



Test Booklet Series

## TEST BOOKLET

C

### GENERAL STUDIES (P) 2026 – Test – 6316

Time Allowed: Two Hours

Maximum Marks: 200

## INSTRUCTIONS

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS BOOKLET DOES **NOT** HAVE ANY UNPRINTED OR TURN OR MISSING PAGES OR ITEMS, ETC. IF SO, GET IT REPLACED BY A COMPLETE TEST BOOKLET.
2. ENCODE CLEARLY THE 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 on the Test Booklet in the Box provided alongside. **Do NOT** write anything else on the Test Booklet.
4. This Test Booklet contains **100** items (Questions). Each item is printed in **English**. 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 with you consider the best. In any case, choose **ONLY ONE** response for each item.
5. You have to mark all your responses **ONLY** on the separate Answer Sheet provided. See direction in the answers sheet.
6. All items carry equal marks. Attempt all items. Your total marks will depend only on the number of **correct responses** marked by you in the answer sheet. For **every incorrect** response **1/3<sup>rd</sup> of the allotted marks** will be deducted.
7. 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 sheets as per instruction sent to you with your Admission Certificate.
8. After you have completed filling in all responses on the answer sheet and the examination has concluded, you should hand over to Invigilator only the answer sheet. You are permitted to take away with you the Test Booklet.
9. Sheet for rough work are appended in the Test Booklet at the end.

**DO NOT OPEN THIS BOOKLET UNTIL YOU ARE ASKED TO DO SO**

1. In a rural area, Meena finds employment on farms only during the sowing and harvesting seasons. For the rest of the year, she remains without any gainful work due to lack of non-farm employment opportunities.
- Which of the following types of unemployment does this situation represent?
- Seasonal unemployment
  - Disguised unemployment
  - Structural unemployment
  - Cyclical unemployment
2. "AI Kiran" initiative, recently seen in the news, is a/an:
- initiative launched by the Indian Space Research Organisation to develop AI-powered satellites.
  - government program to provide AI-based education to rural students in India.
  - initiative to build a vibrant, cross-functional AI community for women across various domains.
  - bilateral agreement between India and Japan to collaborate on AI research and development.
3. 'Fram2 Mission', sometimes seen in the news, is a/an
- NASA-led initiative to establish a permanent research station on the Moon.
  - SpaceX mission that includes the cultivation of mushrooms in microgravity.
  - international collaboration to study deep-sea ecosystems in the Arctic Ocean
  - global climate modelling project focusing on polar ice melt dynamics
4. What is the "Cape Town Convention" recently seen in the news?
- It is an international agreement to combat climate change through sustainable urban development.
  - It is a treaty facilitating asset-based financing and leasing of high-value assets like aircraft, engines, and helicopters.
  - It is a United Nations convention aimed at protecting marine biodiversity in the Southern Hemisphere
  - It is a global initiative to promote digital connectivity in underdeveloped regions.
5. How many of the following countries are member nations of BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)?
- Bangladesh
  - India
  - Sri Lanka
  - Thailand
  - Malaysia
  - Nepal
- Select the correct answer using the code given below.
- Only three
  - Only four
  - Only five
  - All six
6. Recently, which of the following have received the Geographical Indication tag?
- Banarasi Shehnai
  - Banarasi Tabla
  - Warangal Chapata Chilli
- Select the correct answer using the code given below.
- 1 and 3 only
  - 1, 2 and 3
  - 1 only
  - 2 and 3 only

7. Recently the Union Minister for New and Renewable Energy launched the Green Hydrogen Certification Scheme of India (GHCI). In this context, consider the following pairs:

<b>Type of Hydrogen</b>	<b>Source</b>	
1. Green hydrogen	:	Natural Gas
2. Black hydrogen	:	Coal
3. Pink hydrogen	:	Methane

Which of the pairs given above is/are correctly matched?

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

8. Recently, the Odisha government notified the Similipal conservation area as a national park. In this context, Similipal contain which of the following area?

- 1. Wildlife Sanctuary
- 2. Tiger Reserve
- 3. Biosphere Reserve
- 4. Elephant Reserve

Select the correct answer using the code given below.

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

9. Consider the following statements regarding Blue Category Industries in India:

- 1. It includes Essential Environmental Services for the management of waste generated from domestic/ household activities.
- 2. It was introduced in 2017 by the Central Pollution Control Board (CPCB) under the Solid Waste Management Rules, 2016.

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

10. Consider the following pairs:

<b>Defence Exercise</b>	<b>India's partner country</b>	
1. Desert Flag-10	:	United Arab Emirates
2. Operation ATALANTA	:	The United States of America
3. Dustlik	:	Uzbekistan

Which of the pairs given above is/are correctly matched?

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

- 11.** ‘Project Varsha’, sometimes seen in the news, is a/an
- pan-India initiative to enhance monsoon prediction capabilities using AI.
  - remote sensing project for mapping India’s water bodies during monsoon.
  - rainwater harvesting scheme for drought-prone districts.
  - underground strategic naval base project for India’s nuclear submarine fleet.
- 12.** Consider the following statements regarding the legal and policy framework of SC sub-categorisation:
- In the E.V. Chinnaiah judgement, the Supreme Court prohibited sub-categorisation of SCs.
  - Madhya Pradesh became the first state to implement Scheduled Caste sub-categorisation.
- Which of the statements given above is/are correct?
- 1 only
  - 2 only
  - Both 1 and 2
  - Neither 1 nor 2
- 13.** Long term vacancy since 2019 to the office of Deputy Speaker (DS) points to a constitutional anomaly. In this context, consider the following statements about the Deputy Speaker of the Lok Sabha:
- The post of Deputy Speaker is mentioned under the Constitution of India.
  - The Constitution does not specify a time limit for electing the Deputy Speaker.
- Which of the statements given above is/are correct?
- 1 only
  - 2 only
  - Both 1 and 2
  - Neither 1 nor 2
- 14.** Consider the following statements regarding Pradhan Mantri MUDRA Yojana (PMMY):
- Mudra loans under the Pradhan Mantri MUDRA Yojana (PMMY) can be applied through offline or online methods.
  - The scheme provides collateral-free loans to small businesses.
  - MUDRA also have a direct lending window to provide loans to small businesses.
- Which of the statements given above is/are correct?
- 1 only
  - 1 and 2 only
  - 2 and 3 only
  - 1, 2 and 3
- 15.** With reference to the Padma Awards, consider the following statements:
- They are announced annually on the occasion of Republic Day.
  - It recognises achievements in all fields where an element of public service is involved.
  - A person can receive more than one Padma Award even in the same category in their lifetime.
- How many of the statements given above are correct?
- Only one
  - Only two
  - All three
  - None

- 16.** With reference to Non-Nuclear Hydrogen Bombs, consider the following statements:
1. These bombs utilise hydrogen-based fuels to create high-temperature explosions without initiating nuclear fusion reactions.
  2. Their use is prohibited under the Convention on Certain Conventional Weapons due to their destructive nature.
- 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
- 17.** In which of the following states, India's first deepwater transhipment port is located?
- (a) Andhra Pradesh
  - (b) Maharashtra
  - (c) Karnataka
  - (d) Kerala
- 18.** With reference to Jagadguru Basaveshwara, consider the following statements:
1. Basaveshwara is considered the founding saint of the Lingayat tradition.
  2. He advocated the idea of "Kayaka" or dignified manual labour as a spiritual practice.
  3. He also supported women's participation in spiritual life.
- How many of the statements given above are correct?
- (a) Only one
  - (b) Only two
  - (c) All three
  - (d) None
- 19.** Consider the following statements regarding the approaches used to measure unemployment:
1. Usual status approach to measure unemployment uses seven days preceding the date of the survey as the reference period.
  2. Current daily status approach to measure unemployment uses each day of the seven days preceding the date of the survey as the reference period.
  3. The usual status approach to measure unemployment fails to capture the short-term fluctuations in employment.
- How many of the above statements given above is/are correct?
- (a) Only one
  - (b) Only two
  - (c) All three
  - (d) None
- 20.** Consider the following statements:
1. Labour force includes all the people in the working age group of 15 to 59 years.
  2. Worker population ratio is defined as the percentage of employed persons in the population.
- 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

- 21.** Consider the following statements with reference to inflation:
1. Inflation is the decline of the purchasing power of a given currency over time.
  2. Generally, a decrease in the money supply triggers 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
- 22.** In the context of core inflation, consider the following statements:
1. It takes into account changes in the price of food and energy.
  2. When core inflation rises, the Reserve Bank of India (RBI) decreases its key policy rates to suck excess liquidity from the market
- Which of the statements given above is/are correct?
- (a) 1 only
  - (b) 2 only
  - (c) Both 1 and 2
  - (d) Neither 1 nor 2
- 23.** Consider the following:
1. Increase in Repo rate by the RBI
  2. Decrease in direct tax rates
  3. Decrease in export of items such as agricultural crops.
- Which of the above steps will help in controlling inflation?
- (a) 1 and 2 only
  - (b) 2 and 3 only
  - (c) 1 and 3 only
  - (d) 1, 2 and 3

- 24.** Consider the following pairs:
- | <b>Term</b>       | <b>Meaning</b>                                   |
|-------------------|--------------------------------------------------|
| 1. Disinflation : | Reduction in the rate of inflation               |
| 2. Deflation :    | Persistent fall in prices                        |
| 3. Reflation :    | Increase in price level during economic recovery |
- How many of the pairs given above are correctly matched?
- (a) Only one pair
  - (b) Only two pairs
  - (c) All three pairs
  - (d) None of the pairs
- 25.** Consider the following taxes:
1. Central Excise Duty
  2. Stamp Duty
  3. Octroi Tax
  4. Luxury Tax
- How many of the above were subsumed within the Goods and Services Tax (GST)?
- (a) Only one
  - (b) Only two
  - (c) Only three
  - (d) All four
- 26.** Primary Deficit is defined as the difference between:
- (a) Fiscal deficit and non-tax revenue
  - (b) Fiscal deficit and net interest liabilities
  - (c) Total expenditure and capital receipts
  - (d) Revenue deficit and interest payments

