

INDIAN ECONOMY (30) ANSWERS

1. b.

Exp: It will not include hidden costs like shipping, taxes and other levies thus provides a much clear picture of inflation.

2. d.

3. b.

Exp: The cash remittance per transaction is restricted to a maximum of Rs. 50000. NEFT system also facilitates one-way cross-border transfer of funds from India to Nepal which is known as the Indo-Nepal Remittance Facility Scheme.

4. d.

Exp: Total lock in period is of three years - one year of 'fixed' lock in and two years of 'flexible' lock in.

5. c.

Exp: FDI is prohibited under the Govt Route as well as the Automatic Route in the following sectors:

- Atomic Energy
- Lottery Business
- Gambling and Betting
- Business of Chit Fund
- Nidhi Company
- Agricultural (excluding Floriculture, Horticulture, Seeds, Animal Husbandry, Pisciculture and cultivation of vegetables, mushrooms, etc. under controlled conditions and services related to agro and allied sectors) and Plantations activities (other than Tea)
- Housing and Real Estate business (except development of townships, construction of residential/commercial premises, roads or bridges).

• Trading in Transferable Development Rights (TDRs).

• Manufacture of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes

6. b.

Exp: Short term loans - less than 15 months, Medium term loans - 15 months to 5 years.

7. d.

8. c.

9. d.

Exp: The data relating to employment in formal sector only is collected by the Labour Ministry through employment exchanges located in different parts of the country. In 2010, out of about 29 million formal sector workers, about 18 million workers were employed by the public sector.

10. a.

11. d.

12. d.

13. a.

14. a.

Exp: When the supply curve is vertical, supply is completely insensitive to price and the elasticity of supply is zero and when supply curve is positively sloped, with a rise in price, supply rises and hence, the elasticity of supply is positive.

15. c.

Exp: MR Srinivasam committee is related to Atomic energy.

16. c.

Exp: Earlier, a unit was considered sick if its borrowal account remained sub-standard for more than six months.

17. c.

Exp: The National Stock Exchange was incorporated on the recommendations of the "Pherwani Committee".

18. d.

19. a.

Exp: Grey Revolution is associated with the Fertilizer industry and the Golden Revolution is associated with Honey, Horticulture.

20. d.

21. d.

Exp: It has been developed by Infosys.

22. d.

23. a.

Exp: The primary market or new issue market does not include certain other sources of new long term external finance, such as loans from financial institutions. Borrowers in the new issue market may be raising capital for converting private capital into public capital; this is known as "going public."

24. b.

Exp: The Policy also provides special focus to industries that are employment intensive, those producing capital goods, those having strategic significance, small and medium enterprises, and public sector enterprises besides industries where India enjoys a competitive advantage.

25. d.

26. c.

27. a.

28. d.

29. b.

30. b.

Exp: Convertibility of a currency implies that a currency can be transferred into another currency without any limitations or any control.

31. a.

Exp: Salient features of NIF:

(i) The proceeds from disinvestment of CPSEs will be channelised into the National Investment Fund which is to be maintained outside the Consolidated Fund of India.

(ii) The corpus of the National Investment Fund will be of a permanent nature.

(iii) The Fund will be professionally managed to provide sustainable returns to the Govt, without depleting the corpus. Selected Public Sector Mutual Funds will be entrusted with management of the corpus of the Fund.

(iv) 75% of the annual income of the Fund will be used to finance selected social sector schemes, which promote education, health and employment. The residual 25% of the annual income of the Fund will be used to meet the capital investment requirements of profitable and revivable CPSEs that yield adequate returns, in order to enlarge their capital base to finance expansion/ diversification.

32. d.

33. c.

Exp: BSE Carbonex has been launched with the aim of creating a benchmark, and increasing awareness about the risks posed by climate change. It will enable investors to track performance of the constituent companies of BSE-100 index regarding their commitment to greenhouse gases emission reduction. The British High Commission in India through the British Foreign & Commonwealth Office's Prosperity Fund supported the development phase of the index.

34. b.

Exp: Equity shareholders enjoy voting rights. Preference shareholders do not have the right to participate in the management of the company.

35. c.

Exp: Market loans raised by the government - Capital Budget.

36. b.

Exp: Total-factor productivity (TFP) is a variable which accounts for effects in total output not caused by traditionally measured inputs. If all inputs are accounted for, then, total factor productivity (TFP) can be taken as a measure of an economy's long-term technological change or technological dynamism.

37. d.

38. c.

39. b.

Exp: Corporate taxes are taxes against profits earned by businesses and companies during a given taxable period. Value added tax is levied at every stage where some value is added to the commodity.

40. b.

41. a.

Exp: In 1944, 'Bombay Plan' was presented by 8 leading industrialists of Bombay. Later in 1944, 'Gandhian Plan' was given by Shriman Narayan Agarwal. In 1945, 'People's Plan' was given by M N Roy. In 1950, 'Sarvodaya Plan' was given by J P Narayan. Setting up of NDC: Aug 6, 1952.

