibles in the Balance of Payments, consider the following statements:

1. A trade surplus occurs when the value of a country's imports of goods exceeds the value of its exports.
2. Net Invisibles include services like banking and tourism, as well as transfers and factor income.
3. In the Balance of Trade, exports are recorded as credit and imports as debit.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only

- C. 1 and 3 only
D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- A trade *surplus* occurs when exports exceed imports, not the other way around. The given statement describes a *trade deficit*.
- Net Invisibles include services (like tourism, banking, software), transfers (like remittances), and factor income (like wages and returns on capital).
- In Balance of Trade (BOT), *exports* are recorded as credit and *imports* as debit entries.

Source: Economy (NCERT)

6. With reference to the Capital Account in the Balance of Payments (BoP), consider the following statements:

Statement I: Purchase of foreign assets by Indian residents is recorded as a debit item in the Capital Account.

Statement II: A debit entry in the Capital Account represents an inflow of foreign exchange into the country.

Which one of the following is correct?

- A. Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I.
B. Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I.
C. Statement I is correct, but Statement II is incorrect.
D. Statement I is incorrect, but Statement II is correct.

Answer: C. Statement I is correct, but Statement II is incorrect.

Explanation:

- When Indian residents purchase foreign assets (like buying a UK car company), it leads to an outflow of foreign exchange and is therefore recorded as a **debit** in the Capital Account.
- A **debit** entry in the Capital Account implies **outflow** of foreign exchange, not an inflow.

Source: Economy (NCERT)

7. With reference to the Balance on Capital Account in the Balance of Payments (BoP), consider the following statements:

1. A surplus in the Capital Account indicates that a country is receiving more capital from abroad than it is sending out.
2. Capital Account is said to be in balance when the total capital inflows equal the total capital outflows.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- A surplus in the Capital Account occurs when **capital inflows > capital outflows**, meaning the country is receiving more investment or borrowing from abroad than it is paying out.

- When **capital inflows = capital outflows**, the Capital Account is said to be in balance.

Source: Economy (NCERT)

8. With reference to Balance of Payments (BoP) Surplus and Deficit, consider the following statements:

1. A Current Account deficit must be financed either through capital account surplus or official reserve sales.
2. In a BoP equilibrium, a Current Account deficit is exactly matched by a Capital Account surplus with no change in official reserves.
3. An increase in official reserves by the central bank indicates a Balance of Payments deficit.

Which of the statements given above is/are correct?

- A. 1 and 2 only
B. 1 and 3 only
C. 2 and 3 only
D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- A Current Account deficit (when a country imports more than it exports) must be financed through *capital inflows* or *drawing down foreign exchange reserves*.
- BoP is in equilibrium when the Current Account deficit is fully matched by a Capital Account surplus (no net change in official reserves).
- An *increase* in official reserves (i.e., accumulation of foreign exchange) implies a *BoP surplus*, not a deficit. A *decrease* in reserves indicates a deficit.

Source: Economy (NCERT)

9. With reference to the Foreign Exchange Rate in an open economy, consider the following statements:

1. An increase in the foreign exchange rate makes imports costlier and tends to reduce the demand for foreign exchange.
2. A higher foreign exchange rate can make a country's exports cheaper for foreigners and may lead to an increased supply of foreign exchange.
3. The demand for foreign exchange increases when foreigners buy domestic financial assets.

Which of the statements given above is/are correct?

- A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- When the foreign exchange rate rises (e.g., ₹ becomes weaker vs \$), imports become costlier in rupees, reducing demand for imports and thereby foreign exchange.
- A higher forex rate makes Indian goods cheaper for foreign buyers (in dollar terms), potentially boosting exports and increasing foreign exchange supply.
- When **foreigners** buy **Indian financial assets**, it leads to an **inflow** of foreign exchange (i.e., it affects **supply**, not demand). Demand for forex increases when **Indians** buy foreign assets.

Source: Economy (NCERT)

10. With reference to the Flexible Exchange Rate system, consider the following statements:

1. In a flexible exchange rate regime, the value of a currency is determined entirely by the forces of demand and supply in the foreign exchange market.
2. An increase in demand for foreign currency leads to depreciation of the domestic currency under a flexible exchange rate regime.
3. Central banks frequently intervene in the foreign exchange market to stabilize the exchange rate in a purely flexible exchange rate system.

Which of the statements given above is/are correct?

- A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- Under a **flexible (floating)** exchange rate system, the exchange rate is determined purely by market forces — i.e., **demand and supply** of foreign exchange — without government or central bank interference.
- When demand for foreign currency (like the US dollar) increases, the domestic currency (like the Indian rupee) **depreciates** because more rupees are needed to buy the same amount of dollars.
- In a **purely flexible exchange rate system, central banks do not intervene**. Intervention happens under **managed float** or **fixed** exchange rate systems.

Source: Economy (NCERT)

Inflation and Business Cycle

1. With reference to inflation, consider the following statements:

1. Inflation is said to occur only when there is a general and sustained increase in the prices of most goods and services in an economy.
2. A rise in the price of a single essential commodity can also be considered inflation.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- Inflation is defined as a sustained rise in the general price level of most goods and services, not just a few items.
- An increase in the price of a single commodity does not constitute inflation.

Source: Indian economy (Dr.Ramesh Singh)

2. Consider the following statements regarding the measurement and concept of inflation:

1. Inflation is measured using price indices such as the Wholesale Price Index (WPI) and Consumer Price Index (CPI).
2. In contemporary economics, deflation always refers to a fall in the general price level of goods and services.

Which of the statements given above is/are correct?

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

Answer: (a) 1 only

Explanation:

- Inflation is measured using indices like WPI and CPI, which are weighted averages of price changes in a basket of goods.
- In modern macroeconomic policy terms, deflation or disinflation does not necessarily mean a fall in price levels; rather, it refers to a fall in the inflation rate or a slowing down of price increases.

Source: Indian economy (Dr.Ramesh Singh)

3. With reference to the monetarist view on inflation, consider the following statements:

1. Demand-pull inflation occurs when excess money is created without a corresponding increase in production.
2. Cost-push inflation cannot occur without an increase in money supply.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- Demand-pull inflation means excess money creation over the same level of production causes inflation.
- Cost-push inflation is not independent and requires financing through additional money supply; without it, rising costs would lead to lower demand, not inflation.

Source: Indian economy (Dr.Ramesh Singh)

4. According to monetarist theory, which of the following is the most appropriate tool to control inflation?

- (a) Wage increase for workers
- (b) Increase in government expenditure
- (c) Tight monetary policy
- (d) Higher subsidies for essential goods

Answer: (c) Tight monetary policy

Explanation:

- Monetarists believe inflation is caused by excessive money supply.
- Therefore, controlling inflation requires tightening monetary policy—through measures like raising interest rates, reducing money printing, and limiting public borrowing.

Source: Indian economy (Dr.Ramesh Singh)

5. Which of the following best describes 'Galloping Inflation'?

- (a) A gradual rise in the general price level, typically in the range of 1–5% annually
- (b) A sharp but temporary increase in prices, followed by quick stabilisation
- (c) A rapid increase in prices at double- or triple-digit annual rates, typically between 10% and 50%, severely affecting economic stability and purchasing power
- (d) A fall in the general price level sustained over time, often indicating economic contraction

Answer: (c)

Explanation:

- **Galloping inflation** is a **rapid increase in prices** at double- or triple-digit annual rates, typically between **10% and 50% annually**.
- It disrupts macroeconomic balance and harms consumer purchasing power.

Source: Indian economy (Dr.Ramesh Singh)

6. Consider the following statements regarding Hyperinflation:

1. Hyperinflation involves an extremely rapid and accelerating rise in prices, sometimes reaching millions or trillions percent annually.
2. During hyperinflation, people often lose faith in the domestic currency and resort to alternative stores of value like gold, foreign currency, or barter.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- Hyperinflation is described as a situation where prices rise **extremely fast**, often in the **millions or trillions annually**. For eg, Germany (1923), Bolivia (1985), and Yugoslavia (1993).
- Due to the collapse in the value of money, people **lose confidence in the domestic currency** and shift to **gold, foreign currency, or barter**, seeking inflation-proof assets.

Source: Indian economy (Dr.Ramesh Singh)

7. Consider the following statements:

1. An inflationary gap arises when total government spending exceeds national income, leading to a fiscal deficit and increased price levels.
2. A deflationary gap occurs when total government spending falls short of national income, causing a fiscal surplus and potential economic slowdown.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- An **inflationary gap** represents a **fiscal deficit** situation where government spending exceeds national income. This injects excess money into the economy, leading to **demand-pull inflation** and price rise.
- A **deflationary gap** is a **fiscal surplus** situation where government spending is less than the national income, leading to **reduced demand**, underutilised capacity, and potential **economic slowdown** or output gap.