- 27.** With reference to direct and indirect taxes in India, consider the following statements:
1. The burden of direct taxes can be shifted to another individual or entity.
  2. The redistribution function of the government budget is achieved through progressive income taxation.
  3. Corporate Tax is a type of indirect tax.
- How many of the above statements are correct?
- (a) Only one  
(b) Only two  
(c) All three  
(d) None
- 28.** Consider the following:
1. Price stability
  2. Economic Growth
  3. Employment generation
- Which of the above are the objectives of fiscal policy?
- (a) 1 and 2 only  
(b) 2 and 3 only  
(c) 1 and 3 only  
(d) 1, 2 and 3
- 29.** With reference to Structural Unemployment, consider the following statements:
1. Unemployment caused by technological disruptions is known as structural unemployment.
  2. The Fourth Industrial Revolution can cause structural unemployment if the current skillsets are rendered obsolete.
  3. Structural unemployment is generally short-term and self-correcting without policy intervention.
- How many of the above statements is/are correct?
- (a) Only one  
(b) Only two  
(c) All three  
(d) None
- 30.** How many of the following Central government liabilities constitute the Public Debt in India?
1. Internal Debt
  2. External Debt
  3. Public Account Liabilities
- Select the correct answer using the code given below.
- (a) Only one  
(b) Only two  
(c) All three  
(d) None
- 31.** Consider the following statements:
1. An ad valorem tax is a tax based on the assessed value of an item, such as real estate or personal property.
  2. The Goods and Services Tax is an ad valorem tax.
- Which of the statements given above is/are **not** correct?
- (a) 1 only  
(b) 2 only  
(c) Both 1 and 2  
(d) Neither 1 nor 2
- 32.** In economic theory, which of the following pairs is best represented by the Phillips Curve?
- (a) GDP growth and tax revenue
  - (b) Inflation and unemployment
  - (c) Inflation and fiscal deficit
  - (d) Unemployment and exchange rate

- 33.** Consider the following statements regarding Tax Collected at Source (TCS):
1. TCS is deducted by the buyer from the seller at the time of purchase of goods.
  2. The provisions of TCS are governed under the Income Tax Act, 1961.
- 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
- 34.** With reference to the Global Geopark Network, consider the following statements:
1. It is a non-profit International Association founded under United Nations Environment Programme (UNEP).
  2. It establishes ethical standards that must be adopted by Global Geoparks.
  3. India currently does not have any UNESCO Global Geoparks.
- Which of the statements given above is/are correct?
- (a) Only one
  - (b) Only two
  - (c) All three
  - (d) None
- 35.** In the context of the International Big Cat Alliance (IBCA), consider the following statements:
1. It was launched by India.
  2. All seven big cats under this alliance are found in India.
  3. The Secretariat of the Alliance is headquartered in Geneva, Switzerland.
- How many of the statements given above are correct?
- (a) Only one
  - (b) Only two
  - (c) All three
  - (d) None
- 36.** Which of the following can be accounted as Capital Receipts in the Annual Financial Statement?
1. Loans received from foreign governments
  2. Borrowings by the government through the sale of Treasury Bills
  3. Collection and appropriation of direct tax
- (a) 1 and 2 only
  - (b) 2 and 3 only
  - (c) 1 and 3 only
  - (d) 1, 2 and 3
- 37.** With reference to the Heard and McDonald Islands, consider the following statements:
1. They are uninhabited volcanic islands located in the southern Pacific Ocean.
  2. They are administered by Australia.
  3. They are designated as a UNESCO World Heritage Site for biodiversity value.
- Which of the statements given above is/are correct?
- (a) 1 only
  - (b) 3 only
  - (c) 2 and 3 only
  - (d) 1, 2 and 3
- 38.** Arrange the following countries in ascending order of their share in the Global distribution of Rare Earth Elements?
1. Vietnam
  2. Russia
  3. China
  4. Brazil
- Select the correct answer using the code given below.
- (a) 1-2-3-4
  - (b) 2-4-1-3
  - (c) 1-2-4-3
  - (d) 3-2-1-4

- 39.** Recently, Kannadippaya tribal craft received a Geographical Indication (GI) tag. It is a handwoven
- bamboo hat
  - shawl
  - mat
  - toy/puppet
- 40.** What is the "AIM4NatuRe Initiative" recently seen in the news?
- It is a global initiative to enhance countries' capacity to restore at least 30% of degraded ecosystems by 2030.
  - It is a private sector-led initiative to invest in renewable energy projects across developing nations to achieve net-zero emissions by 2050.
  - It is a United Nations campaign to combat marine pollution through satellite surveillance.
  - It is a collaborative effort to develop climate-resilient infrastructure in coastal cities.
- 41.** The report "Global Trade Outlook and Statistics 2025", recently released, is published by:
- United Nations Trade and Development (UNCTAD)
  - World Trade Organisation
  - World Economic Forum
  - International Framework for Trade and Energy
- 42.** With reference to the Reserve Ratio in the banking sector, consider the following statements:
- It is the percentage of deposits that a bank is mandated to keep with itself.
  - A higher reserve ratio tends to increase the credit supply in an economy.
- Which of the statements given above is/are correct?
- 1 only
  - 2 only
  - Both 1 and 2
  - Neither 1 nor 2
- 43.** How many of the following are a part of the World Bank Group?
- International Finance Corporation (IFC)
  - International Centre for Settlement of Investment Disputes (ICSID)
  - Multilateral Investment Guarantee Agency (MIGA)
- Select the correct answer using the code given below.
- Only one
  - Only two
  - All three
  - None
- 44.** In the context of the functions of the central bank, the Reserve Bank of India carries out sterilization to
- stabilize the stock of money in the economy from external shocks.
  - prevent excess of higher valued notes
  - invalidate the licenses of banks violating the banking rules.
  - protect the commercial banks from the rising non-performing assets (NPA).

- 45.** With reference to the Marginal Standing Facility (MSF), consider the following statements:
1. It aims to reduce volatility in the overnight lending rates in the interbank market.
  2. Borrowing rate under this facility is never higher than the repo 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
- 46.** Which of the following are the objectives of the Reserve Bank of India?
1. Ensuring adequate flow of credit to productive sectors of the economy
  2. Maintaining financial stability
  3. To give the public an adequate quantity of supplies of coins
- Select the correct answer using the code given below.
- (a) 1 and 2 only
  - (b) 2 and 3 only
  - (c) 1 and 3 only
  - (d) 1, 2 and 3
- 47.** Consider the following statements with reference to the voting shares in the International Monetary Fund (IMF):
1. The United States has the maximum voting share, followed by China.
  2. India occupies the fourth position with a voting share of above 5%.
- Which of the statements given above is/are **not** correct?
- (a) 1 only
  - (b) 2 only
  - (c) Both 1 and 2
  - (d) Neither 1 nor 2
- 48.** Consider the following:
1. Current account for firms
  2. Retail lending
  3. Issue prepaid cards
- Which of the services are provided by the Payment Banks in India?
- (a) 1 and 2 only
  - (b) 2 and 3 only
  - (c) 1 and 3 only
  - (d) 1, 2 and 3
- 49.** Consider the following statements regarding the Small Finance Banks in India:
1. They are registered as public limited companies under the Companies Act, 2013.
  2. They accept deposits and lend to unserved and underserved sections.
  3. They do not have to maintain the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR).
- Which of the statements given above is/are correct?
- (a) 1 and 2 only
  - (b) 3 only
  - (c) 1 and 3 only
  - (d) 1, 2 and 3
- 50.** Which of the following financial institutions in India are required to maintain the Statutory Liquidity Ratio (SLR) norms?
1. Regional Rural Banks
  2. Local Area Banks
  3. Co-operative Banks
- Select the correct answer using the code given below.
- (a) 1, 2 and 3
  - (b) 2 and 3 only
  - (c) 1 and 3 only
  - (d) 1 and 2 only

- 51.** Consider the following statements regarding Special Drawing Rights (SDRs):
1. SDR is a currency or claim on the International Monetary Fund (IMF).
  2. Any currency to be included in the SDR basket has to meet the export criterion and the freely usable criterion.
  3. SDRs can be held by private individuals and entities.
- Which of the statements given above is/are correct?
- (a) 1 and 2 only
  - (b) 2 only
  - (c) 2 and 3 only
  - (d) 3 only
- 52.** Consider the following statements with reference to the measures of money supply in India:
1. Among all the measures of money supply, M1 is the most liquid.
  2. M4 is the most commonly used measure of money supply and is known as aggregate monetary resources.
- 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
- 53.** How many of the following currencies form a part of the Special Drawing Rights (SDR)'s Basket of currencies:
1. US Dollar
  2. Japanese Yen
  3. Chinese Renminbi
  4. Indian Rupee
  5. Euro
  6. British Pound sterling
- Select the correct answer using the code given below.
- (a) Only three
  - (b) Only four
  - (c) Only five
  - (d) All six
- 54.** Consider the following actions of the RBI:
1. Increasing Interest Rates
  2. Increasing Reserve Requirements
  3. Selling government bonds
- How many of the above are likely actions of the RBI during hawkish/ contractionary monetary policy?
- (a) Only one
  - (b) Only two
  - (c) All three
  - (d) None
- 55.** Consider the following statements with respect to the Balance of Current Account:
1. It is a measure of all payments made for currently produced goods and does not include services.
  2. It includes factor income from abroad, excluding the international transfer payments.
- Which of the statements given above is/are **not** correct?
- (a) 1 only
  - (b) 2 only
  - (c) Both 1 and 2
  - (d) Neither 1 nor 2

- 56.** Consider the following statements:
- Statement-I: The RBI Governor is not the sole authority in inflation targeting.
- Statement-II: The Monetary Policy Committee has replaced the RBI Governor in this role.
- 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 for Statement-I.
- (b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
- (c) Statement-I is correct but Statement-II is incorrect
- (d) Statement-I is incorrect but Statement-II is correct
- 57.** Which of the following statements is correct about the Balance of Payments?
- (a) It is a record of only goods and services exchanged between the residents of a country with the rest of the world.
- (b) It includes transactions consisting of imports and exports of goods, services, and capital but excludes foreign aid and remittances.
- (c) It is a systematic record of all economic transactions between the residents of one country and the rest of the world
- (d) It includes all the outstanding loan excluding interest owned by the Government of India
- 58.** How many of the following indices are published by the World Bank?
1. World Development Report
  2. Global Economic Prospect (GEP) Report
  3. Global Financial Stability Report
- Select the correct answer using the code given below
- (a) Only one
- (b) Only two
- (c) All three
- (d) None
- 59.** Which of the following items are reflected on the assets side of a balance sheet of a Scheduled Commercial bank in India?
1. Loan advances
  2. Net Time Deposits held by a bank
  3. Cash Reserve Ratio (CRR)
- Select the correct answer using the code given below.
- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3
- 60.** Consider the following:
1. Currency held by the public
  2. Foreign Exchange reserves held by the RBI
  3. Currency held by commercial banks.
- How many of the above are the components of high-powered money?
- (a) Only one
- (b) Only two
- (c) All three
- (d) None

