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KAVERI'S IAS DAILY PRELIMS TEST SERIES

TEST BOOKLET

GENERAL STUDIES - PAPER-I – INDIAN ECONOMY

TEST 4

Time Allowed: 1 hours

Maximum Marks: 100

INSTRUCTIONS

1. Immediately after the commencement of the examination, you should check that this test booklet does not have any unprinted or torn or missing pages of items etc. if so, get it replaced by a complete test booklet.
2. Encode clearly test booklet series A, B, C or D as the case may be in the appropriate place in the answer sheet.
3. You have to enter your Roll Number or the Test Booklet in the Box provided alongside.
4. This Test Booklet contains **50 items (questions)**. Each item comprises four responses (answers). You will select the response which you want to mark on the Answer Sheet. In case you feel that there is more than one correct response, mark the response which you consider the best. In any case, choose **ONLY ONE** response for each item.
5. You have to mark all your response **ONLY** on the separate Answer Sheet provided. Before you proceed to mark in the Answer Sheet the response to various items in the Test Booklet, you have to fill in some particulars in the Answer Sheet.
6. **There will be penalty (negative making) for wrong answers marked by a candidate. For each wrong answer, one-third of a mark will be deducted as penalty.**
7. If a candidate gives more than one answer, it will be treated as a wrong answer, even if one of the given answers happens to be correct.
8. If no answer is given by a candidate to a question, there will be no penalty for that question.
9. After you have completed filling in all your responses on the Answer Sheet and the examination has concluded, you should hand over to the Invigilator *only the Answer Sheet*. You are permitted to take away with you the Test Booklet and rough sheets issued to you.

1. The Service Area Approach was implemented under the purview of

- (a) Integrated Rural Development Programme
- (b) Lead Bank Scheme
- (c) Mahatma Gandhi National Rural Employment Guarantee Scheme
- (d) National Skill Development Mission

2. Which of the following is not included in the assets of a commercial bank in India?

- (a) Advances
- (b) Deposits
- (c) Investments
- (d) Money at call and short notice

3. What was the purpose of Inter-Creditor Agreement signed by Indian banks and financial institutions recently?

- (a) To lessen the Government of India's perennial burden of fiscal deficit and current account deficit
- (b) To support the infrastructure projects of Central and State Governments
- (c) To act as independent regulator in case of applications for loans of RS 50 crore or more
- (d) To aim at faster resolution of stressed assets of Rs 50 crore or more which are under consortium lending

4. The Chairmen of public sector banks are selected by the

- (a) Banks Board Bureau
- (b) Reserve Bank of India
- (c) Union Ministry of Finance
- (d) Management of concerned bank

5. Which one of the following is not the most likely measure the Government/RBI takes to stop the slide of Indian rupee?

- (a) Curbing imports of non-essential goods and promoting exports

- (b) Encouraging Indian borrowers to issue rupee denominated Masala Bonds

- (c) Easing conditions relating to external commercial borrowing

- (d) Following an expansionary monetary policy

6. Consider the following statements:

The Reserve Bank of India's recent directives relating to 'Storage of Payment System Data, popularly known as data diktat, command the payment system providers that

1. They shall ensure that entire data relating to payment systems operated by them are stored in a system only in India
2. They shall ensure that the systems are owned and operated by public sector enterprises
3. They shall submit the consolidated system audit report to the Comptroller and Auditor General of India by the end of the calendar year

Which of the statements given above is/are correct?

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

7. The money multiplier in an economy increases with which one of the following?

- (a) Increase in the cash reserve ratio
- (b) Increase in the banking habit of the population
- (c) Increase in the statutory liquidity ratio
- (d) Increase in the population of the country

8. The Global Competitiveness Report is published by the

- (a) International Monetary Fund
- (b) United Nations Conference on Trade and Development
- (c) World Economic Forum
- (d) World Bank

9. Which one of the following statements correctly describes the meaning of legal tender money?

- (a) The money which is tendered in courts of law to defray the fee of legal cases.
- (b) The money which a creditor is under compulsion to accept in settlement of his claims.
- (c) The bank money in the forms of cheque, drafts, bills of exchange etc.
- (d) The metallic money in circulation in a country.

10. Despite being a high saving economy, capital formation may not result in significant increase in output due to

- (a) weak administrative machinery.
- (b) illiteracy.
- (c) high population density.
- (d) high capital output ratio.

11. Consider the following statements:

1. The Reserve Bank of India manages and services Government of India Securities but not any State Government Securities.
2. Treasury bills are issued by the Government of India and there are no treasury bills issued by the state governments.
3. Treasury bills offer are issued at a discount from the par value.

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

12. With reference to the governance of public sector banking in India, consider the following statements:

1. Capital infusion into public sector banks by the Government of India has steadily increased in the last decade.
2. To put the public sector banks in order, the merger of associate banks with the parent State Bank of India has been affected.

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

13. Consider the following items:

1. Cereal grains hulled
2. Chicken eggs cooked
3. Fish processed and canned
4. Newspapers containing advertising material

Which of the above items is/are exempted under GST (Goods and Services Tax)?