Source: Indian economy (Dr.Ramesh Singh)

8. Consider the following statements:

1. Reflation refers to government efforts to boost demand and reduce unemployment through higher spending, tax cuts, or interest rate reductions.
2. Stagflation is a situation where high inflation and high unemployment exist together, often with low economic growth.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- Reflation is a **deliberate government policy** to revive a sluggish or recession-hit economy by increasing **public spending, cutting taxes, or reducing interest rates**, even if it temporarily raises inflation.
- **Stagflation** is an unusual economic condition where **inflation and unemployment are both high**, along with **low or stagnant growth**, contradicting the Phillips Curve. It was first observed in the **1970s in the US** due to oil shocks.

Source: Indian economy (Dr.Ramesh Singh)

9. Consider the following statements:

Statement I: GDP deflator is considered a better measure of inflation than the Wholesale Price Index (WPI) in India.

Statement II: GDP deflator includes prices of all goods and services produced in the economy, while WPI does not adequately cover the service sector.

Which one of the following is correct with respect to the above statements?

- (a) Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I
- (b) Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I
- (c) Statement I is correct, but Statement II is incorrect
- (d) Statement I is incorrect, but Statement II is correct

Answer: (a) Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I

Explanation:

- The **GDP deflator** is often considered a better and broader measure of inflation than WPI because it reflects price changes across the entire economy.
- Unlike **WPI**, which largely covers goods and gives little weight to services, the **GDP deflator** includes both **goods and services**, making it more comprehensive.

Source: Indian economy (Dr.Ramesh Singh)

10. Consider the following statements:

Statement I: Demand-pull inflation arises when demand for goods and services exceeds the economy's ability to produce them.

Statement II: An increase in input costs or disruption in commodity supply chains is the primary cause of demand-pull inflation.

Which one of the following is correct with respect to the above statements?

- (a) Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I
- (b) Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I
- (c) Statement I is correct, but Statement II is incorrect
- (d) Statement I is incorrect, but Statement II is correct

Answer: (c) Statement I is correct, but Statement II is incorrect

Explanation:

- **Demand-pull inflation** occurs when **rising demand**, driven by increased money supply and credit, **outpaces the economy's capacity to produce**, pushing prices upward.
- The cause described in Statement II refers to **cost-push inflation**, where inflation results from **rising production costs** or **supply shocks**, not demand.

Source: Indian economy (Dr.Ramesh Singh)

Inflation and Business Cycle

1. Consider the following statements regarding the Wholesale Price Index (WPI) in India:

1. The WPI compiled by the Central Statistical Organisation (CSO).
2. The WPI primarily captures price changes at the production or primary transaction stage and not at the consumption stage.
3. The WPI is compiled weekly and is based on price quotations for selected items collected through both official and non-official sources.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- The Wholesale Price Index (WPI) series with base 1993-94 is compiled by the Office of Economic Adviser (OEA),
- WPI reflects price changes **at the producer or primary transaction stage**, such as farm-gate, mine-head, or factory-gate prices, and **does not capture retail margins or consumption-side inflation**.
- The WPI is compiled **weekly** and uses **price quotations from both official and non-official sources**, although this voluntary method has been criticized for timeliness and non-response issues.

Source: Indian economy (Dr.Ramesh Singh)

2. Consider the following statements regarding the Consumer Price Index (CPI) in India:

1. The CPI measures price changes from the perspective of a wholesale trader.
2. The CPI (Rural) is compiled by the National Statistical Office (NSO).
3. The CPI includes sub-groups such as food and beverages, fuel and light, housing, and clothing.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- The CPI measures price changes **from the perspective of a retail buyer (consumer)**, not a wholesale trader. That is the domain of the WPI (Wholesale Price Index).
- The **CPI (Rural/Urban/Combined)** is compiled by the **NSO**, which is under the **Ministry of Statistics and Programme Implementation (MoSPI)**.
- The CPI includes multiple sub-groups, including **food and beverages, fuel and light, housing, and clothing, bedding and footwear**, which reflect retail consumption patterns.

Source: Indian economy (Dr.Ramesh Singh)

3. Consider the following statements regarding the Consumer Price Index for Urban Non-Manual Employees (CPI-UNME):

1. The CPI-UNME is primarily used for computing dearness allowance for government employees in India.
2. It is used under the Income Tax Act to determine capital gains.
3. Data for CPI-UNME is collected monthly across selected centres in India with a time lag of two weeks.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- CPI-UNME is **not primarily used for computing DA of government employees**. It is used for **determining DA for employees of some foreign companies operating in India** like embassies, airlines, and financial institutions.
- **CPI-UNME is used under the Income Tax Act to determine capital gains**, particularly for indexing the cost of acquisition in long-term capital gains.
- Data is collected for **365 commodities** at **59 centres, monthly**, with a **two-week time lag**.

Source: Indian economy (Dr.Ramesh Singh)

4. With reference to **Structural (Bottleneck) Inflation** in India, consider the following statements:

1. Structural inflation is primarily demand-driven and arises due to excessive consumer spending in the economy.
2. It is caused by a mismatch between rising demand and inadequate supply due to lack of investible capital.
3. Higher government expenditure in non-developmental areas contributes to low growth and persistent inflation.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- Structural inflation is **not primarily demand-driven** in the usual Keynesian sense. Instead, it results from **supply-side bottlenecks**, such as **insufficient capital, poor infrastructure, and production constraints**, typical of a **developing economy** like India.
- Inflation occurs due to **rising demand with inadequate supply**, stemming from a **lack of investible capital** — the defining feature of **structural inflation**.
- **Even when the government managed higher expenditure**, much of it went to **non-developmental areas**, which leads to **low growth alongside high inflation** — a sign of stagnation.

5. With reference to the phases of the business cycle, consider the following statements:

1. The peak stage is marked by the highest level of economic growth and maximum employment before the economy starts to contract.
2. During a recession, key economic indicators such as GDP, corporate profits, and employment tend to rise steadily.

Which of the statements given above is/are correct?

- A. 1 only
- B. 2 only

- C. Both 1 and 2
- D. Neither 1 nor 2

Answer: **A. 1 only**

Explanation:

- The **peak stage** is when all economic indicators (GDP, employment, prices, etc.) are at their **maximum levels**. After this, the economy usually **enters a contraction or recession phase**.
- In a **recession**, economic indicators like **GDP, profits, and employment fall**, not rise. There is a general **slowdown or contraction in economic activity**.

6. With reference to the business cycle, consider the following statements:

1. A depression is identified by a decline in real GDP of at least 10% in a given year or a severe downturn lasting three or more years.
2. A trough represents the point of maximum economic activity before the economy enters a recovery phase.

Which of the statements given above is/are correct?

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

Answer: **A. 1 only**

Explanation:

- A **depression** is a **severe and prolonged recession**. Economically, it's defined by either a **decline in real GDP of 10% or more in a year**, or a **recession lasting three or more years**.
- A **trough** is the **lowest point of economic activity, not the point of maximum activity**. It **marks the end of depression** or recession and the beginning of **recovery**, not the peak.

7. With reference to the economic phases of **Recovery**, **Expansion**, and **Boom**, consider the following statements:

1. **Recovery** marks the turnaround of the economy after a recession, characterized by low prices and increasing production.
2. **Expansion** is the final stage of the business cycle, occurring just before a trough.
3. **Boom** is a phase of high GDP growth and commercial activity, typically following the recovery phase.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: **B. 1 and 3 only**

Explanation:

- **Recovery** follows a recession/depression. It is characterized by **low prices** (from the downturn), **rising demand**, **growing production**, and **falling unemployment**.
- **Expansion is not the final stage** of the business cycle. It is an **early phase** that follows recovery and leads to the **peak or boom**. The **final stage before a trough** is typically **recession**, not expansion.
- **Boom** is marked by **significant economic growth**, rising **GDP, employment, and demand**. It usually **follows recovery and expansion**, before potentially leading into overheating and a new downturn.

8. With reference to a **Double-Dip Recession**, consider the following statements:

1. A double-dip recession refers to two consecutive quarters of negative GDP growth within the same business cycle.
2. It typically involves a brief recovery followed by another downturn, often worsened by reduced consumer demand and spending cutbacks.

Which of the statements given above is/are correct?

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

Answer: **B. 2 only**

Explanation:

- Two consecutive quarters of negative GDP growth **define a standard recession**, not specifically a double-dip. A **double-dip recession** occurs when an economy **first enters recession, then recovers briefly, and then dips into recession again — not just two back-to-back negative quarters**.
- A **double-dip recession** is marked by a **short-lived recovery followed by another recession**, often caused by weak demand due to **layoffs and prior spending cuts**, as explained in the passage.

9. Which of the following are consequences of inflation on **creditors and lending institutions**?

1. Creditors suffer losses as loans are repaid in depreciated currency.
2. Inflation introduces the need to factor in Time Value of Money (TVM) while determining interest rates.
3. Inflation leads to reduction in nominal interest rates to ease credit flow in the economy.

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: **A. 1 and 2 only**

Explanation:

- Creditors (lenders) **lose** during inflation because repayments are made in **money of lower purchasing power**.
- Inflation impacts lending through **Time Value of Money (TVM)**, which influences **interest rates**.
- **Nominal interest rates often rise** during inflation to **compensate for inflation risk**, not fall.