- 61.** Consider the following statements with reference to Outright Open Market Operations (OMO):
1. Outright OMOs are conducted with a promise to buy/sell the securities at a later stage.
  2. Outright OMOs are conducted for managing long-term liquidity mismatches.
- 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
- 62.** What does depreciation primarily represent in the context of capital goods?
- (a) An outright monetary loss.
  - (b) Decline in the capital's value over time.
  - (c) Increase in the capital's resale worth.
  - (d) Monetary expenditure on maintenance.
- 63.** Consider the following statements with reference to consumer durables:
1. Televisions, refrigerators, home computers are called consumer durables.
  2. All consumer durables are called capital goods.
- 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
- 64.** Consider the following pairs regarding factors of production and their corresponding earnings:
- | <i>Factors of Production</i> | <i>Earnings</i> |          |
|------------------------------|-----------------|----------|
| 1. Land                      | :               | Rent     |
| 2. Labour                    | :               | Wages    |
| 3. Capital                   | :               | Profit   |
| 4. Entrepreneurship          | :               | Interest |
- How many of the above pairs are correctly matched?
- (a) Only one pair
  - (b) Only two pairs
  - (c) Only three pairs
  - (d) All the four pairs
- 65.** Net National Product is obtained from Gross National Product by
- (a) adjusting for inflation
  - (b) adjusting for depreciation
  - (c) adjusting for net indirect taxes
  - (d) adjusting for current transfers from abroad
- 66.** Consider the following statements:  
 Statement-I: If the GDP of the country is rising, the welfare may not rise as a consequence.  
 Statement-II: GDP does not account for positive and negative externalities.  
 Which one of the following is correct in respect of the above statements?
- (a) Both Statement-I and Statement-II are correct and Statement-II explains Statement-I
  - (b) Both Statement-I and Statement-II are correct, but Statement-II does not explain Statement-I
  - (c) Statement-I is correct, but Statement-II is not correct.
  - (d) Statement-I is not correct, but Statement-II is correct.

- 67.** While calculating the Gross Domestic Product (GDP) by expenditure method, which of the following factors is **not** taken into account?
- Final household consumption expenditure
  - Final capital expenditure
  - Expenditure on intermediate goods
  - Government expenditure on defense
- 68.** Consider the following statements:
- The GDP measures the aggregate production of final goods and services taking place within the domestic economy.
  - It does not take into account the aggregate production of final goods and services produced by foreign nationals within the domestic territory.
- Which of the statements given above is/are correct?
- 1 only
  - 2 only
  - Both 1 and 2
  - Neither 1 nor 2
- 69.** Which of the following best defines Personal Disposable Income (PDI)?
- Personal Disposable Income (PDI)  $\equiv$  Personal Income (PI) – Undistributed profits – Non-tax payments
  - Personal Disposable Income (PDI)  $\equiv$  Personal Income (PI) – Personal tax payments + Undistributed profits
  - Personal Disposable Income (PDI)  $\equiv$  Personal Income (PI) + Personal tax payments + Non-tax payments
  - Personal Disposable Income (PDI)  $\equiv$  Personal Income (PI) – Personal tax payments – Non-tax payments
- 70.** Which of the following is added to the factor cost of the product to get market price of the product?
- Total indirect taxes
  - Total direct taxes
  - Total subsidies
  - None
- 71.** In the context of national income accounting, the National Disposable Income is equal to
- Net National Product at market price + net other current transfers from the rest of the world
  - Net National Product at Factor Cost + net other current transfers from the rest of the world
  - Gross National Product at market price + net other current transfers from the rest of the world
  - Gross National Product at Factor Cost + net other current transfers from the rest of the world
- 72.** In the context of national income accounting, gifts, prizes and scholarship received from the government are classified as
- Liabilities on the part of the citizens.
  - Transfer Payments.
  - Wages and remuneration.
  - None of the above
- 73.** Which of the following is a flow variable?
- Bank Balance
  - Equity shareholdings
  - Income
  - All of the above

- 74.** Consider the following statements:
1. An inflationary gap measures the difference between the current real GDP and the GDP of an economy operating at full employment.
  2. Inflationary gap leads to inflation which can be controlled by increase in government spending.
- 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
- 75.** The output of an Indian car company in the USA would be
- (a) Included in USA's Gross Domestic Product (GDP) but in India's Gross National Product (GNP)
  - (b) Included in both USA's and India's Gross Domestic Product (GDP).
  - (c) Included in India's Gross Domestic Product (GDP) but in USA's Gross National Product (GNP).
  - (d) Included in both USA's and India's Gross National Product (GNP).
- 76.** Which of the following are the stock variables?
1. National Income
  2. Savings
  3. Wealth
  4. Capital
- Select the correct answer using the code given below.
- (a) 1 and 2 only
  - (b) 2 and 3 only
  - (c) 3 and 4 only
  - (d) 1 and 4 only
- 77.** Consider the following statements:
1. Nominal GDP is calculated in a way such that the goods and services are evaluated at some constant set of prices.
  2. An increase in nominal GDP does not necessarily mean that the production output has increased.
- Which of the statements given above is/are **not** correct?
- (a) 1 only
  - (b) 2 only
  - (c) Both 1 and 2
  - (d) Neither 1 nor 2
- 78.** Consider the following statements:
1. Unlike Consumer Price Index (CPI), GDP deflator reflects the prices of all domestically produced goods and services in the economy.
  2. Unlike in Consumer Price Index (CPI), the weights of goods used in calculating GDP deflator are constant.
- 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
- 79.** Consider the following statements:
1. The basic prices include production taxes but not product taxes.
  2. Production taxes and subsidies are paid or received in relation to production and are independent of the volume of production.
- 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

- 80.** In order to calculate Personal Income (PI), which of the following is required to be added to National Income (NI)?
- Undistributed Profit
  - Transfer payment to the household from the government and firms
  - Net interest payments made by households
  - corporate tax
- 81.** With reference to Per Capita Income, consider the following statements:
- It is typically calculated by dividing GDP (Gross Domestic Product) by the total population.
  - It often hides inequalities in distribution of income among different groups.
- Which of the statements given above is/are correct?
- 1 only
  - 2 only
  - Both 1 and 2
  - Neither 1 nor 2
- 82.** In the context of capital markets, consider the following statements:
- Capital markets provide direct funding from savers to users via the issuance of securities.
  - In this market, capital funds comprising both equity and debt are issued and traded.
  - Public participation is limited in capital markets compared to the money market.
- Which of the statements given above is/are correct?
- 1 and 2 only
  - 1, 2 and 3
  - 2 and 3 only
  - 3 only
- 83.** Consider the following statements regarding Insurance Sector in India:
- India's insurance penetration is less than 2 percent of GDP.
  - The FDI limit in the insurance sector is at 49% through the automatic route.
- Which of the statements given above are *not* correct?
- 1 only
  - 2 only
  - Both 1 and 2
  - Neither 1 nor 2
- 84.** Consider the following statements about the Micro Small and Medium Enterprises (MSMEs):
- MSMEs are classified on the basis of the annual turnover only.
  - It generates more employment opportunities per unit of capital invested compared to large industries.
- Which of the statements given above is/are correct?
- 1 only
  - 2 only
  - Both 1 and 2
  - Neither 1 nor 2

- 85.** Consider the following statements:
- Statement-I: Inflation-Indexed Bonds are eligible to be kept as part of the Statutory Liquidity Ratio.
- Statement-II: Inflation-Indexed Bonds are treated as government securities (G-Secs).
- Which one of the following is correct in respect of the above statements?
- Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
  - Both Statement-I and Statement-II are correct but Statement-II is not the correct explanation for Statement-I.
  - Statement-I is correct but Statement-II is incorrect.
  - Statement-I is incorrect but Statement-II is correct.
- 86.** With reference to PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) scheme, consider the following statements:
- It is a Central Sector Scheme to facilitate street vendors' access to collateral-free capital loans.
  - It facilitates an initial working capital loan of up to 1 lakhs at a subsidized rate of interest.
- Which of the statements given above is/are correct?
- 1 only
  - 2 only
  - Both 1 and 2
  - Neither 1 nor 2
- 87.** With reference to the Hybrid Annuity Model (HAM) model for Public-Private Partnership in highway construction, consider the following statements:
- As per the model, the government will contribute exactly 50% of the project cost in the first five years through annual payments (annuity).
  - Under HAM, a road developer constructs the road but he/she is not allowed to recover his/her investment through toll collection.
- Which of the statements given above is/are correct?
- 1 only
  - 2 only
  - Both 1 and 2
  - Neither 1 nor 2
- 88.** With reference to Participatory Notes (PNs), consider the following statements:
- It is a derivative instrument issued by a SEBI registered Foreign Institutional Investor (FII) in foreign jurisdictions.
  - The investor in PN owns the underlying Indian security.
  - PNs are freely tradeable and can be easily transferred from one investor to another.
- Which of the statements given above is/are correct?
- 1 only
  - 2 only
  - 1 and 3 only
  - 2 and 3 only

- 89.** Consider the following statements regarding micro-insurance in India:
1. It aims to promote insurance coverage among economically vulnerable sections of society.
  2. There is no regulatory body to regulate micro insurance in India.
- How many of the above statements are **not** correct?
- (a) 1 only
  - (b) 2 only
  - (c) Both 1 and 2
  - (d) Neither 1 nor 2
- 90.** Consider the following statements regarding aviation sector in India:
1. Regional Connectivity Scheme-Ude Desh ka Aam Nagrik (UDAN) is applicable on flights which cover distance more than 1000 km.
  2. Director General of Civil Aviation (DGCA) is the regulatory body in the field of civil aviation.
- (a) 1 only
  - (b) 2 only
  - (c) Both 1 and 2
  - (d) Neither 1 nor 2
- 91.** Consider the following statements:
1. Futures are derivatives financial contracts that put an obligation on the parties to buy or sell an asset at a predetermined future date and price.
  2. Options are financial derivatives that give the right but not the obligation to buy or sell the underlying assets at an agreed upon price and rate.
- Which of the statements given above is/are correct?
- (a) Futures
  - (b) Options
  - (c) Warrants
  - (d) Forwards
- 92.** In the context of the capital market in India, which of the following best describes the term “Right Issues”?
- (a) An issue of shares to existing equity shareholders in proportion to their existing shareholding.
  - (b) An offer made by a company to institutional investors to raise capital through private place.
  - (c) A listed company comes out with a fresh issue of shares.
  - (d) A share issued by companies to their shareholders for the free of cost.
- 93.** Exchange Traded Currency Derivatives are regulated by which of the following institutions?
- (a) SEBI only
  - (b) RBI only
  - (c) SEBI and RBI
  - (d) Ministry of Finance
- 94.** Which of the following Union ministry is responsible for the identification of Champion service sector?
- (a) Ministry of Commerce & Industry
  - (b) Ministry of Cooperation
  - (c) Ministry of Micro, Small and Medium Enterprises
  - (d) Ministry of Finance