42. c.

Exp: Quantitative Methods: Bank Rate, Open Market Operations, Repo rates and Reverse repo rate, cash reserve ratio, SLR, Deployment of Credit

Qualitative Methods: Marginal Requirement of loan, Rationing of credit, publicity, Direct Action, Moral Suasion.

43. d.

Exp: NABARD-1982, IDBI-1964, SIDBI-1990, IFCI-1948

44. c.

45. b.

46. d.

Exp: Land reform legislation in India consisted of four main categories: abolition of intermediaries who were rent collectors under

the pre-Independence land revenue system; tenancy regulation that attempts to improve the contractual terms faced by tenants, including crop shares and security of tenure; a ceiling on landholdings with a view to redistributing surplus land to the landless; and finally, attempts to consolidate disparate landholdings.

47. d.

Exp: Among other things, the Companies Act specifically provides for the manner in which mergers, demergers, amalgamations and/or arrangements may take place pursuant to an Indian court sanctioned scheme. Foreign Exchange Management Act, 1999 governs the mergers and acquisitions of foreign companies through FDI regulations and Foreign Security Regulations. The Competition Act as amended by the Competition (Amendment) Act, 2007, inter alia provides for control over M&A activity and abuse of dominant position in the market. Prior approval of the CCI is required for mergers and acquisitions above specified thresholds. The CCI has extra territorial jurisdiction as regards mergers or combinations taking place outside India. The Income Tax Act governs all direct taxation within India and grants or withdraws certain benefits in the case of change of control/shareholdings subject to certain conditions. Under the present taxation system in India, taxes vary for each method of acquisition.

48. c.

Exp: An additional fiscal indicator, namely, effective revenue deficit, has been prescribed by an amendment to the FRBM Act by the Finance Act, 2012. Effective revenue deficit has been defined as the difference between "the revenue deficit and the grants for creation of capital assets".

49. a.

Exp: The main items of Capital receipts (income) are:

- Loans raised by the government from the public through the sale of bonds and securities. They are called market loans.
- Borrowings by government from RBI and other financial institutions through the sale of Treasury bills.

- Loans and aids received from foreign countries and other international organisations like International Monetary Fund (IMF), World Bank, etc.
- Receipts from small saving schemes like the National saving scheme, Provident fund, etc.
- Recoveries of loans granted to state and union territory governments and other parties.
- Proceeds of PSU disinvestment.

50. a.

Exp: The Philips curve depicts tradeoff between only unemployment and inflation. However, its policy implication brings growth in its purview.

51. b.

Exp: The Dispute Settlement Understanding (DSU) states unequivocally that an Appellate Body report shall be adopted by the DSB and unconditionally accepted by the parties, unless the Dispute Settlement Body (DSB) decides by consensus within thirty days of its circulation not to adopt the report.

52. d.

Exp: Of the large countries of the world, only China 7.9% and Indonesia 6% were growing faster than India in 2012-13.

53. c.

54. d.

55. c.

56. d.

57. d.

58. a.

59. d.

Exp: The rate of unemployment declined from 8.2 per cent in 2004-05 to 6.6 per cent in 2009-10 reversing the trend observed in the earlier period.

60. c.

61. d.

Exp: If a cheque bears a date earlier than the date on which it is presented to the bank, it is called as "anti-dated cheque". Such a cheque is valid up to six months from the date of the cheque.

62. d.

63. c.

Exp: Government undertook path of fiscal consolidation with mid-year course correction in 2012-13.

64. b.

Exp: India is the second largest producer of sugar in the world after Brazil.

65. c.

Exp: India has also allowed 74% foreign direct investment in mobile TV. India has allowed foreign airlines to invest as much as 49% stake in local airline firms regardless of whether the investment is made before a joint venture is formed or after.

66. d.

67. d.

Exp: Voluntary Disclosure Schemes was adopted in 1951, 1965 and 1975, Demonetization of 1000 Rs. note was adopted in 1978, Reforms in tax administration have been adopted since 1985-86, and Nonresident investment scheme was adopted to attract black balances held abroad.

68. b.

Exp: Definitions of Green and Amber boxes have been interchanged.

69. a.

Exp: Unemployment rate is taken to be for more than 12 months.

70. c.

Exp: Retrenchment of laborers was never resorted to, further there is a difference between Golden handshake, voluntary retirement and retrenchment. However, such a proposal to retrench 10% of the laborer has been offered by the committee on Performance Management System.

71. d.

72. a.

73. b.

Exp: STT is an indirect tax being levied on all transactions done on the stock exchanges. STT is applicable on purchase or sale of equity shares, derivatives, equity oriented funds and equity oriented Mutual Funds.

74. a.

Exp: Government securities are tradable debt instruments and gilt-edged securities do not suffer from risk of default as they are highly liquid.

75. c.

Exp: Deficit financing leads to increase in inflation.

CHRONIC
LAS
ACADEMY