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

14. Which one of the following best describes the term 'Merchant Discount Rate' sometimes seen in news?

- (a) The incentive given by a bank to a merchant for accepting payments through debit cards pertaining to that bank.
- (b) The amount paid back by banks to their customers when they use debit cards for financial transactions for purchasing goods or services.
- (c) The charge to a merchant by a bank for accepting payments from his customers through the bank's debit cards.
- (d) The incentive given by the government to merchants for promoting digital payments by their customers through Point of Sale (PoS) machines and debit cards.

15. Consider the following statements:

1. The Fiscal Responsibility and Budget Management (FRBM) Review Committee Report has recommended a debt to GDP ratio of 60% for the general (combined) government by 2023, comprising 40% for the Central Government and 20% for the state governments.

2.The Central Government has domestic liabilities of 21% of GDP as compared to that of 49% of GDP of the state governments.

3.As per the Constitution of India, it is mandatory for a State to take the Central Government's consent for raising any loan if the former owes any outstanding liabilities to the latter.

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

16.Which one of the following links all the ATMs in India?

- (a)Indian Banks' Association
- (b)National Securities Depository Limited
- (c)National Payments Corporation of India
- (d)Reserve Bank of India

17.Consider the following statements:

1. Capital Adequacy Ratio (CAR) is the amount that banks have to maintain in the form of their own funds to offset any loss that banks incur if the account-holders fail to repay dues.

2. CAR is decided by each individual bank.

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

18. Which of the following statements is/are correct regarding the Monetary Policy Committee (MPC)?

- 1. It decides the RBI's benchmark interest rates.
- 2. It is a 12-member body including the Governor of RBI and is reconstituted every year.
- 3. It functions under the chairmanship of the Union Finance Minister.

Select the correct answer using the code given below:

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

19.With reference to the 'Prohibition of Benami Property Transactions Act, 1988 (PBPT Act)', consider the following statements:

1.A property transaction is not treated as a benami transaction if the owner of the property is not aware of the transaction.

2.Properties held benami are liable for confiscation by the government.

3.The Act provides for three authorities for investigations but does not provide for any appellate mechanism.

Which of the statements given above is/are correct?

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

20.Who among the following can join the National Pension System (NPS)?

- (a) Resident Indian citizens only
- (b) Persons of age from 21 to 55 only
- (c)All State Government employees joining the services after the date of notification by the respective State Governments
- (d)All Central Government employees including those of Armed Forces joining the services on or after 1St April, 2004

21.The term 'Core Banking Solutions' is sometimes seen in the news. Which of the following statements best describes/ describe this term?

- 1.It is a networking of a bank's branches which enables customers to operate their accounts from

any branch of the bank on its network regardless of where they open their accounts.

2.It is an effort to increase RBI's control over commercial banks through computerisation.

3.It is a detailed procedure by which a bank with huge non- performing assets is taken over by another bank.

Select the correct answer using the code given below:

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

22.What is/are the purpose/purposes of the 'Marginal Cost of Funds Based Lending Rate (MCLR)' announced by RBI?

1.These guidelines help improve the transparency in the methodology followed by banks for determining the interest rates on advances.

2.These guidelines help ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks.

Select the correct answer using the code given below:

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

23. The term 'Base Erosion and Profit Shifting' is sometimes seen in the news in the context of

(a)mining operation by multinational companies in resource-rich but backward areas.

(b)curbing of the tax evasion by multinational companies.

(c) Exploitation of genetic resources of a country by multinational companies.

(d) Lack of consideration of environmental costs in the planning and implementation of developmental projects.

24.There has been a persistent deficit budget year after year. Which action/actions of the following can be taken by the Government to reduce the deficit?

- 1.Reducing revenue expenditure
- 2.Introducing new welfare schemes
- 3.Rationalising subsidies
- 4.Reducing import duty

Select the correct answer using the code given below:

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

25. Which of the following is/are included in the capital budget of the Government of India?

- 1. Expenditure on acquisition of assets like roads, buildings, machinery, etc.
- 2. Loans received from foreign governments
- 3. Loans and advances granted to the States and Union Territories

Select the correct answer using the code given below:

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

26.Which of the following best describes the term 'import cover', sometimes seen in the news?

(a)It is the ratio of value of imports to the Gross Domestic Product of a country.

(b)It is the total value of imports of a country in a year.

(c)It is the ratio between the value of exports and that of imports between two countries.

(d)It is the number of months of imports that could be paid for by a country's international reserves.

27. 'Basel III Accord' or simply 'Basel III', often seen in the news, seeks to

- (a) develop national strategies for the conservation and sustainable use of biological diversity;
- (b) improve banking sector's ability to deal with financial and economic stress and improve risk management;
- (c) reduce the greenhouse gas emissions but places a heavier burden on developed countries;
- (d) transfer technology from developed countries to poor countries to enable them to replace the use of chlorofluorocarbons in refrigeration with harmless chemicals.

28. With reference to Indian economy, consider the following:

1. Bank rate
2. Open market operations
3. Public debt
4. Public revenue

Which of the above is/are component/ components of Monetary Policy?