- 95.** Consider the following statements about Masala Bonds:
1. Masala bonds are debt instruments can be issued in the Indian as well as offshore capital market.
  2. In masala bonds, the currency risk lies with the issuer not the investor.
- Which of the statements given above is/are **not** correct?
- (a) 1 only
  - (b) 2 only
  - (c) Both 1 and 2
  - (d) Neither 1 nor 2
- 96.** With reference to Treasury Bills (T-Bills), consider the following statements:
1. They are long term capital market instruments.
  2. T- Bills are considered as assets of the government.
  3. Foreign Portfolio Investment (FPI) is allowed in Treasury Bills.
- How many of the statements given above are correct?
- (a) Only one
  - (b) Only two
  - (c) All three
  - (d) None
- 97.** Consider the following statements about Engineering, Procurement and Construction (EPC) Model:
1. In this model the cost is completely borne by the government.
  2. The private sector's participation is minimal and is limited to the provision of engineering expertise.
- 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
- 98.** With reference to the Indian economy, “Certificate of deposit and commercial papers” are the instruments of:
- (a) Forex market
  - (b) Money market
  - (c) Capital market
  - (d) Bond market
- 99.** Consider the following statements regarding the National Skill Development Corporation (NSDC):
1. It is a not-for-profit public limited company set up as part of a national skill development mission.
  2. The Ministry of Commerce and Industry is the nodal agency.
- 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

**100.** Consider the following statements regarding Telecom Sector in India:

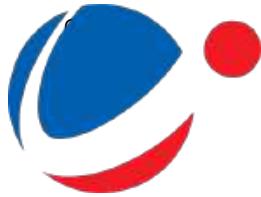
1. The 5G network has been rolled out only in some states of India.
2. Any kind of Foreign direct investment is completely prohibited in the telecom sector.

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

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## ANSWERS & EXPLANATIONS GENERAL STUDIES (P) TEST – 6316 (2026)

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### Q 1.A

- Unemployment is a situation that is said to have occurred when a person actively looking for work does not find one. Unemployment can be classified into seasonal, structural, cyclical, and frictional based upon nature. In India, data on unemployment is provided by the Ministry of Statistics and Programme Implementation, the Report of Census of India and the Ministry of Labour and Employment.
- **Seasonal unemployment is the type of unemployment that is prevalent during a specific season of the year.** In some sectors such as agriculture, ice factories, holiday resorts, etc., production or economic activity is undertaken during a particular season and the rest of the year being an offseason the employees remain unemployed.
- **In the rural areas, especially in developing countries such as India, a major percentage of the population is engaged in agriculture. Agriculture, being a seasonal activity, is not able to provide employment to the people engaged in it throughout the year.** Thus agricultural labourers from rural areas migrate to the city to find work in sectors such as construction, informal economic activities, etc.
- **Hence, option (a) is the correct answer.**

### Q 2.C

- **Context: AI Kiran, an initiative to empower women in Artificial Intelligence, has been launched.**
- Launched in partnership with the Indian government and global orgs, **AI Kiran combines mentorship, funding access, and blockchain-verified recognition to build a vibrant, cross-functional AI community for women across domains like healthcare, education, and sustainability.**
- Kirthiga Reddy, who was once the first employee and Managing Director of Facebook India (now Meta), now the CEO & co-founder, Verix, a global trust-tech platform, is the brain behind AI Kiran, which aims to put Indian women in AI on a global stage, enable connectivity, funding and mentorship. AI Kiran is launching on April 21 in conjunction with UN Creativity and Innovation Day. The timing is crucial, for despite women outnumbering men in STEM courses in India, it is estimated that women account for only 33 per cent of GenAI roles at the junior level in India and this drops to 19 per cent at the senior level.
- It is towards building a cross-functional AI community. The initiative is hosted on the Manthan Platform, enabling access for a wide and diverse audience of professionals, students, and researchers across India.
- The AI Kiran initiative is a national program launched by the Government of India to empower women in Artificial Intelligence (AI). It aims to build an inclusive AI ecosystem by recognizing and amplifying the contributions of women innovators and leaders in AI and Machine Learning. The initiative also seeks to create a network that supports women's participation in research and innovation, ultimately promoting gender parity in the science and technology fields.
- **Hence option (c) is the correct answer**

### Q 3.B

- **Context: Mission titled "Fram2" has been launched using Dragon spacecraft of SpaceX.**
- Fram2 is the 16th crewed mission overall using the reusable Crew Dragon, a gumdrop-shaped spacecraft that SpaceX developed with NASA funding to provide the U.S. space agency a ride for its astronauts to and from the International Space Station.
- Fram2 has launched, sending four private astronauts on a historic three-to-five-day trip over Earth's poles. **The crew will perform 22 scientific experiments over the course of the mission, one of which will grow mushrooms in space for the first time ever.** Fram2 will also take X-rays of the human body in orbit, another feat that has never been done.

- It will be the first human spaceflight to cruise directly over Earth's Polar Regions.
- **Hence, option (b) is the correct answer**

#### **Q 4.B**

- **Context:** Rajya Sabha passed ‘The Protection of Interests in Aircraft Objects Bill, 2025’ aiming to align it as per Cape Town Convention (Convention on International Interests in Mobile Equipment) and Protocol on Matters Specific to Aircraft Equipment.
- The bill seeks to provide for the protection of interests in aircraft objects. It also seeks to implement the Convention on International Interests in Mobile Equipment and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment, each signed at Cape Town in 2001. The bill designates the Directorate General of Civil Aviation as the registry authority for the convention. The registry authority is responsible for the registration and de-registration of aircraft.
- **About Cape Town Convention and Protocol**
  - **The Cape Town Convention (CTC) is a global treaty that guarantees the rights of lessors to repossess leased high-value equipment such as aircraft, engines, and helicopters in case of payment defaults.**
  - It was adopted at a conference in Cape Town in November 2001 under the International Civil Aviation Organisation (ICAO) and the International Institute for the Unification of Private Law (UNIDROIT).
  - The convention aims to solve problems of obtaining certain rights to aviation assets such as aircraft engines, helicopters and airframes, which, by their nature, have no fixed location.
  - India is now a signatory to the convention, but the Indian Parliament has not ratified the same. Hence, the law prohibits such recovery once a company initiates bankruptcy proceedings
- **Hence, option (b) is the correct answer**

#### **Q 5.C**

- **Context:** The 6th BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) Summit with the theme “BIMSTEC: Prosperous, Resilient and Open”, concluded in Bangkok under the chairmanship of Thailand.
- **BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)**
  - It is a regional organization established in 1997 with signing of the Bangkok Declaration. ○ It was originally formed with 4 Members (Bangladesh, India, Sri Lanka & Thailand) with the acronym ‘BIST-EC’.
  - Secretariat: Dhaka, Bangladesh
  - **Member States (7): Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand.**
  - BIMSTEC Charter: Foundational document that outlines the goals, principles, and structure of the BIMSTEC. It was finalized in the 5th Summit (2022) in Sri Lanka. ○ Charter confers legal personality on the grouping and paves the way for external partnerships and admission of observers and new members.
  - Objective: To create an enabling environment for rapid economic development and social progress and maintain peace and stability in the Bay of Bengal region.
  - 7 Priority Areas/Pillars (each led by 1 Member country): Trade & Investment (Bangladesh); Environment & Climate Change (Bhutan); People-to-People Contacts (Nepal); Agriculture & Food Security (Myanmar); Science & Technology and Innovation (Sri Lanka) and Connectivity (Thailand).
  - India is the Lead Country for Security pillar under which there are 3 sub-sectors – Counter-Terrorism and Transnational Crime, Disaster Management and Energy Security.
- **Hence, option (c) is the correct answer**

#### **Q 6.B**

- **Context:** The GI certificate for the Banarasi Shehnai — a timeless musical instrument — was personally handed over by Prime Minister Narendra Modi to Ramesh Kumar, a renowned artisan from Banaras.
- A Geographical Indication (GI tag) is a sign used on products with a specific geographical origin, possessing unique qualities or reputation due to that origin. It serves as an intellectual property right (IPR), attributing a product’s quality, reputation, or other characteristic to its geographical origin.
- **Geographical Indication (GI) certificates awarded to**
  - **Banarasi Shehnai:** It is an Indian wind instrument similar to the oboe in tone and has seven holes on its staff in place of keys. Its music is associated with the temple music of the country. It is considered

auspicious to play the Shehnai on occasion of most Indian weddings. It gained global recognition through the legendary Ustad Bismillah Khan.

- **Banarasi Tabla:** Benares tabla gharana was developed a little over 200 years ago by the legendary Pandit Ram Sahai. Banaras Gharana is recognized as one of the six principal tabla gharanas in Indian classical music. Noted tabla player Padma Vibhushan Pandit Kishan Maharaj belonged to the Banaras gharana of Hindustani classical music.
- **Warangal Chapata Chilli:** It is Telangana's 18th GI-tagged product and the third agricultural GI, after Banaganapalli Mango and Tandur Red Gra. The chilli is less spicy but lends a bright red colour with extensive flavour due to its capsicum oleoresin properties (anti-obesogenic, antioxidant, anti-inflammatory, and neuroprotective properties).
- Hence, option (b) is the correct answer.