10. Which of the following is/are valid **macroeconomic consequences** of high inflation?

1. It redistributes income from people on fixed incomes to those with variable incomes.
2. It increases exports due to rising domestic prices.
3. It adds inefficiencies in the market, discouraging long-term planning and investment.

- A. 1 and 2 only
- B. 1 and 3 only

C. 2 and 3 only

D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- Inflation **hurts people on fixed incomes** (like pensioners) and **benefits those with variable incomes**, causing **redistributive effects**.
- **High inflation makes exports costlier**, reducing export competitiveness and **increasing imports**, which leads to a **trade deficit**.
- Inflation causes **market inefficiencies**, making it hard for businesses to **budget or invest long-term**.

INDIAN FINANCIAL MARKET

1. Consider the following statements regarding the **Indian Money Market**:

1. The discount rate in the money market is guided by the repo rate announced by the RBI.
2. Money market instruments typically have a maturity period exceeding one year.
3. Borrowings in the money market are always backed by collateral.

Which of the statements given above is/are **correct**?

A. 1 only

B. 1 and 2 only

C. 2 and 3 only

D. 1, 2 and 3

Answer: A. 1 only

Explanation:

- The repo rate announced by the RBI guides the discount rate in the money market.
- Money market instruments are for short-term needs, with maturities **up to 364 days**.
- Borrowings **may or may not** be backed by collateral.

Source: Indian Economy (Dr. Ramesh Singh)

2. With reference to the **Unorganised Money Market in India**, consider the following statements:

1. Nidhis and chit funds are examples of unregulated non-bank financial intermediaries.
2. Indigenous bankers in India operate as homogenous groups across regions.
3. All unorganised money market entities in India are outside the recognition of the government.

Which of the statements given above is/are **correct**?

A. 1 only

B. 1 and 2 only

C. 2 and 3 only

D. 1 and 3 only

Answer: A. 1 only

Explanation:

- Chit funds and nidhis are unregulated NBFCs that function as part of the unorganised money market.
- Indigenous bankers are **non-homogenous**, with region-specific types like Gujarati Shroffs, Chettiars, etc.
- Unorganised entities like chit funds are **recognised** by the government even if not regulated.

Source: Indian Economy (Dr. Ramesh Singh)

3. With reference to the **instruments of the organised money market** in India, consider the following statements:

1. Treasury Bills of 14-day maturity are still issued by the Government of India.
2. Certificates of Deposit (CDs) are tradable instruments issued only by commercial banks.
3. Commercial Paper (CP) can be issued only by listed companies with a minimum working capital of ₹3 crore.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 3 only
- D. 1, 2 and 3

Answer: C. 3 only

Explanation:

- The 14-day Treasury Bills (both intermediate and auctionable) were **discontinued in 2001**. Currently, only the 91-day, 182-day, and 364-day TBs are issued.
- While CDs were initially issued only by banks, **since 1993**, certain financial institutions like IFCL, IDBI, and Exim Bank can issue CDs for periods **above 1 year**.
- Only **listed companies with a minimum working capital of ₹3 crore** and approved credit rating can issue **Commercial Paper**.

Source: Indian Economy (Dr. Ramesh Singh)

4. Consider the following statements about **instruments introduced in the Indian money market** after the 1990s:

1. Call Money Market allows borrowing and lending of funds for up to 14 days and is mainly used by banks and mutual funds.
2. Cash Management Bills (CMBs) were introduced to provide the government flexibility in meeting temporary cash flow mismatches.
3. Reverse Repo transactions involve RBI purchasing government securities from commercial banks.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: D. 1, 2 and 3

Explanation:

- The **Call Money Market** is an inter-bank market where funds are borrowed and lent for **up to 14 days**. LIC, GIC, and mutual funds can participate **only as lenders**.
- **Cash Management Bills (CMBs)** were introduced in **August 2009** to allow the government to meet **short-term mismatches** in cash flow, with **maturities less than 91 days**.
- In **Reverse Repo**, the RBI **sells securities to banks**, which effectively means **RBI is borrowing** from them. The banks **purchase government securities**, and later, the RBI buys them back.

Source: Indian Economy (Dr. Ramesh Singh)

5. With reference to **Mutual Funds in India**, consider the following statements:

1. Exchange-Traded Funds (ETFs) are always traded at a significant discount to their Net Asset Value (NAV).
2. Mutual Funds are regulated by both RBI and SEBI, but are compulsorily registered with SEBI.
3. In a balanced mutual fund scheme, the proportion of investments in loan and share markets may be adjusted depending on market conditions.

Which of the statements given above is/are **correct**?

- A. 2 and 3 only
B. 1 and 3 only
C. 2 only
D. 1, 2 and 3

Answer: A. 2 and 3 only

Explanation:

- ETFs **are traded close to their NAV**, not necessarily at a significant discount. In fact, compared to close-ended funds (which often trade at a discount), ETFs are designed to mirror NAV more closely.
- Mutual Funds were first introduced in the **money market** (under RBI), but they operate in both money and capital markets. Thus, they have **dual regulation**, but they are **compulsorily registered with SEBI**, which acts as the primary regulator for investor protection.
- **Balanced schemes** typically invest around **60% in the loan market and 40% in the share market**, but this ratio can be **adjusted based on the market situation**, as disclosed by the fund.

Source: Indian Economy (Dr. Ramesh Singh)

6. Consider the following statements regarding **Mutual Fund schemes** in India:

1. Open-ended mutual fund schemes allow investors to buy and sell units on an ongoing basis at NAV-based prices.
2. Closed-ended mutual fund schemes can be redeemed only on the stock exchange at market-determined prices before maturity.
3. Net Asset Value (NAV) is calculated as the total value of assets in the fund divided by the total number of units issued.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
B. 1 and 3 only
C. 2 and 3 only
D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- Open-ended schemes **allow investors to buy/sell units at any time** directly from the fund at prices based on the **Net Asset Value (NAV)**.
- While closed-ended schemes are **traded on stock exchanges**, investors **are not required to redeem only through exchange**. Redemption can occur at maturity, and schemes may be converted into open-ended funds as well.
- NAV is defined as the **total value of investments** in a scheme **divided by the number of units** issued.

Source: Indian Economy (Dr. Ramesh Singh)

7. With reference to the **Call Money Market** in India, consider the following statements:

1. The call money market deals with collateralised borrowing and lending for a period of up to 7 days.
2. Scheduled commercial banks, cooperative banks, and primary dealers participate in the call money market.
3. The Reserve Bank of India specifies prudential limits for participants in the call money market.

Which of the statements given above is/are **correct**?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- The **call money market** deals with **uncollateralised overnight borrowing and lending** (not for up to 7 days, and not collateralised).
- **Scheduled Commercial Banks** (excluding RRBs), **cooperative banks** (except land development banks), and **primary dealers** participate in the market.
- The **RBI specifies prudential limits** on borrowing and lending for each participating entity, as per its guidelines.

Source: Indian Economy (Dr. Ramesh Singh)

8. With reference to **Open Market Operations (OMOs)**, consider the following statements:

1. OMOs involve the sale or purchase of government securities with the objective of controlling rupee liquidity in the market.
2. The effectiveness of OMOs as a monetary policy tool is limited by the availability of government securities with the RBI.

Which of the statements given above is/are **correct**?

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

Answer: C. Both 1 and 2

Explanation:

- OMOs are used by the RBI to **modulate rupee liquidity** by **buying or selling government securities**.
- The **stock of G-Secs** with the RBI limits its ability to conduct OMOs freely.

Source: Indian Economy (Dr. Ramesh Singh)

9. With reference to the **Liquidity Adjustment Facility (LAF)**, consider the following statements:

1. The LAF allows the RBI to manage liquidity in the banking system on a daily basis through repo and reverse repo operations.
2. Under the reverse repo operation, banks borrow funds from the RBI by pledging securities at a fixed interest rate.

Which of the statements given above is/are **correct**?

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

Answer: A. 1 only

Explanation:

- The **LAF is a daily liquidity management tool**, allowing the **RBI to lend or borrow via repo (inject liquidity) and reverse repo (absorb liquidity)** operations.
- Under **reverse repo**, it is the **RBI that borrows funds from banks**, not the other way around. This helps **drain excess liquidity** from the system.

Source: Indian Economy (Dr. Ramesh Singh)

10. With reference to the **differences between the Money Market and the Capital Market in India**, consider the following statements:

1. Transactions in the capital market involve fewer formalities and are conducted without the use of stock exchanges.
2. The money market deals with financial instruments having a maturity period of up to 1 year and is primarily regulated by the RBI.

Which of the statements given above is/are **correct**?

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

Answer: **B. 2 only**

Explanation:

- **Capital market transactions** are **well-regulated and conducted through stock exchanges**. Fewer formalities apply to the **money market**, not the capital market.
- The **money market** indeed deals with **short-term instruments** (maturity up to 1 year) and is **closely regulated by the RBI**.