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

29. There has been a persistent deficit budget year after year. Which of the following actions can be taken by the government to reduce the deficit?

1. Reducing revenue expenditure
2. Introducing new welfare schemes
3. Rationalizing subsidies
4. Expanding industries

Select the correct answer using the code given below:

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

30. If the interest rate is decreased in an economy, it will

- (a) decrease the consumption expenditure in the economy.
- (b) increase the tax collection of the Government.
- (c) increase the investment expenditure in the economy.
- (d) increase the total savings in the economy.

31. With reference to Union Budget, which of the following is/are covered under Non-Plan Expenditure?

1. Defence – expenditure
2. Interest payments
3. Salaries and pensions
4. Subsidies

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2nd 3 only
- (c) 1, 2, 3 and 4
- (d) None

32. The main objective of the 12th Five-Year Plan is

- (a) inclusive growth and poverty reductions.
- (b) inclusive and sustainable growth.
- (c) sustainable and inclusive growth to reduce unemployment.
- (d) faster, sustainable and more inclusive growth.

33. The terms 'Marginal Standing Facility Rate' and 'Net Demand and Time Liabilities', sometimes appearing in news, are used in relation to

- (a) Banking operations.
- (b) communication networking.
- (e) military strategies.
- (d) supply and demand of agricultural products.

34. In the context of Indian economy, which of the following is/are the purpose/purposes of 'Statutory Reserve Requirements'?

1. To enable the Central Bank to control the amount of advances the banks can create
2. To make the people's deposits with banks safe and liquid
3. To prevent the commercial banks from making excessive profits
4. To force the banks to have sufficient vault cash to meet their day-to-day requirements

Select the correct answer using the code given below.

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

35. Consider the following statement about Unified Payments Interface (UPI):-

1. It caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience.
2. It is having double Click 3 Factor Authentication
3. It is developed by Indian Bankers Association

Select the correct answer using the code given below.

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

36. . Which one of the following best describes the term 'Prompt Corrective Action' sometimes seen in news?

- a. To ensure that banks don't go bust, Union Finance Ministry has put in place some trigger points to assess, monitor, control and take corrective actions on banks which are weak and troubled. The process or mechanism under which such actions are taken is known as Prompt Corrective Action, or PCA.
- b. To ensure that stock Market don't go bust, SEBI has put in place some trigger points to assess, monitor, control and take corrective

actions on companies which are weak and troubled. The process or mechanism under which such actions are taken is known as Prompt Corrective Action, or PCA.

c. To ensure that banks don't go bust, RBI has put in place some trigger points to assess, monitor, control and take corrective actions on banks which are weak and troubled. The process or mechanism under which such actions are taken is known as Prompt Corrective Action, or PCA.

d. To ensure that banks don't go bust, Banks Board Bureau has put in place some trigger points to assess, monitor, control and take corrective actions on banks which are weak and troubled. The process or mechanism under which such actions are taken is known as Prompt Corrective Action, or PCA.

37. Which of the following Committee is not related to Banking and Finance reforms?

- (a) Narasimham Committee
- (b) Bimal Jalan Committee
- (c) Chesi Committee
- (d) Verma Committee

38. Which of the following defines inflationary gap?

- a) When the potential GDP is higher than the real GDP, the gap is referred to as a inflationary gap.
- b) It is the difference between inflation and deflation.
- c) The real GDP exceeding the potential GDP, resulting in an inflationary gap.
- d) None.

39. Which of the following are the measures to be adopted to recover from recession?

1. Direct and indirect taxes should be cut down.
2. Salaries and wages should be revised by the government.
3. The government usually goes on to follow a dear money supply policy.
4. Tax breaks are announced for new investments in the productive areas, etc.

Select the correct answer using the codes given below.

- a) 1, 2 and 3 only
- b) 1 and 4 only
- c) 1, 2 and 4 only
- d) All the above

40. Which of the following statements correctly explains the Marginal Standing Facility

(MSF)?

- a) It is the interest rate at which the Reserve Bank provides overnight liquidity to banks against the collateral of government
- b) It is a facility under which scheduled commercial banks can borrow additional amount of overnight money from the Reserve Bank
- c) It is the rate at which the Reserve Bank is ready to buy or rediscount bills of exchange or other commercial papers.
- d) None of the above

41 .Indian Rupee will depreciate in the following cases

- 1. When oil prices are rising
- 2. When bond yields from the dollar are increasing.

Select from the below:-

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

42. Which of the following are part of Narrow money?

- 1. Currency with public
- 2. Time deposits with commercial banks
- 3. Savings deposits with Post office savings banks

Select the correct code

- a. 1 and 2 only
- b. 2 and 3

- c. 1 and 3
- d. All of them

43. Non-performing assets (NPAs) decline in value when

- 1. Demand revives in the economy.
- 2. Capacity utilization increases.
- 3. Capacity utilization, though substantive, is yet sub-optimal.
- 4. Capacity utilization decreases consequent upon merger of units.

Which of the above statements are correct ?

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

With Best Wishes!

Jai Hind.

KAVERI'S IAS (8750602193)