#### **Q 7.B**

- **Context:** Recently, the Union Minister for New and Renewable Energy launched the Green Hydrogen Certification Scheme of India (GHCI).
- **Green Hydrogen:** Refers to hydrogen produced through electrolysis, which splits water molecules ( $H_2O$ ) into hydrogen ( $H_2$ ) and oxygen ( $O_2$ ) using electricity generated from renewable sources like solar, etc. It is also produced with the help of the gasification of biomass.
- **Key Applications:** Fuel Cell Electric Vehicles (FCEVs), Industry (Fertiliser Refinery), Transport (Road, Rail), etc

Other Types of Hydrogen							
Colour	Black/Brown Hydrogen	Grey Hydrogen	Blue Hydrogen	Turquoise Hydrogen	Pink Hydrogen	Yellow Hydrogen	White Hydrogen
Type	Black/Brown Hydrogen	Grey Hydrogen	Blue Hydrogen	Turquoise Hydrogen	Pink Hydrogen	Yellow Hydrogen	White Hydrogen
Process	Coal Gasification	Methane Reformation	Coal Gasification & Methane Reformation with CCUS	Pyrolysis	Electrolysis	Electrolysis	Naturally occur
Source	Coal	Natural Gas	Fossil Fuel	Methane	Nuclear Energy	Solar Power	Found in underground deposits

- Hence, option (b) is the correct answer.

#### **Q 8.B**

- **Context:** Odisha notified the Similipal tiger reserve as a national park.
- Similipal National Park, recently notified by the Odisha government, is known for being the only place in the world where wild melanistic tigers reside; it also houses a diverse range of wildlife, including elephants, other tiger species, various bird species, reptiles, and amphibians.
- Out of the 2,750 sq. km of the Reserve, 845.70 sq. km has been notified as a National Park, making it the largest in Odisha, leaving behind Bhitarkanika. It is the 107th National Park and the second in the eastern state, after the Bhitarkanika.
- **Simlipal is also protected as a Wildlife Sanctuary, a Tiger Reserve (under Project Tiger), a Biosphere Reserve (under UNESCO's Man and the Biosphere Programme, since 2009), and forms part of Mayurbhanj Elephant Reserve.** Hence, option (b) is the correct answer.

#### **Q 9.A**

- **Context:** Central Pollution Control Board (CPCB) has directed State Pollution Control Boards (SPCBs) to adopt a revised classification of industries.
- The Blue Category was introduced by the Central Pollution Control Board (CPCB) to classify industries providing Essential Environmental Services (EES), particularly those managing waste from domestic and household activities. This includes facilities like municipal solid waste management, biomining of legacy waste, construction and demolition waste processing plants, and sewage treatment plants. These services are crucial for environmental management and are recognized under the Blue Category for their role in handling non-hazardous waste with high littering potential. Hence, statement 1 is correct.

- The Blue Category was not introduced in 2017. It was officially introduced in January 2025 by the CPCB through a report titled ‘Classification of Sectors into Red, Orange, Green, White and Blue Categories’. **Hence, statement 2 is not correct.**
- The Blue Category does not contain the maximum number of sectors. According to the revised classification by CPCB, out of 419 sectors:
  - Red Category: 125 sectors
  - Orange Category: 137 sectors
  - Green Category: 94 sectors
  - White Category: 54 sectors
  - Blue Category: 9 sectors
- Thus, the Blue Category has the least number of sectors among all categories.**

#### **Q 10.C**

- Context: Indian Air Force is participating in Exercise Desert Flag-10 Regional Celebrations.**
- Exercise Desert Flag-10: Exercise Desert Flag-10 is a multinational air combat exercise hosted by the UAE Air Force, involving air forces from various countries, including India, Australia, Bahrain, France, Germany, Qatar, Saudi Arabia, South Korea, Turkey, the UK, and the US. The exercise took place at Al Dhafra Air Base from April 21 to May 8, 2025. **Hence, Pair 1 is correctly matched.**
- Operation ATALANTA: Recently, the European Union Naval Force (EUNAVFOR) under Operation ATALANTA has proposed a joint naval exercise with the Indian Navy. It operates in the Western Indian Ocean and the Red Sea region. **Hence, Pair 2 is not correctly matched.**
- Exercise ‘Dustlik’: 6th edition of Exercise Dustlik started in Pune, Maharashtra. It is a yearly Joint military Exercise event conducted alternatively in India and Uzbekistan. Exercise Dustlik (means 'friendship' in Uzbek) is an annual bilateral military exercise conducted alternately between India and Uzbekistan. The Indian contingent included a battalion of the JAT Regiment and the Indian Air Force, while the Uzbekistan Army represented the other side. **Hence, Pair 3 is correctly matched.**

#### **Q 11.D**

- Context: INS Varsha, under Project Varsha to be operational by 2026.**
- Project Varsha**
  - It is a classified **naval project aimed at strengthening India’s underwater nuclear capabilities ie it is an underground strategic naval base project for India’s nuclear submarine fleet.**
  - Objective: To develop a secure **underground base** to house a fleet of over 12 nuclear-powered ballistic missiles submarines (SSBNs).
  - Location: Coastal village Rambilli in Andhra Pradesh.**
  - Similar to Project Varsha from the east, Karwar base in Karnataka under Project Seabird safeguards the west coast.
- Hence option (d) is the correct answer**

#### **Q 12.A**

- Context: A 7-Judge Constitutional Bench of the Supreme Court, in State of Punjab & Others v Davinder Singh & Others case, held that sub-classification of Scheduled Castes (SCs) is permissible to grant separate quotas for more backwards within the SC categories.**
- 7-judge Constitution Bench was essentially considering two aspects:
  - whether sub-classification within reserved castes be allowed, and
  - correctness of the decision in E. V. Chinnaiyah v. State of Andhra Pradesh (2005), which held that SCs notified under Article 341 formed one homogenous group and could not be sub-categorized further. **Hence, statement 1 is correct.**
- Telangana Becomes First State to Implement Scheduled Caste (SC) Sub-Categorisation.** Telangana has issued notification that formally implements Scheduled Caste sub-categorisation, which will be applied in both employment (art.16(4)) & education (art.15(4)). This comes after a seven-judge Constitution Bench (in State of Punjab vs Davinder Singh, 2024) allowed States to further sub-classify SCs and Scheduled Tribes (STs). **Hence, statement 2 is not correct.**

#### **Q 13.C**

- **Context:** Long term vacancy since 2019 to the office of Deputy Speaker (DS) points to a Constitutional anomaly.
- **The post of the Deputy Speaker is mentioned under Article 93 of the Constitution of India, which provides for the election of both the Speaker and the Deputy Speaker of the Lok Sabha.** This makes the office of the Deputy Speaker an essential part of the parliamentary framework and ensures that the functioning of the House continues even in the absence of the Speaker. **Hence, statement 1 is correct.**
- **While Article 93 mandates that the House of the People (Lok Sabha) shall choose two members to be Speaker and Deputy Speaker “as soon as may be,”** the Constitution does not prescribe any specific time limit for the election of the Deputy Speaker. It is generally expected that the election will be held promptly, but the actual timing is left to the discretion of the House. **Hence, statement 2 is correct.**

#### **Q 14.B**

- **Context: On 8 April 2025, India marks 10 years of the Pradhan Mantri MUDRA Yojana (PMMY).**
- Applicants can apply for MUDRA loans both offline and online. Offline applications can be made by visiting PMMY-authorised financial institutions such as banks and NBFCs. Online applications can be submitted through portals like Udyamimitra, where applicants can fill out and submit the necessary forms digitally. **Hence, statement 1 is correct.**
- Under the PMMY, loans are provided without the need for collateral. This feature is designed to encourage micro and small enterprises to access formal credit systems without the burden of providing security. The loans are categorised into Shishu (up to ₹50,000), Kishore (₹50,001 to ₹5 lakh), Tarun (₹5 lakh to ₹10 lakh), and the newly added Tarun Plus (₹10 lakh to ₹20 lakh). **Hence, statement 2 is correct.**
- MUDRA does not directly lend to micro-entrepreneurs or individuals. Instead, it provides refinancing support to banks, NBFCs, MFIs, and other financial institutions, which in turn extend loans to eligible borrowers. Therefore, MUDRA operates through intermediaries and does not have a direct lending window. **Hence, statement 3 is not correct.**

#### **Q 15.B**

- **Context: President of India presents Padma awards 2025 at the civil investiture ceremony-I.**
- **The Padma Awards — Padma Vibhushan, Padma Bhushan, and Padma Shri — are announced every year on the eve of Republic Day (January 25)** by the Government of India. These civilian honours are among the highest awards given for distinguished service in various spheres and are part of India's official honours system. **Hence, statement 1 is correct.**
- **The Padma Awards are conferred for distinguished service in any field of activity involving public service,** including but not limited to art, literature, education, science, sports, medicine, social work, trade and industry, and civil service. The emphasis is on service to the society and nation, and the awards aim to recognize people from diverse backgrounds, including lesser-known individuals doing impactful work. **Hence, statement 2 is correct.**
- **A person can be awarded more than one Padma Award,** but not of the same category. For instance, someone who has previously received a Padma Shri can later be awarded a Padma Bhushan or Padma Vibhushan based on further achievements. This progression reflects increasing recognition of their contributions over time. However, the same award (e.g., Padma Shri) cannot be conferred twice on the same person. **Hence, statement 3 is not correct.**

#### **Q 16.A**

- **Context: Recently a non-nuclear hydrogen bomb has been detonated by China.**
- The Non-Nuclear Hydrogen Bomb deploys chemical reaction with Magnesium Hydride to create a powerful explosion without nuclear materials. Hydrogen bomb, on the other hand, is primarily based on the nuclear fusion process. **Hence, statement 1 is correct.**
- The use of non-nuclear hydrogen bombs is not explicitly prohibited by international humanitarian law in the same way as nuclear weapons. While international humanitarian law (IHL) does impose rules on the use of weapons to limit civilian harm and unnecessary suffering, there is no specific treaty or customary law that outright bans non-nuclear hydrogen bombs. However, their use is still subject to the principles of distinction, proportionality, and the prohibition of unnecessary suffering. **Hence, statement 2 is not correct.**

#### **Q 17.D**

- **Context: MSC Türkiye docked at Vizhinjam Port, India's first deepwater transhipment port.**
- Vizhinjam Port is a strategic maritime project near Thiruvananthapuram in Kerala. This is the first Greenfield port project in India, initiated by a state Government with an investment exceeding ₹18,000 crores. Developed under the Public Private Partnership (PPP) mode, it stands as one of the largest initiatives in the country's port sector. Vizhinjam's strategic location near international shipping routes significantly reduces transit times for vessels, making it a pivotal point for maritime trade.
- As one of India's few natural deep-water ports, it can efficiently accommodate large cargo and container ships. The development of the Vizhinjam International Seaport is poised to boost Kerala's economic growth by creating jobs, enhancing trade, and attracting investments. Ongoing infrastructure projects aim to equip the port with state-of-the-art facilities, including modern container terminals, warehouses, and logistics parks. Vizhinjam is set to become a key player in regional trade, potentially serving as a gateway for commerce between Southeast Asia, the Middle East, and Africa.
- **Hence, option (d) is the correct answer.**