Source: Indian Economy (Dr. Ramesh Singh)

Banking in India

1. Consider the following statements:

1. Both banks and non-bank financial institutions can accept deposits and provide loans.
2. Non-bank financial institutions allow depositors to withdraw funds using cheques.

Which of the statements given above is/are correct?

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

Answer: **A) 1 only**

Explanation:

- Both banks and non-bank institutions may accept deposits and lend money.
- Only banks allow depositors to withdraw funds using cheques; non-bank institutions do not offer this facility.

Source: Indian Economy (Ramesh Singh)

2. Consider the following statements regarding Non-Banking Financial Companies (NBFCs):

1. NBFCs are allowed to accept demand deposits from the public.
2. NBFCs cannot issue cheques drawn on themselves as they do not form part of the payment and settlement system.

Which of the statements given above is/are correct?

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

Answer: B) 2 only

Explanation:

- NBFCs **are not allowed** to accept **demand deposits** (i.e., deposits withdrawable by cheque like savings or current accounts).
- Since NBFCs **are not part of the payment and settlement system**, they **cannot issue cheques drawn on themselves**, unlike banks.

Source: Indian Economy (Ramesh Singh)

3. Consider the following statements:

1. NBFCs with asset size of ₹500 crore or more are classified as systemically important.
2. All NBFCs are covered under the deposit insurance scheme of DICGC, like scheduled commercial banks.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- NBFCs having an asset size of **₹500 crore or more** are considered **systemically important** as they can impact financial stability.
- NBFCs **are not covered** under the **Deposit Insurance and Credit Guarantee Corporation (DICGC)** insurance scheme, unlike banks.

Source: Indian Economy (Ramesh Singh)

4. Consider the following statements regarding the Reserve Bank of India (RBI):

1. The RBI was originally established as a private bank under the RBI Act, 1934.
2. After nationalisation in 1949, the RBI became a technical commercial bank with limited regulatory functions.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- The RBI was set up in **1935** as a **private bank** under the **Reserve Bank of India Act, 1934**.
- After **nationalisation in 1949**, RBI became the **central banking authority** of India, not a commercial bank. It gained **extensive regulatory and monetary control functions**, not limited ones.

Source: Indian Economy (Ramesh Singh)

5. Consider the following statements:

1. The Reserve Bank of India issues all denominations of Indian currency notes, including Re. 1.
2. The RBI acts as an agent of the Government of India in the International Monetary Fund (IMF).

Which of the statements given above is/are correct?

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

Answer: B) 2 only

Explanation:

- RBI **does not issue Re. 1 notes or coins**; those are issued by the **Ministry of Finance** and signed by the **Finance Secretary**.
- RBI functions as the **official agent of the Government of India** in dealings with the **IMF**.

Source: Indian Economy (Ramesh Singh)

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

1. CRR is the percentage of total deposits of a bank that must be maintained in cash with the Reserve Bank of India.
2. The RBI pays interest on the amount maintained by banks as CRR.

Which of the statements given above is/are correct?

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

Answer: A) 1 only

Explanation:

- CRR is the **cash percentage of a bank's total deposits** that must be kept with the **RBI**.
- The **RBI does not pay any interest** on the CRR balances maintained by banks.

Source: Indian Economy (Ramesh Singh)

7. Consider the following statements:

Statement I: Cash Reserve Ratio (CRR) helps the RBI control inflation in the economy.

Statement II: By increasing CRR, the RBI increases the lending capacity of banks to stimulate economic growth.

Which one of the following is correct?

- A) Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I.
- B) Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I.

I.

C) Statement I is correct, but Statement II is incorrect.

D) Statement I is incorrect, but Statement II is correct.

Answer: C) Statement I is correct, but Statement II is incorrect.

Explanation:

- CRR is a monetary policy tool used by the RBI to **control inflation**. By increasing CRR, RBI **reduces the money supply** in the economy, thereby helping control inflation.
- Increasing CRR **reduces**, not increases, the **lending capacity** of banks. It absorbs liquidity, hence not used to stimulate growth but to curb excess money supply.

Source: Indian Economy (Ramesh Singh)

8. Consider the following statements:

Statement I: The Bank Rate influences the long-term lending activities of banks and financial institutions in India.

Statement II: Bank Rate is the interest rate at which the Reserve Bank of India lends short-term funds to commercial banks.

Which one of the following is correct?

A) Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I.

B) Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I.

C) Statement I is correct, but Statement II is incorrect.

D) Statement I is incorrect, but Statement II is correct.

Answer: C) Statement I is correct, but Statement II is incorrect.

Explanation:

- The **Bank Rate**, as fixed by the RBI, **directly affects long-term lending** activities of institutions like scheduled banks, NBFCs, and cooperative banks.
- The **Bank Rate applies to long-term lending**, not **short-term funds**. Short-term lending by RBI is handled through **Repo Rate**, **MSF**, and **Liquidity Adjustment Facility (LAF)** mechanisms.

Source: Indian Economy (Ramesh Singh)

9. Consider the following statements regarding the **monetary policy tools used by the Reserve Bank of India (RBI)**:

1. Repo rate refers to the interest rate at which the RBI lends short-term funds to commercial banks against government securities.

2. Reverse repo rate is the rate at which the RBI borrows short-term funds from banks and financial institutions.

3. A higher repo rate encourages banks to lend more to the public to earn higher interest income.

Which of the statements given above is/are correct?

A) 1 and 2 only

B) 1 and 3 only

C) 2 and 3 only

D) 1, 2 and 3

Answer: A) 1 and 2 only

Explanation:

- Repo rate is the **rate at which the RBI lends short-term funds** to banks by **accepting dated government securities as collateral**.

- Reverse repo rate is the **rate at which banks lend short-term surplus funds to the RBI**, essentially the reverse of repo.
- A **higher repo rate makes borrowing from RBI costlier** for banks, **reducing their ability to lend**, and hence **discourages lending**, not encourages it.

Source: Indian Economy (Ramesh Singh)

10. Consider the following statements:

Statement I: The Marginal Standing Facility (MSF) provides a safety valve against unexpected liquidity shocks to the banking system.

Statement II: Under the MSF, banks can borrow overnight funds from the RBI by pledging government securities, even below the Statutory Liquidity Ratio (SLR) threshold.

Which one of the following is correct?

- A) Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I.
- B) Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I.
- C) Statement I is correct, but Statement II is incorrect.
- D) Statement I is incorrect, but Statement II is correct.

Answer: A) Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I.

Explanation:

- MSF is specifically designed as a **safety valve** to address **unexpected liquidity shortfalls** in the banking system.
- Under MSF, banks can **borrow overnight by pledging securities even by dipping into their SLR holdings** (within a limit of 1% of NDTL), which they are otherwise required to maintain — this unique feature allows flexibility in emergency situations.

Source: Indian Economy (Ramesh Singh)

Banking in India-2

1. With reference to the Marginal Cost of Funds based Lending Rate (MCLR), consider the following statements:

- 1. MCLR is calculated by the Reserve Bank of India and is applicable uniformly across all banks.
- 2. Banks are not allowed to lend below the MCLR rate for loans linked to that benchmark.

Which of the statements given above is/are correct?

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

Answer: B. 2 only

Explanation:

- The Marginal Cost of Funds-Based Lending Rate (MCLR) is the minimum interest rate that a bank is allowed to charge for lending.
- It serves as a benchmark for determining the lowest possible interest rate at which banks can offer different types of loans.
- MCLR is determined **internally by individual banks**, not by the RBI.

- Banks are **not permitted to lend below** the MCLR for loans linked to it.

Source: Indian Economy (Ramesh singh)

2. With reference to the Reserve Bank of India (Pre-payment Charges on Loans) Directions, 2025, consider the following statements:

1. The Directions apply to floating-rate loans taken by individuals for non-business purposes.
2. Small Finance Banks and Regional Rural Banks are exempt from the Directions only when issuing loans up to ₹50 lakh.
3. Regulated lenders can impose prepayment penalties if the repayment is partial or comes from a third-party source.

Which of the statements given above is/are correct?

- A. 1 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 2 only

Explanation:

- The Directions target floating-rate loans by individuals for non-business purposes.
- Small Finance Banks and RRBs are exempt only for loans up to ₹50 lakh.
- No prepayment penalty can be imposed, *regardless* of whether repayment is full or partial or from any source.

Source: Indian Economy (Ramesh singh)

3. Consider the following statements regarding Non-Performing Assets (NPAs):

1. A loan is classified as a Non-Performing Asset (NPA) if the principal or interest payment remains overdue for a period of 180 days.
2. Substandard assets are those which have remained NPAs for a period not exceeding 12 months.
3. Loss assets are considered unrecoverable and are of such minimal value that they are no longer regarded as bankable assets.