#### **Q 18.C**

- **Context: The Prime Minister paid homage to Jagadguru Basaveshwara on the occasion of Basava Jayanti.**
- Basaveshwara, also known as Basavanna, is widely regarded as the founding saint of the Lingayat tradition, which emerged in the 12th century in Karnataka. He rejected Brahminical orthodoxy and ritualism, and instead emphasized devotion to Lord Shiva in the form of Ishtalinga, worn by Lingayats. He also established the Anubhava Mantapa, a spiritual parliament where discussions on faith and social reform were conducted, laying the foundation for the Lingayat philosophy. **Hence, statement 1 is correct.**
- Basaveshwara introduced and emphasized the principle of "Kayaka", meaning dignified work or manual labour. According to him, every individual should earn their livelihood through honest and dedicated work, and this work itself was a form of worship. **Hence, statement 2 is correct.**
- Basaveshwara was a progressive social reformer who strongly advocated for gender equality in spiritual and social life. The Vachana literature, composed by him and his followers, includes many women saints and poets like Akka Mahadevi, who were part of the Lingayat movement. He rejected caste and gender-based discrimination and promoted an inclusive, accessible path to devotion and enlightenment. **Hence, statement 3 is correct.**

#### **Q 19.B**

- The National Sample Survey Organization (NSSO) provides three different estimates of employment and unemployment based on different approaches / reference periods used to classify an individual's activity status. These are the
  - Usual status approach with a reference period of 365 days preceding the date of survey. **Hence statement 1 is not correct.**
  - Current weekly status approach with a reference period of seven days preceding the date of survey.
  - Current daily status approach with each day of the seven days preceding date of survey as the reference period. **Hence statement 2 is correct.**
- The Usual Status approach to measuring unemployment uses a reference period of 365 days i.e. one year preceding the date of the survey of NSSO for measuring unemployment. This approach records only those persons as unemployed who had no gainful work for a major time during the 365 days preceding the date of the survey and are seeking or are available for work. Thus, the estimates of unemployment obtained on the basis of the usual status approach are expected to capture long-term unemployment.
  - The usual status approach to measuring unemployment fails to capture the short-term fluctuations in employment and unemployment caused due to seasonality in labour markets. However, Current Weekly Status (CWS) measures these short-term fluctuations very well owing to its shorter reference period of a week. **Hence statement 3 is correct.**
- **The Current Weekly Status (CWS) approach** to measuring unemployment uses seven days preceding the date of the survey as the reference period.
  - A person is considered to be employed if he or she pursues any one or more of the gainful activities for at least one-hour on any day of the reference week. On the other hand, if a person does not pursue any gainful activity, but has been seeking or available for work, the person is considered as unemployed.
- **The current daily status approach** to measuring unemployment seeks to ascertain the activity status of an individual for each day of the reference week. It reports time disposition of an individual on each day of the reference week. This means that in addition to recording the activity being pursued, time-intensity is also recorded in quantitative terms for each day of the reference week.

#### **Q 20.B**

- Key Concepts regarding unemployment calculations:
  - Labour force includes people in the working age group 15-59 years who are able and willing to work. It includes both work force (number of people working) and the unemployed. **Hence, statement 1 is not correct.**
  - Labour Force Participation Rate (LFPR) is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.
  - **Worker Population Ratio (WPR) is defined as the percentage of employed persons in the population. Hence, statements 2 is correct.**
  - Unemployment Rate (UR) is defined as the percentage of persons unemployed among the persons in the labour force.

#### **Q 21.A**

- Inflation is the decline of purchasing power of a given currency over time. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period of time. The rise in the general level of prices often expressed as a percentage, means that a unit of currency effectively buys less than it did in prior periods. Thus Inflation is the rate at which the value of a currency is falling and, consequently, the general level of prices for goods and services is rising. **Hence statement 1 is correct.**
- An increase in the supply of money is the root of inflation, though this can play out through different mechanisms in the economy. **Hence statement 2 is not correct.**
- Money supply can be increased by the **monetary authorities either by printing and giving away more money to the individuals, by legally devaluing (reducing the value of) the legal tender currency**, more (most commonly) by loaning new money into existence as reserve account credits through the banking system by purchasing government bonds from banks on the secondary market.
- In all such cases of money supply increase, the money loses its purchasing power. The mechanisms of how this drives inflation can be classified into three types: demand-pull inflation, cost-push inflation, and built-in inflation.

#### **Q 22.D**

- Core Inflation is also known as underlying inflation, is a measure of inflation which excludes items that face volatile price movement, notably food and energy. In other words, Core Inflation is nothing but Headline Inflation minus inflation that is contributed by food and energy commodities. **Hence statement 1 is not correct.**
  - **Unlike core inflation, headline inflation takes into account changes in the price of food and energy.** Since food and energy prices are highly volatile, headline inflation may not give an accurate picture of how an economy is behaving.
- Prices of other commodities do not fluctuate as regularly as food and fuel – as such increase in their prices could be taken relatively to be much more of a permanent nature. The Reserve Bank of India (RBI) and Central Banks around the World always keep an eye on the core inflation. **Whenever core inflation rises, Central Banks increase their key policy rates to suck excess liquidity from the market and vice versa. It is, therefore, a preferred tool for framing long-term policy.** **Hence statement 2 is not correct.**

#### **Q 23.C**

- Measures to control inflation:
- **Contractionary monetary policy is now a more popular method of controlling inflation.** The goal of a contractionary policy is to reduce the money supply within an economy by increasing interest rates. This helps slow economic growth by making credit more expensive, which reduces consumer and business spending. **Increasing the repo rate by the RBI makes loans costlier and in turn it decreases spending wrestling inflation control.** **Hence option 1 is correct.**
- **Fiscal measures can be taken by the government to reduce inflation. It may include increase in direct taxes, decrease indirect taxes, decrease in government spending through frugal budgeting, etc.** **Hence option 2 is not correct.**
- The government takes various administrative measures from time to time to control measures. **Such measures can be the banning of exports of certain items such as edible oil, onions, pulses, etc. It can also strengthen PDS to control leakages. Also, measures to restrict hoarding and speculation can lead to negating of artificial increases in prices.** **Hence option 3 is correct.**

#### **Q 24.C**

- Important terms regarding inflation:
- **Inflation:** Inflation is a quantitative measure of how quickly the prices of goods in an economy are increasing. Inflation occurs when goods and services are in high demand, thus creating a drop in availability (supply) and a consequential raising of prices.
- **Disinflation:** It refers to a reduction in the rate of inflation. In disinflation, price levels decrease without a decrease in National income, output and employment. Disinflation is generally desirable. Hence, pair 1 is correctly matched.
- **Deflation:** It refers to a persistent fall in the price level. It is a situation in which the price level reduces along with fall in output, employment etc. It leads to recession. Hence, pair 2 is correctly matched.
- **Reflation:** It is a situation when the economy recovers from recession/depression. Price levels increase along with an increase in output, employment, et during the phase of economic recovery. Hence, pair 3 is correctly matched.

#### **Q 25.C**

- Goods and Services Tax (GST) refers to the single unified tax created by amalgamating a large number of Central and State taxes presently applicable in India.
- **The 101st Constitution Amendment Act of September 2016 made in this regard, inserted a definition of GST in Article 366 of the constitution by inserting a sub-clause 12A.** As per that, GST means any tax on supply of goods, or services, or both, except taxes on supply of the alcoholic liquor for human consumption. And here, services are defined to mean anything other than goods.
- GST replaced the following taxes levied and collected by the Centre:-**Central Excise duty**, -Excise Duty levied under the Medicinal and Toilet Preparations (Excise Duties) Act 1955.-Additional Excise Duties (Goods of Special Importance), Additional Excise Duties (Textiles and Textile Products).- Additional Customs Duty (commonly known as Countervailing duties or CVD).-Special Additional Duty of Customs (SAD).-Service Tax.-Cesses and Surcharges in so far as they relate to the supply of goods and services.- Taxes on the sale or purchase of newspapers and on advertisements published therein.
- State taxes that are subsumed within the GST are:-State VAT/ Sales Tax, Central Sales Tax (levied by the Center and collected by the States).-**Luxury Tax-Octroi Tax**-Entry Tax i.e., taxes on the entry of goods into a local area for consumption, use or sale therein. (other than those in lieu of octroi).-Purchase TaxEntertainment Tax which is not levied by the local bodies; i.e. panchayats, municipalities and District councils of autonomous districts can impose taxes on entertainment and amusements.-Taxes on general advertisements, Taxes on lotteries, betting and gambling.-State cesses and surcharges insofar as they relate to supply of the goods or services.
- **GST does not subsume Stamp Duty and Basic Custom Duty.**
- Basic custom duty is the duty imposed on the value of the goods at a specific rate. The duty is fixed at a specified rate of ad-valorem basis. Other Customs duties like Countervailing Duty (CVD) and Special Additional Duty (SAD) is subsumed under GST. **Hence option (c) is the correct answer.**

#### **Q 26.B**

- When a government spends more than it collects by way of revenue, it incurs a budget deficit.
  - Primary deficit is simply the fiscal deficit minus the interest payments.
- Gross primary deficit = Gross fiscal deficit – Net interest liabilities
- Gross fiscal deficit = Total expenditure – (Revenue receipts + Non-debt creating capital receipts)
- Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending.
- We must note that the borrowing requirement of the government includes interest obligations on accumulated debt. The goal of measuring primary deficit is to focus on present fiscal imbalances. To obtain an estimate of borrowing on account of current expenditures exceeding revenues, we need to calculate the primary deficit.
- Significance of Primary Deficit - It excludes the burden of the past debt and shows the net increase in the government's indebtedness due to the current year's fiscal operations. A reduction in primary deficit is reflective of government's efforts at bridging the fiscal gap during a financial year.
- Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing.
- **Hence option (b) is the correct answer**