Which of the above statements is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 3 only

Answer: B. 2 and 3 only

Explanation:

- As per RBI guidelines, a loan becomes an NPA if the overdue period is **90 days**, not 180 days.
- Substandard assets are those which have remained NPAs for a period **less than or equal to 12 months**.
- Loss assets are those considered **uncollectible** and of such little value that they no longer qualify as bankable, though some recovery might be possible.

Source: Indian Economy (Ramesh singh)

4. With reference to Non-Performing Assets (NPAs) in Indian banking, consider the following statements:

1. Gross NPA (GNPA) refers to the value of total NPAs before provisioning is made by the bank.
2. Net NPA (NNPA) is calculated by subtracting provisions from the GNPA.
3. As per Basel-III norms, 100% provisioning is mandatory for all types of loans, including standard assets.

Which of the above statements is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- GNPA reflects the **total value of all NPAs** a bank holds **before** provisioning.
- NNPA = GNPA – Provisions. It gives the **real burden of bad loans** after accounting for safeguards.
- 100% provisioning is required **only in case of NPAs classified as "Loss Assets", not for all types of loans**. For standard loans, provisioning is much lower (5–20% depending on risk profile).

Source: Indian Economy (Ramesh singh)

5. With reference to the Debt Recovery Tribunals (DRTs) in India, consider the following statements:

1. DRTs have the authority to adjudicate cases involving disputed loans above ₹10 lakh from banks and financial institutions.
2. Under the SARFAESI Act, banks can recover secured debts without initially approaching courts or tribunals.
3. An appeal against a decision of the DRT can be made to the Debts Recovery Appellate Tribunal (DRAT).

Which of the above statements is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- DRTs handle loan recovery cases **above ₹20 lakh**, not ₹10 lakh.
- The **SARFAESI Act, 2002** allows banks and financial institutions to enforce security interests and recover dues **without court intervention** at the initial stage.
- Any party aggrieved by the order of a DRT can appeal to the **Debts Recovery Appellate Tribunal (DRAT)**.

Source: Indian Economy (Ramesh singh)

6. Consider the following statements:

Statement I: A borrower who fails to repay a loan despite having the capacity to repay and is found to have diverted or siphoned off the funds can be classified as a wilful defaulter.

Statement II: According to RBI guidelines, wilful default classification can be done solely based on a one-time default event, without providing the borrower an opportunity to be heard.

Which one of the following is correct?

- A. Both Statement I and Statement II are correct and Statement II is the correct explanation of Statement I.
- B. Both Statement I and Statement II are correct but Statement II is not the correct explanation of Statement I.
- C. Statement I is correct but Statement II is incorrect.
- D. Statement I is incorrect but Statement II is correct.

Answer: C. Statement I is correct but Statement II is incorrect.

Explanation:

- The RBI defines a wilful defaulter as someone who **has the capacity to repay but does not, or diverts/siphons funds, or sells assets given as security.**
- An entity **cannot** be termed a wilful defaulter for a **one-off default**. The default must be proven as **intentional**, and the defaulter must be **informed and given a chance to explain.**

Source: Indian Economy (Ramesh singh)

7. Consider the following statements regarding Capital Adequacy Ratio (CAR):

- 1. Capital Adequacy Ratio is the ratio of a bank's total capital to its total credit exposure.
- 2. CAR is used to protect depositors' interests and ensure the financial stability of banks by assessing their capacity to absorb potential losses.

Which of the above statements is/are correct?

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

Answer: B. 2 only

Explanation:

- CAR is **not** calculated on total credit exposure but on **risk-weighted credit exposures**. It is the ratio of a **bank's capital to its risk-weighted assets**, not just total credit.
- The purpose of CAR is to **protect depositors** and **ensure financial system stability** by making sure banks have enough capital to **absorb losses**.

Source: Indian Economy (Ramesh singh)

8. Consider the following statements with reference to banking terminology:

- 1. Narrow Money refers to highly liquid forms of money which banks can freely use for long-term lending.
- 2. Broad Money includes components which banks can use for their lending programmes as it stays with them for a known period.

Which of the above statements is/are correct?

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

Answer: B. 2 only

Explanation:

- Narrow Money (e.g., M1 and M2) refers to **highly liquid money**, such as **currency with the public and demand deposits**, but it is **not suitable for lending** because it can be withdrawn at any time.
- Broad Money (M3) includes **time deposits** which stay with banks for a **predictable period**, allowing banks to use it for their **lending operations**.

Source: Indian Economy (Ramesh singh)

9. Consider the following statements regarding NRI bank accounts in India:

1. NRE Account is held in Indian Rupees and both principal and interest are tax-free.
2. NRO Account is used to manage income earned in India and the interest is taxable.
3. FCNR (B) Account is held in foreign currency and is exempt from tax.

Which of the above statements is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: D. 1, 2 and 3

Explanation:

- The **Non-Resident External (NRE)** account is maintained in **Indian Rupees**, meant for **foreign income**. It is **freely repatriable** and both **principal and interest are tax-free** in India.
- The **Non-Resident Ordinary (NRO)** account is for managing **income earned in India** (like rent, dividends, etc.). The **interest earned is taxable**, and repatriation is subject to certain limits.
- The **Foreign Currency Non-Resident (Bank)** account is held in **designated foreign currencies**. Both **principal and interest are exempt from tax** in India, and there is **no exchange rate risk**.

Source: Indian Economy (Ramesh singh)

10. Consider the following statements regarding Nidhi Companies:

1. A Nidhi Company is registered under the Companies Act, 2013 and does not require a license from the Reserve Bank of India (RBI).
2. Nidhi Companies are allowed to accept deposits from the general public but not allowed to lend to non-members.
3. Nidhi Companies are prohibited from engaging in insurance, securities trading, or issuing preference shares and debentures.

Which of the above statements is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- Nidhi Companies are **registered under Section 406 of the Companies Act, 2013** and are **exempt from requiring RBI licensing**, though they fall under the NBFC category.
- Nidhi Companies **cannot accept deposits from the general public**. They can **accept deposits only from their registered members** and also lend only to **members**, not to outsiders.
- They are **prohibited** from engaging in activities like **insurance, chit funds, securities trading**, and from **issuing preference shares, debentures, or any other debt instruments**.

Source: Indian Economy (Ramesh singh)

International Economic Organisations

1. Which of the following statements are correct regarding the New Development Bank (NDB)?

1. The NDB was established by the BRICS countries to support infrastructure and sustainable development projects.
2. The NDB's headquarters is located in New Delhi, India.
3. The NDB provides financial assistance exclusively to BRICS member countries.
4. All members of the NDB have equal voting rights

Select the correct answer:

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

Correct Answer: B) 1 and 4 only

Explanation:

- **Statement 1 is correct:** The NDB was established by BRICS nations to support infrastructure and sustainable development projects.
- **Statement 2 is incorrect:** The NDB's headquarters is in Shanghai, China, not New Delhi.
- **Statement 3 is incorrect:** The NDB provides financial assistance to BRICS countries as well as other emerging and developing economies, not exclusively to BRICS members.
- **Statement 4 is correct:** Unlike the World Bank or ADB, the NDB grants equal voting rights to all its members, promoting equal partnership among members.

Source- Newdevelopmentbank official site

2. The "Flexible Credit Line (FCL)" is often seen in news related to?

- A) AIIB
- B) World Bank
- C) IMF
- D) NDB

Correct Answer: C) IMF

Explanation: The Flexible Credit Line (FCL) is a lending instrument designed by the IMF for countries with strong economic fundamentals to provide crisis prevention and mitigation support.
(Source: IMF official website)

3. Which of the following is/are lending instrument(s) of the International Monetary Fund?

1. Extended Credit Facility
2. Standby Credit Facility
3. Monetary Development Facility

Select the correct answer:

- A) Only one
- B) Only two
- C) Only three
- D) None

Correct Answer: B) Only two (1 and 2)

Explanation: The IMF provides several lending facilities, including the Extended Credit Facility and the Standby Credit Facility. There is no facility named "Monetary Development Facility."
(Source: IMF official website).

4: With reference to the African Development Bank (AfDB), consider the following statements:

1. It was established with the primary aim of promoting poverty alleviation and socio-economic development in Africa.
2. Its headquarters is located in Addis Ababa, Ethiopia.
3. India is one of the non-African member countries of the Bank.

Which of the statements given above are correct?

- [A] 1 and 3 only
- [B] 2 only
- [C] 1, 2 and 3
- [D] 1 and 2 only

Correct Answer: [A] 1 and 3 only

Explanation:

- **Statement 1 is correct** – The African Development Bank was established to promote poverty alleviation and sustainable socio-economic development across African countries.
- **Statement 2 is incorrect** – The headquarters of AfDB is located in **Abidjan, Côte d'Ivoire**, not Addis Ababa.
- **Statement 3 is correct** – India is among the **27 non-African countries** that are members of AfDB, in addition to 54 African nations.

Source- African Development Bank (AfDB) official site

5. Which of the following institutions is the soft window of the World Bank?

- A) International Bank for Reconstruction and Development (IBRD)
- B) International Development Association (IDA)
- C) International Finance Corporation (IFC)
- D) Multilateral Investment Guarantee Agency (MIGA)

Correct Answer: B) International Development Association (IDA)

Explanation: The IDA is known as the "soft window" of the World Bank as it provides concessional loans and grants to the poorest countries to support development projects.
(Source: Ramesh Singh)

6: With reference to the Asian Infrastructure Investment Bank (AIIB), consider the following statements:

1. AIIB has more than 80 member nations.
2. India is the largest shareholder in AIIB.
3. AIIB does not have any members from outside Asia.

Which of the statements given above is/are correct?

- [A] 1 only
- [B] 2 and 3 only
- [C] 1 and 3 only
- [D] 1, 2 and 3

Answer: A) 1 only

Explanation:

- Statement 1 is **correct**. The AIIB currently has over 100 approved members from around the world (both regional and non-regional members).
- Statement 2 is **incorrect**. China is the largest shareholder of AIIB, not India. India is among the top shareholders but ranks behind China.
- Statement 3 is **incorrect**. AIIB includes many members from outside Asia, including countries from Europe, Africa, and the Americas.

Source- Asian Infrastructure Investment Bank (AIIB) official site

7. Consider the following statements regarding the International Finance Corporation (IFC):

1. It lends money to public sector companies of its member nations.
2. It provides advice for public-private ventures and projects in partnership with private investors.

Which of the statements is/are correct?

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

Correct Answer: B) 2 only

Explanation: The IFC is the private sector arm of the World Bank Group. It lends to private sector companies and provides advisory services to encourage private investment. It does not lend to public sector companies. (Source: Ramesh Singh)

8. Which of the following organizations of the World Bank “provides technical assistance to help countries disseminate information on investment opportunities”?

- A) Multilateral Investment Guarantee Agency (MIGA)
- B) International Development Association (IDA)
- C) International Finance Corporation (IFC)
- D) International Bank for Reconstruction and Development (IBRD)

Correct Answer: A) Multilateral Investment Guarantee Agency (MIGA)

Explanation: MIGA offers political risk insurance to foreign investors and also provides technical assistance to countries to promote investment opportunities.

(Source: Ramesh Singh)

9. The “Ordinary Capital Resources” is recently seen in news related to?

- A) ADB
- B) AIIB
- C) World Bank
- D) IMF

Correct Answer: A) ADB

Explanation: ADB's Ordinary Capital Resources (OCR) refers to its market-based lending operations targeting developing member countries, supporting diverse sectors.

(Source: ADB official website)

10. The famous "Uruguay Round negotiations" related to which of the following?

- A) IMF
- B) WTO
- C) GEF
- D) WEF

Correct Answer: B) WTO

Explanation: The Uruguay Round (1986–1994) led to the establishment of the World Trade Organization (WTO), significantly expanding trade rules and including agreements on agriculture, services (GATS), and intellectual property rights (TRIPS).

(Source: Ramesh Singh)

Security Market in India

1. With reference to the security markets in India, consider the following statements:

1. In the primary market, securities are traded between investors only.
2. The secondary market facilitates trading of securities that have already been issued in the primary market.
3. Stock exchanges provide the platform for trading in the secondary market.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only

- C. 1 and 3 only
- D. 1, 2 and 3

Answer: B. 2 and 3 only

Explanation:

- In the **primary market**, securities are issued **directly by the capital raiser (such as a company)** to the investor. It is **not** a market where securities are traded **between investors**—that happens in the **secondary market**.
- The **secondary market** is where existing securities (already issued in the primary market) are **traded among investors**.
- **Stock exchanges** (like NSE, BSE) act as **institutionalised platforms** for trading in the **secondary market**.

Source: Indian Economy (Ramesh Singh)

2. With reference to the National Stock Exchange (NSE) of India, consider the following statements:

1. NSE was established in 1992 and has contributed significantly to transparency and reform in the Indian securities market.
2. CNX Nifty comprises 50 companies from across different sectors of the Indian economy.
3. CNX Nifty Junior represents companies listed exclusively on foreign stock exchanges with Indian operations.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- NSE was established in **1992** and has played a major role in introducing **transparency, reform, and efficiency** in the Indian securities market.
- The **CNX Nifty** (also called Nifty 50) is the **benchmark index** of NSE and includes **50 well-diversified stocks** representing key sectors of the Indian economy.
- **CNX Nifty Junior** includes **Indian companies** ranked just below the top 50 in market capitalization, **not foreign-listed companies**.

Source: Indian Economy (Ramesh Singh)

3. With reference to the Securities and Exchange Board of India (SEBI), consider the following statements:

1. SEBI is a statutory body responsible for regulating and promoting the securities market in India.
2. The SEBI Board includes representatives from the Union Ministry of Finance and the Reserve Bank of India.
3. All members of the SEBI Board are nominated by the Reserve Bank of India.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only

- C. 1 and 3 only
D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- SEBI is indeed a **statutory body** tasked with **regulating and promoting** the securities market, and **protecting investor interests**.
- SEBI's Board includes **two members from the Union Ministry of Finance** and **one from the RBI**.
- **Not all members** are nominated by the **RBI**; most members are nominated by the **Union Government**, with only **one RBI representative**.

Source: Indian Economy (Ramesh Singh)

4. With reference to the Bombay Stock Exchange (BSE), consider the following statements:

1. BSE is the first stock exchange in Asia and was established in the 19th century.
2. BSE uses an online trading system known as BOLT for seamless transactions.
3. BSE is yet to be listed on any stock exchange as it remains a privately held institution.

Which of the statements given above is/are correct?

- A. 1 and 2 only
B. 2 and 3 only
C. 1 and 3 only
D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- BSE is **Asia's first stock exchange**, established in **1875**, i.e., in the **19th century**.
- BSE uses **BOLT (BSE Online Trading)** system for **efficient and seamless online trading**.
- BSE is **not privately held anymore**—in **2017**, it underwent an **IPO** and got **listed on NSE**.

Source: Indian Economy (Ramesh Singh)

5. With reference to commodity trading in India, consider the following statements:

1. Commodity exchanges enable futures trading, helping participants hedge against price risk.
2. Farmers are the primary participants in commodity futures markets in India.
3. The Forward Markets Commission is a statutory regulatory authority for the commodity derivatives market in India.

Which of the statements given above is/are correct?

- A. 1 and 2 only
B. 1 and 3 only

C. 2 and 3 only

D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- Commodity exchanges do facilitate **futures trading** and help **hedge against price risks** caused by fluctuating commodity prices.
- The **farmers do not largely operate** in the futures market due to **operational difficulties and lack of knowledge**.
- The **Forward Markets Commission (FMC)** is a statutory regulatory authority for the commodity derivatives market in India. It was established in 1953 under the Forward Contracts (Regulation) Act (FCRA), 1952.

Source: Indian Economy (Ramesh Singh)

6. With reference to the methods of raising capital in the primary market in India, consider the following statements:

1. A Rights Issue allows all Indian citizens to subscribe to the company's shares.
2. Private placement involves raising capital by negotiating directly with a select group of investors.
3. Public issue is considered the most prestigious method of raising capital and is open to the general public.

Which of the statements given above is/are correct?

A. 2 and 3 only

B. 1 and 2 only

C. 1 and 3 only

D. 1, 2 and 3

Answer: A. 2 and 3 only

Explanation:

- A **Rights Issue** is **not open to all**; it is offered **only to existing shareholders** of the company.
- **Private Placement** involves **direct negotiations** with a **select group** of investors such as **financial institutions** or high-net-worth individuals.
- A **Public Issue** is **open to all Indian citizens** and is the **most broad-based and prestigious** method of raising capital.

Source: Indian Economy (Ramesh Singh)

7. With reference to terms used in the Indian stock market, consider the following statements:

1. A scrip share is a bonus share issued to existing shareholders at no additional charge.
2. Kerb dealings refer to transactions that happen during regular trading hours on stock exchanges.
3. Badla refers to the postponement of transactions by buyers, also known as contango in the Western world.

Which of the statements given above is/are correct?

A. 1 and 3 only

B. 2 and 3 only

- C. 1 and 2 only
- D. 1, 2 and 3

Answer: A. 1 and 3 only

Explanation:

- A scrip share is indeed a **bonus share** given **free to existing shareholders**.
- **Kerb dealings** happen **outside** stock exchanges, **unofficially**, and **after normal trading hours**.
- **Badla** is when **buyers want to postpone** the transaction, and it's referred to as **contango** in the Western markets.

Source: Indian Economy (Ramesh Singh)

8. With reference to commodity exchanges in India, consider the following statements:

1. NCDEX deals primarily in agricultural commodities and is regulated by SEBI.
2. MCX is the largest commodity futures exchange in India, where metals and crude oil are commonly traded.
3. The AGRIDEX index tracks the performance of 10 non-agricultural commodities.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- **NCDEX** (National Commodity and Derivatives Exchange) is focused on **agricultural commodities** and is regulated by **SEBI**.
- **MCX** (Multi Commodity Exchange) is the **largest commodity futures exchange** in India, where **metals and crude oil** are traded.
- **AGRIDEX** is an index launched by **NCDEX**, not MCX, and it tracks **agricultural commodities**, not non-agricultural ones.