#### **Q 27.A**

- Direct tax is charged on income, salary or profits of an individual or corporates. In the case of direct tax, the burden can't be shifted by the taxpayer to someone else. **Hence statement 1 is not correct.**
- **These are largely taxes on income or wealth. Income-tax, corporate tax, property tax, inheritance tax and gift tax are examples of direct tax. Hence statement 3 is not correct.**
- The Central Board of Direct Taxes deals with matters related to levying and collecting Direct Taxes and formulation of various policies related to direct taxes.
- Indirect tax is a levy where the incidence and impact of taxation do not fall on the same entity. The burden of tax can be shifted by the taxpayer to someone else.
- Indirect tax has the effect to raising prices of products on which they are imposed. Customs duty, import duty, central excise, service tax and value added tax are examples of indirect tax.
- The government sector affects the personal disposable income of households by making transfers and collecting taxes. It is through this that the government can change the distribution of income and bring about a distribution that is considered 'fair' by society. This is the redistribution function.
- **The redistribution objective is sought to be achieved through progressive income taxation, in which higher the income, higher is the tax rate. Hence statement 2 is correct.**

#### **Q 28.D**

- According to the International Monetary Fund (IMF), the fiscal policy is the use of government spending and taxation to influence the economy. Governments typically use fiscal policy to promote strong and sustainable growth and reduce poverty. The role and objectives of fiscal policy gained prominence during the recent global economic crisis when governments stepped in to support financial systems, jump-start growth, and mitigate the impact of the crisis on vulnerable groups.
- Objectives of Fiscal Policy in Indian context:
  - **Economic Growth:** Fiscal Policy maintains the economic growth so that the economic goals are achieved.
  - **Price Stability:** Controls the price level of the country so that when the inflation is too high prices can be regulated.
  - **Full employment:** It aims to achieve full employment/near-full employment, as a tool to recover from low economic activity.
- **Hence, option (d) is the correct answer.**

#### **Q 29.B**

- Structural unemployment is the type of unemployment that is caused by the major shifts in an economy. The reasons for the major shifts may be caused by technological changes, changes in government policies, and competition. For example, the fourth industrial revolution is expected to cause major disruptions in the production and supply chains across the globe, it will render the present skillsets in many sectors obsolete. **Hence statements 1 and 2 are correct.**
- Prolonged cyclical unemployment may also result in structural unemployment. For example, during the 2008 financial crisis, many people remained out of work due to immediate cyclical causes (recession leading to cyclical unemployment). Remaining out of the workforce for a long time resulted in their skillset becoming outdated.
- As measures against the increase of structural unemployment in the nation, the government takes measures such as a structural change in the sectors such as education, economics, tax structures, etc. For example introduction of Goods and Service Tax, ease of doing business reforms, provisioning for vocational education, and skilling of the unskilled labour force through training.
- In view of the emergence of fourth-generation technologies such as the internet of things, artificial intelligence, etc. India should embark upon further reforms such as execution of new and updated education policy, reskilling of the present labour force, spending more on research and development, intellectual property rights related reforms, etc.
- Structural unemployment is often long-term and may require policy interventions like re-skilling and education reform. **Hence, statement 3 is not correct.**

#### **Q 30.B**

- Article 292 of the Indian Constitution states that the Government of India can borrow amounts specified by the Parliament from time to time. Article 293 of the Indian Constitution mandates that the State Governments in India can borrow only from internal sources. Thus the Government of India incurs both external and internal debt, while State Governments incur only internal debt.
- In India, total Central Government Liabilities constitutes the following three categories; [i] Internal Debt. [ii] External Debt. [iii] Public Account Liabilities.
- Public debt is the total liabilities of the central government contracted against the Consolidated Fund of India. It is further classified into internal & external debt. Internal debt is categorised into marketable and non-marketable securities.
- Public Debt in India includes only Internal and External Debt incurred by the Central Government. **Hence option 1 and option 2 are correct.**
- Internal Debt includes liabilities incurred by resident units in the Indian economy to other resident units, while External Debt includes liabilities incurred by residents to non-residents.
- **The major instruments covered under Internal Debt are as follows:**
- **Dated Securities:** Primarily fixed coupon securities of short, medium and long term maturity which have a specified redemption date. These are the single-most important component of financing the fiscal deficit of the Central Government (around 91 % in 2010-11) with average maturity of around 10 years.
- **Treasury-Bills:** Zero coupon securities that are issued at a discount and redeemed in face value at maturity. These are issued to address short term receipt-expenditure mismatches under the auction program of the Government. These are primarily issued in three tenors, 91,182 and 364 day.
- **14 Day Treasury Bills.**
- Securities issued to International Financial Institutions: Securities issued to institutions viz. IMF, IBRD, IDA, ADB, IFAD etc. for India's contributions to these institutions etc.
- **Securities issued against 'Small Savings':** All deposits under small savings schemes are credited to the National Small Savings Fund (NSSF). The balance in the NSSF (net of withdrawals) is invested in special Government securities.
- **Market Stabilization Scheme (MSS) Bonds:** Governed by a MoU between the GoI and the RBI, MSS was created to assist the RBI in managing its sterilization operations. GoI borrows under this scheme from the RBI, while proceeds from such borrowings are maintained in a separate cash account with the latter and is used only for redemption of T-bills /dated securities raised under this scheme.

#### **Q 31.D**

- An ad valorem tax is a tax based on the assessed value of an item, such as real estate or personal property. The most common ad valorem taxes are property taxes levied on real estate. However, ad valorem taxes may also extend to a number of tax applications, such as import duty taxes on goods from abroad. **Hence, statement 1 is correct.**
- The Latin phrase ad valorem means "according to value." All ad valorem taxes are levied based on the determined value of the item being taxed. In the most common application of ad valorem taxes, which are municipal property taxes, the real estate of property owners is periodically assessed by a public tax assessor to determine its current value. The assessed value of the property is used to compute a tax annually levied on the property owner by a municipality or other government entity.
- The Goods and Services Tax in India is an ad valorem tax. For example, the rate of GST approved by the GST Council on access to circus, theatre, Indian classical dance including folk dance and drama is 18% ad valorem. 28% GST on luxury cars is also ad valorem. **Hence, statement 2 is correct.**
- Hence, option (d) is the correct answer.

#### **Q 32.B**

- The Phillips curve is an economic concept developed by A. W. Phillips stating that inflation and unemployment have a stable and inverse relationship. The theory claims that with economic growth comes inflation, which in turn should lead to more jobs and less unemployment. However, the original concept has been somewhat disproven empirically due to the occurrence of stagflation in the 1970s, when there were high levels of both inflation and unemployment.
- **Hence option (b) is the correct answer.**

#### **Q 33.B**

- **Context:** The Income Tax department has recently notified list of luxury items on which taxpayers will have to pay 1% Tax Collected at Source.
- **In the case of Tax Collected at Source (TCS), it is the seller, not the buyer,** who is responsible for collecting the tax from the buyer at the time of sale of specified goods or services. The collected tax is then deposited with the government. This is opposite to Tax Deducted at Source (TDS), where the tax is deducted by the payer. Common transactions attracting TCS include sale of liquor, timber, scrap, and certain high-value transactions like foreign remittances and overseas travel packages. **Hence, statement 1 is not correct.**
- **The provisions related to TCS are clearly defined under Section 206C of the Income Tax Act, 1961.** It outlines the nature of goods and services on which TCS is applicable, the applicable rates, procedures for depositing TCS with the government, and filing of returns. It also includes provisions for exemptions, thresholds, and penalties for non-compliance. The Income Tax Department monitors TCS through annual statements and Form 27EQ filed by collectors. **Hence, statement 2 is correct.**

#### **Q 34.B**

- **Context:** During the 10th Anniversary of UNESCO Global Geoparks (UGGPs), 16 new sites across 11 countries were added to the GGN.
- The Global Geoparks Network (GGN) is a non-profit International Association officially established in 2014 under French legislation. **It operates in partnership with UNESCO, not under the United Nations Environment Programme (UNEP).** The GGN was initially founded in 2004 as an international partnership developed under the umbrella of UNESCO to promote the protection of Earth's geological heritage and support sustainable regional development. **Hence, statement 1 is not correct.**
- **The GGN sets ethical standards and quality benchmarks that all UNESCO Global Geoparks and their professionals are required to adopt and uphold.** These standards ensure that geoparks maintain high levels of integrity in conservation, education, and sustainable development practices. Additionally, the GGN fosters cooperation and mutual assistance among geoparks and professionals worldwide. **Hence, statement 2 is correct.**
- **As of now, India does not have any UNESCO Global Geoparks.** Although India possesses a rich and diverse geological heritage, no site has yet been designated as a UNESCO Global Geopark. **Hence, statement 3 is correct.**
- Membership of the GGN is obligatory for UGGPs. There are 229 UNESCO Global Geoparks in 50 countries (none in India).

#### **Q 35.A**

- **Context: India And IBCA Signed the Headquarters Agreement. The Agreement provides India to host the International Big Cat Alliance (IBCA) Headquarters and Secretariat helping IBCA efficiently discharge its official functions.**
- The International Big Cat Alliance (IBCA) was launched by India on April 9, 2023, during the 50th anniversary celebration of 'Project Tiger' in Mysuru. The initiative was spearheaded by Prime Minister Narendra Modi to strengthen global conservation efforts for seven big cat species: Tiger, Lion, Leopard, Snow Leopard, Cheetah, Jaguar, and Puma. **Hence, statement 1 is correct.**
- **India is home to five of the seven big cats covered by the IBCA:** Tiger, Lion, Leopard, Snow Leopard, and Cheetah. However, Jaguar and Puma are native to the Americas and are not found in the wild in India. **Hence, statement 2 is not correct.**
- **The Secretariat of the IBCA is headquartered in India, not Geneva.** On April 17, 2025, India signed a Headquarters Agreement with the IBCA, officially establishing New Delhi as the host for the IBCA Secretariat. **Hence, statement 3 is not correct.**

#### **Q 36.A**

- The Union Budget, which is presented by the Finance Minister of India, comprises Capital Budget and Revenue Budget. The Capital Budget is further categorized into capital receipts and capital expenditure.
- **Capital receipts are receipts that create liabilities or reduce financial assets. They also refer to incoming cash flows. Capital receipts can be both non-debt and debt receipts.**
- All capital receipts are tax-free unless there is a proviso to tax them. Capital receipts can be both non-debt and debt receipts.