Source: Indian Economy (Ramesh Singh)

9. With reference to foreign investments in Indian security markets, consider the following statements:

1. Foreign Direct Investment (FDI) involves active ownership and flows primarily into the primary market.
2. Foreign Portfolio Investment (FPI) and Foreign Institutional Investors (FII) both bring short-term capital and operate in the secondary market.
3. FPI and FII investors are primarily eligible for company profits in the form of dividends, not capital gains.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 2 and 3 only

C. 1 and 3 only

D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- **FDI** implies **active ownership** and targets the **primary market**.
- **FPI** and **FII** provide **short-term capital** and are involved in **secondary market** trading.
- **FPI** and **FII** investors are primarily eligible for **capital gains**, not just dividends. Dividends may be received, but **capital appreciation** is their main focus.

Source: Indian Economy (Ramesh Singh)

10. With reference to methods of raising capital in the Indian securities market, consider the following statements:

Statement I: An Initial Public Offering (IPO) allows a privately held or government-owned company to raise capital by offering shares directly to the public.

Statement II: Under the Offer for Sale (OFS) method, securities are sold directly to the public by the company through a stock exchange platform.

Which of the statements given above is/are correct?

A. Only Statement I is correct

B. Only Statement II is correct

C. Both Statement I and Statement II are correct

D. Neither Statement I nor Statement II is correct

Answer: A. Only Statement I is correct

Explanation

- An **IPO (Initial Public Offering)** is the **first time a private or government-owned company** (like LIC) raises funds from the **public** by issuing its shares.
- The process involves:
 - Offering shares to retail and institutional investors.
 - **Listing** the company on a **stock exchange** post-IPO.
 - Enabling future capital raising through **Follow-on Public Offerings (FPOs)**.
- In an **Offer for Sale (OFS)**:
 - The **company does not sell directly to the public**.
 - Instead, the company sells **securities in bulk** (en bloc) to **intermediaries** like **issuing houses or brokers**.
 - These intermediaries then **resell the securities** to the public.
- This method **does not involve direct issuance** to retail investors by the company.

Source: Indian Economy (Ramesh Singh)

External Sector of India

1. With reference to India's Foreign Exchange Reserves, consider the following statements:

1. They consist of Foreign Currency Assets, Gold, SDRs, and Reserve Tranche Position.
2. Special Drawing Rights and Reserve Tranche Position are maintained with the World Bank.
3. RBI uses forex reserves to intervene in the currency market to stabilize the value of the Rupee.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- India's forex reserves include **Foreign Currency Assets (FCA), Gold, Special Drawing Rights (SDRs), and Reserve Tranche Position (RTP)**.
- SDRs and RTP are maintained with the **International Monetary Fund (IMF)**, **not** the World Bank.
- The RBI **uses forex reserves** to stabilize the currency, especially during excessive **depreciation of the Rupee**, by intervening in the foreign exchange market.

Source: Indian Economy (Ramesh Singh)

2. With reference to the Fixed Currency Regime under the IMF, consider the following statements:

1. Under this regime, the exchange rate of a currency was fixed by the IMF against a basket of major world currencies.
2. Member countries were required to maintain the fixed exchange rate determined by the IMF, which could be revised periodically.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- The IMF regulated exchange rates by fixing them against a basket of major currencies (like USD, GBP, JPY, DM, and FFf).
- Countries were expected to maintain these fixed rates, with revisions made by the IMF as needed.

Source: Indian Economy (Ramesh Singh)

3. With reference to the Floating Currency Regime, consider the following statements:

1. In a floating exchange rate system, the value of a currency is determined by market forces such as demand and supply.
2. The IMF mandated all member countries to adopt the floating currency regime after 1973.
3. In a floating exchange rate system, the central bank does not intervene in the foreign exchange market under any circumstances.

Which of the statements given above is/are correct?

- A. 1 only
- B. 1 and 2 only
- C. 1 and 3 only
- D. 1, 2 and 3

Answer: A. 1 only

Explanation:

- Floating exchange rates are driven by **market demand and supply**.

- The **IMF allowed** member countries the **option** to choose between fixed and floating regimes after 1973; it was **not mandatory**.
- While floating regimes are primarily market-determined, **central banks may intervene occasionally** to stabilize extreme volatility — such interventions make it a **managed float**.

Source: Indian Economy (Ramesh Singh)

4. With reference to the Managed Exchange Rate System, consider the following statements:

1. It is a hybrid system combining features of both fixed and floating exchange rate regimes.
2. India follows a managed but flexible exchange rate system.
3. Under this system, central banks never intervene in the foreign exchange market to influence currency value.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- The managed exchange rate is a **hybrid** of fixed and floating systems, involving both market mechanisms and official interventions.
- India has followed a **managed but flexible exchange rate system** (also called a dual-currency regime) since the **1992-93 financial year**.
- Central banks **do intervene** in this system, either directly (buying/selling currencies) or indirectly (changing interest rates, managing capital flows) to **stabilize or guide** exchange rates.

Source: Indian Economy (Ramesh Singh)

5. With reference to the Foreign Exchange Market, consider the following statements:

1. It is the institutional framework where one national currency is exchanged for another.
2. Exchange rates in the foreign exchange market are determined purely through government mandates under all systems.
3. Active currency exchange in this market is typically seen under floating and managed exchange rate regimes.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: B. 1 and 3 only

Explanation:

- The foreign exchange market serves as the **institutional setup** for exchanging one currency for another.
- Exchange rates in the forex market are **not always determined by government mandate**. In **floating and managed regimes**, they are **market-driven or influenced**, not fixed.
- **Free-floating and managed exchange rate systems** allow active participation in the forex market; it is **restricted or non-existent** in a **fixed or hard-fixed regime**.

Source: Indian Economy (Ramesh Singh)

6. With reference to international trade, consider the following statements:

Statement I: The trade balance refers to the monetary difference between the total exports and imports of an economy in a financial year, and it can be either favourable or unfavourable.

Statement II: Trade policy, also known as foreign trade or Exim policy, regulates a country's export-import activities and is periodically revised based on global economic conditions and the policies of trading partners.

Which of the statements given above is/are correct?

- A. Statement I only
- B. Statement II only
- C. Both Statement I and Statement II
- D. Neither Statement I nor Statement II

Answer: C. Both Statement I and Statement II

Explanation:

- Trade balance is the **difference between exports and imports** in monetary terms. A **positive** balance is favourable (surplus), while a **negative** balance is unfavourable (deficit).
- Trade policy governs the **export-import framework** and is updated to reflect **changes in global trade dynamics** and the policies of key trade partners.

Source: Indian Economy (Ramesh Singh)

7. With reference to currency valuation in the foreign exchange market, consider the following statements:

1. Depreciation refers to a fall in the value of a domestic currency in a floating exchange rate system due to market forces.
2. Devaluation occurs when the government officially lowers the value of its currency under a fixed exchange rate system.
3. Revaluation is the process of increasing the value of a currency due to demand-supply dynamics in a floating exchange rate system.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2 and 3

Answer: A. 1 and 2 only

Explanation:

- Depreciation happens when a domestic currency **loses value due to market forces** in a **floating exchange rate system**.
- Devaluation is an **official reduction** in the currency's value by the **government**, usually in a **fixed or managed exchange rate** system.
- Revaluation is **not market-driven**; it is an **official act** by the government to **increase the value** of its currency under a **fixed or managed exchange rate** system — not in a floating regime.

Source: Indian Economy (Ramesh Singh)

8. Consider the following statements:

Statement I: In the external sector, the Current Account of a country records all current transactions in foreign currency, such as exports, imports, interest payments, remittances, and transfers.

Statement II: These transactions are recorded as either inflows (credits) or outflows (debits), and the resulting balance can be either a surplus or a deficit.

In the context of the above statements, which of the following is correct?

- A. Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I
- B. Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I
- C. Statement I is correct, but Statement II is incorrect
- D. Statement I is incorrect, but Statement II is correct

Answer: A. Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I

Explanation:

- **Statement I** correctly defines the **Current Account in the external sector** as a record of **foreign currency transactions** like exports, imports, remittances, interest, and transfers.
- **Statement II** accurately explains **how** these transactions are recorded (credit/debit), and how they result in either a **surplus or deficit**, which directly supports Statement I.

Source: Indian Economy (Ramesh Singh)

9. With reference to the Capital Account in the Balance of Payments (BoP), consider the following statements:

- 1. The Capital Account records all capital transactions of an economy with the rest of the world, including external borrowings, foreign investments, and foreign currency deposits.
- 2. Unlike the Current Account, the Capital Account does not reflect a surplus or deficit at the end of the financial year.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- The Capital Account includes **capital transactions** such as **external lending/borrowing, FDI, portfolio investment, foreign currency deposits, and external bonds**.
- The Capital Account is **not assessed in terms of surplus or deficit** like the Current Account. It is used to balance the BoP alongside the current and reserve accounts.

Source: Indian Economy (Ramesh Singh)

10. With reference to the Current Account, consider the following statements:

- 1. The Current Account in the external sector includes all current transactions such as exports, imports, interest payments, remittances, and transfers.
- 2. In the banking sector, a current account is primarily used by business firms and generally does not earn interest, but it facilitates multiple withdrawals and provides overdraft facilities.

Which of the statements given above is/are correct?

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

Answer: C. Both 1 and 2

Explanation:

- In the **external sector**, the Current Account reflects **foreign currency inflows and outflows** from transactions like **trade, remittances, and services**. It can be in **surplus or deficit** depending on the net flow.
- In **banking**, a **current account** is used mainly by businesses for high-volume transactions, usually **non-interest-bearing**, but it offers **overdraft** and **cheque-based facilities**.

Source: Indian Economy (Ramesh Singh)

Taxation In India

1. Consider the following statements regarding Tax Incidence:

1. The statutory incidence of tax refers to the actual economic burden borne by consumers and producers due to the tax.
2. The final incidence of tax is influenced by the elasticity of demand and supply of the good being taxed.

Which of the statements given above is/are correct?

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

Answer: B. 2 only

Explanation:

- Statutory (initial) incidence refers to **who is legally obligated** to remit the tax to the government—not who bears the actual economic burden.
- Final (economic) incidence depends on the **elasticity of demand and supply**. If a good is inelastic, consumers bear more of the burden. If it's elastic, producers are more likely to bear it.

Source: Indian Economy (N.C.E.R.T)

2. With reference to Progressive and Regressive Tax Policies, consider the following statements:

1. **Progressive tax policies** impose higher tax rates as income increases, thereby benefiting lower income groups.
2. **Regressive tax policies** apply the same tax rate to everyone, which ends up benefiting higher income groups more.
3. In India, **Personal Income Tax** is considered regressive, while **GST** is progressive in nature.

Which of the statements given above is/are correct?

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

Answer: (a) 1 and 2 only

Explanation:

- Progressive taxes increase with income, supporting equity.
- Flat tax rates mean the poor pay a larger share of their income, benefiting the rich.
- In India, **Personal Income Tax** is **progressive** and **GST** is **regressive**, not the other way around.

Source: Indian Economy (N.C.E.R.T)

3. With reference to Central Value Added Tax (CENVAT) Credit, consider the following statements:

1. CENVAT allows manufacturers to claim credit for the excise duty paid on inputs and use it to offset the duty on final products.
2. The availability of CENVAT Credit encourages investment in capital goods by allowing credit for tax paid on them.

Which of the statements given above is/are correct?

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

Answer: (c) Both 1 and 2

Explanation:

- CENVAT allows a manufacturer to take credit of the excise duty paid on raw materials and input services.
- This credit can then be used to reduce the excise duty liability on the final product.
- This avoids the cascading effect of taxation at multiple stages of production.
- CENVAT Credit is also available on capital goods, which encourages manufacturers to invest in machinery and technology.
- Since tax paid on such capital goods can be claimed back as credit, it reduces the effective cost of investment, promoting modernization and higher productivity.

Source: Indian Economy (N.C.E.R.T)

4. With reference to Value Added Tax (VAT), consider the following statements:

1. VAT is collected at each stage where value is added during production and distribution of goods.
2. Unlike non-VAT systems, VAT prevents the cascading effect of tax and helps control inflation.
3. VAT is considered a pro-poor tax system because it avoids increasing the burden on lower income groups.

Which of the statements given above is/are correct?

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

Answer: (d) 1, 2 and 3

Explanation:

- VAT is collected at multiple points where value is added—from manufacturer to wholesaler to retailer.
- VAT eliminates the **cascading effect** (tax on tax) seen in older systems, thereby reducing the inflationary impact.
- Since VAT avoids price inflation and does not increase the tax burden disproportionately, it is considered **pro-poor** while not being anti-rich.

Source: Indian Economy (N.C.E.R.T)

5. With reference to the Goods and Services Tax (GST) in India, consider the following statements:

1. GST is a destination-based tax levied on the supply of goods and services at every point of sale.
2. In case of intrastate sales, only the Central GST (CGST) is levied.
3. The final consumer bears the GST cost, but it is remitted to the government by the seller.

Which of the statements given above is/are correct?

- (a) 1 and 2 only

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

Answer: (c) 1 and 3 only

Explanation:

- GST is a **destination-based, multi-stage, and value-added** tax, levied at every point of sale.
- For **intrastate** sales, **both Central GST (CGST) and State GST (SGST)** are levied.
- Though **consumers** pay GST, it is the **businesses** that collect and remit it to the government.

Source: Indian Economy (N.C.E.R.T)

6. With reference to Excise Duty in India, consider the following statements:

1. Excise duty is an indirect tax imposed on goods manufactured within the country.
2. After the implementation of GST, excise duty is still levied on certain items like petroleum and liquor.
3. Excise duty is paid directly by the consumers to the government at the time of purchase.

Which of the statements given above is/are correct?

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

Answer: (a) 1 and 2 only

Explanation:

- Excise duty is an **indirect tax** levied on the **manufacture** of goods **within India**.
- After **GST**, excise duty is still applicable on **petroleum and liquor**, which are **excluded from GST**.
- Excise duty is paid by the **manufacturer** to the government, not **directly by consumers**. However, the burden may be **passed on** to consumers in the final price.

Source: Indian Economy (N.C.E.R.T)

7. With reference to Capital Gains Tax (CGT) in India, consider the following statements:

1. Capital gains are considered a form of income and are taxed when a capital asset is transferred between owners.
2. An immovable property held for more than 12 months is treated as a long-term capital asset.
3. Equity shares held for more than 12 months are considered long-term capital assets.

Which of the statements given above is/are correct?

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

Answer: (b) 1 and 3 only

Explanation:

- Capital gains arise from the sale of capital assets and are considered **taxable income** when ownership is transferred.
- For **immovable property**, an asset becomes **long-term** if held for **more than 24 months**, not 12 months.
- **Equity shares** and some financial securities are considered **long-term capital assets** if held for **more than 12 months**.

Source: Indian Economy (N.C.E.R.T)

8. Consider the following statements regarding Minimum Alternate Tax (MAT):

Statement I: MAT is imposed to ensure that companies with substantial book profits but low or zero tax liability still contribute a minimum tax.

Statement II: MAT is computed based on the taxable profits of a company under the regular provisions of the Income Tax Act.

Which one of the following is correct?

- (a) Both Statement I and Statement II are correct, and Statement II is the correct explanation of Statement I.
- (b) Both Statement I and Statement II are correct, but Statement II is not the correct explanation of Statement I.
- (c) Statement I is correct, but Statement II is incorrect.
- (d) Statement I is incorrect, but Statement II is correct.

Answer: (c) Statement I is correct, but Statement II is incorrect.

Explanation:

- The **primary purpose** of MAT is to bring companies with **high book profits** (but low tax liability due to exemptions/deductions) under the tax net, ensuring **minimum tax contribution**.
- MAT is **not computed on taxable profits** under the regular provisions. It is calculated on “**book profits**” (profits shown in financial statements), which differ from taxable income.

Source: Indian Economy (N.C.E.R.T)

9. With reference to Tax Buoyancy and Tax Elasticity, consider the following statements:

1. Tax buoyancy measures how tax revenues change in response to changes in the tax rate.
2. Tax elasticity refers to the responsiveness of tax revenue to changes in Gross Domestic Product (GDP).
3. A high tax buoyancy indicates that tax revenue is growing faster than the economy.

Which of the statements given above is/are correct?

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

Answer: (c) 3 only

Explanation:

- **Tax elasticity** measures how tax revenues change in response to changes in the tax rate.
- **Tax buoyancy** refers to tax revenue responsiveness to GDP; **elasticity** is about responsiveness to **tax rate** changes.
- High tax buoyancy means tax revenue increases at a higher rate than GDP, indicating efficient tax collection or strong economic performance.

Source: Indian Economy (N.C.E.R.T)

10. Consider the following statements regarding Cess and Surcharge in India:

1. Cess is levied for a specific purpose and the revenue from it is shared with the States based on the Finance Commission's recommendations.
2. Surcharge is levied on the base tax and its proceeds are retained exclusively by the Union Government.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only

- (c) Both 1 and 2
- (d) Neither 1 nor 2

Answer: (b) 2 only

Explanation:

- While **cess is levied for a specific purpose** (like education or sanitation), **its revenue is *not* shared with the States**. It is credited to the **Consolidated Fund of India**, unless a separate fund is created by law.
- **Surcharge is levied on the base income tax**, especially on higher-income individuals and companies. Its proceeds **remain with the Union Government** and **are not shared** with States as it is outside the divisible pool.

Source: Indian Economy (N.C.E.R.T)