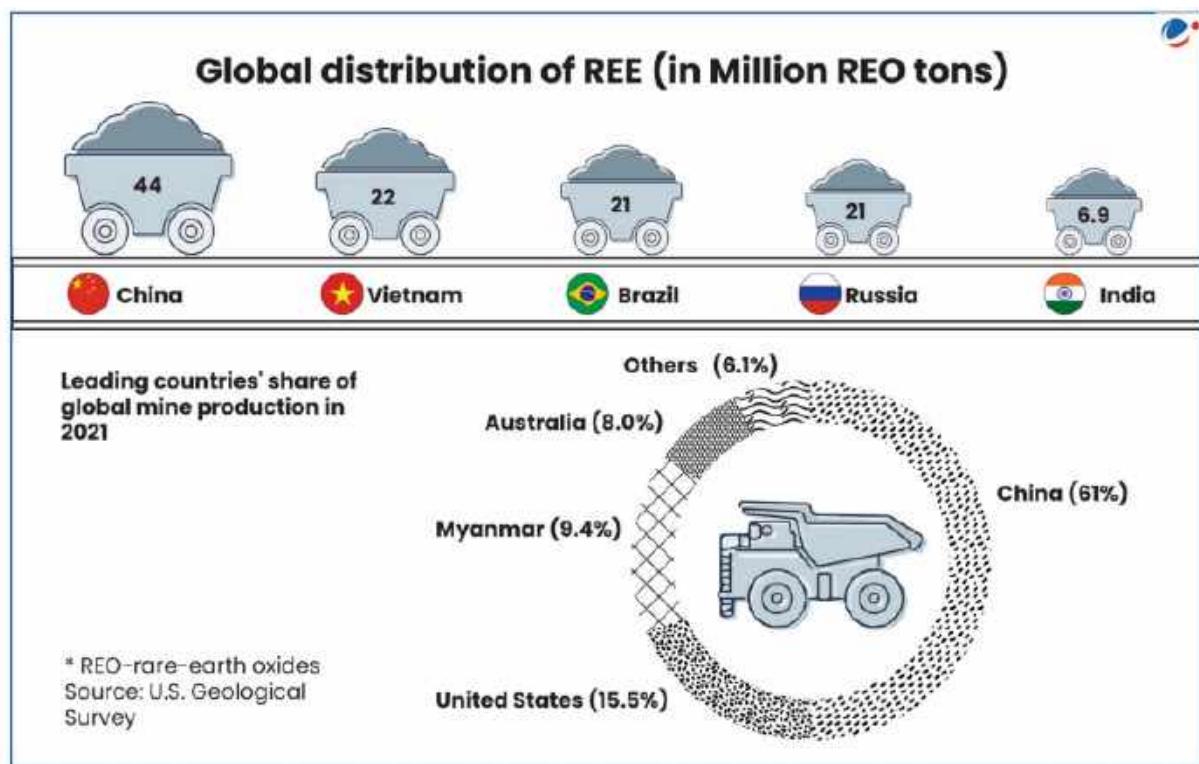
- Non-debt capital receipts are those which do not incur any future repayment burden for the government. Examples of non-debt capital receipts: Recovery of loans and advances, disinvestment, issue of bonus shares, etc.
- Debt Receipts have to be repaid by the government. Around 25 percent of government expenditure is financed through borrowing. A reduction in debt receipt (or borrowing) can be a big leap for the economy's financial health. Most of the capital receipts of the government are debt receipts. Examples of debt capital receipts: Market loans, issuance of special securities to public-sector banks, etc.
- **Capital Receipts include:**
  - loans raised by Government from the public called market loans,
  - borrowings by the Government from Reserve Bank and other parties through the sale of Treasury Bills,
  - loans received from foreign Governments and bodies,
  - disinvestment receipts
  - recoveries of loans from State and Union Territory Governments and other parties.
- **Collection and Appropriation of Direct Taxes is a part of Revenue Receipts.**
- **Hence option (a) is the correct answer.**

#### **Q 37.C**

- **Context: US President announced reciprocal 10% tariffs for several US trade partners, including Heard and McDonald Island. The President called April 2 “Liberation Day” and declaring it “one of the most important days in American history.**
- Heard Island and McDonald Islands are uninhabited subantarctic islands in the Southern Ocean, with no permanent human population. Specifically, they lie about 4,000 kilometers southwest of Perth, Western Australia, and approximately 1,500 kilometers north of Antarctica. These islands are part of the Kerguelen Plateau and are among the most remote places on Earth. **Hence, statement 1 is not correct.**
- The Heard and McDonald Islands are an external territory of Australia. They were transferred from the United Kingdom to Australia in 1947. The islands are administered by the Australian Antarctic Division of the Department of Climate Change, Energy, the Environment and Water. They are managed as a strict nature reserve under Australian law. **Hence, statement 2 is correct.**
- As the only volcanically active subantarctic islands they ‘open a window into the earth’, thus providing the opportunity to observe ongoing geomorphic processes and glacial dynamics. They are listed as UNESCO World Heritage Sites. **Hence, statement 3 is correct.**

#### **Q 38.B**

- **Context: China’s Ministry of Commerce imposed export restrictions on seven rare earth elements (REEs) and magnets used in the defence, energy, and automotive sectors in response to U.S. tariff increases.**
- According to the **United States Geological Survey (USGS)**, most REEs are not as rare as their name suggests and are found in abundance in the Earth’s crust. However, they’re rarely found in concentrations that are economically viable for mining.
- They were named “rare-earth elements” because most were identified during the 18th and 19th centuries as “earth Elements” and, in comparison to other “earth Elements,” such as lime or magnesia, they were relatively rare.
- **Rare Earth Elements (RREs):** As per the International Union of Pure and Applied Chemistry (IUPAC) in 2005, are a group of 17 elements.
  - These elements share similar properties such as high density and high conductivity. ○ cerium (Ce), dysprosium (Dy), erbium (Er), europium (Eu), gadolinium (Gd), holmium (Ho), lanthanum (La), lutetium (Lu), neodymium (Nd), praseodymium (Pr), promethium (Pm), samarium (Sm), scandium (Sc), terbium (Tb), thulium I, ytterbium (Yb), and yttrium (Y).



- Hence, option (b) is the correct answer.

#### Q 39.C

- Kannadippaya, literally meaning "mirror mat," is a traditional handwoven mat crafted by tribal communities in Kerala. Its distinctive feature is the intricate weaving pattern that creates a mirror-like reflective surface, achieved through meticulous arrangements of bamboo slivers. This unique design not only adds aesthetic value but also provides thermal comfort, keeping users warm in winter and cool in summer.
- The craft is primarily preserved by the Oorali, Mannan, Muthuva, Malayan, and Kadar tribal communities and by the Ulladan, Malayarayan, and Hill Pulaya artisans in Idukki, Thrissur, Ernakulam, and Palakkad districts.
- In 2025, Kannadippaya became the first tribal handicraft from Kerala to be awarded the Geographical Indication (GI) tag. This recognition was facilitated by the Kerala Forest Research Institute (KFRI) and marks a significant milestone in preserving and promoting the state's indigenous crafts. The GI tag not only acknowledges the cultural and historical significance of Kannadippaya but also aims to provide economic benefits to the tribal artisans by enhancing marketability and protecting the craft from imitation.
- Hence option (c) is the correct answer.

#### Q 40.A

- Context: The Food and Agriculture Organisation (FAO) on Earth Day (22nd April) launched Accelerating Innovative Monitoring for Nature Restoration (AIM4NatuRe).
- Accelerating Innovative Monitoring for Nature Restoration (AIM4NatuRe), is an FAO-led USD 9 million initiative funded by the United Kingdom to enhance countries' capacity to monitor and report ecosystem restoration progress. To be announced at a dedicated Earth Day event in Rome, AIM4NatuRe will leverage cutting-edge technology, standardized data frameworks, and capacity development to support global efforts to restore at least 30 percent of degraded ecosystems by 2030, as outlined in Target 2 of the Global Biodiversity Framework (GBF).
- By fostering transparency, accountability, and data interoperability, the initiative will enable countries to track restoration efforts across forests, wetlands, grasslands, marine ecosystems, and agricultural landscapes.
- AIM4NatuRe is part of FAO's AIM4Forests Programme, expanding the scope beyond forests to provide a holistic approach to nature restoration monitoring.
- Hence option (a) is the correct answer

#### **Q 41.B**

- **Context:** World Trade Organisation (WTO) recently released the report "Global Trade Outlook and Statistics 2025". It has revealed that the global trade has deteriorated sharply due to a surge in tariffs and trade policy uncertainty.
- **Major findings**
  - Under current conditions, the volume of world merchandise trade is likely to fall by 0.2% in 2025.
  - The decline is expected to be particularly steep in North America, where exports are forecasted to drop by 12.6%.
  - Severe downside risks exist, including the application of "reciprocal" tariffs and broader spillover of policy uncertainty.
  - The report contains for the first time a forecast for services trade to complement its projections for merchandise trade.
  - The volume of services trade is forecasted to grow by 4.0% in 2025.
- **Hence option (b) is the correct answer.**

#### **Q 42.D**

- RBI decides a certain percentage of deposits that every bank must keep as reserves. This is done to ensure that no bank is 'over-lending'. This is a legal requirement and is binding on the banks.
- This is called the 'Required Reserve Ratio' or the 'Reserve Ratio' or 'Cash Reserve Ratio' (CRR).
- **Cash Reserve Ratio (CRR) = Percentage of deposits which a bank must keep as cash reserves with the RBI. Hence, statement 1 is not correct.**
  - Let's assume, CRR = 20 percent
  - Then, with deposits of Rs 100, the bank will need to keep Rs 20 (20 percent of 100) as cash reserves.
  - Only the remaining amount of deposits, i.e., Rs 80 ( $100 - 20 = 80$ ) can be used to give loans. However, apart from the CRR, banks are also required to keep some reserves in liquid form in the short term. This ratio is called the Statutory Liquidity Ratio or SLR.
  - The statutory requirement of the reserve ratio acts as a limit to the amount of credit that banks can create.
- **In theory, if a Central Bank demands a higher reserve ratio, it has the effect of acting like a deflationary monetary policy. A higher reserve ratio should reduce bank lending and therefore, reduce the money supply. Hence, statement 2 is not correct.**
- However, in the real world, there are many reasons why the actual money created is significantly smaller than the theoretically possible money supplied:
  - Import spending: If consumers buy imports, the money leaves the economy
  - Taxes: A percentage of income will be taken in taxes.
  - Savings: Not all money is spent and circulated; a significant percentage will be saved

#### **Q 43.C**

- The World Bank is like a cooperative, made up of 189 member countries. These member countries, or shareholders, are represented by a Board of Governors, which is the ultimate policymaker at the World Bank.
- **International Finance Corporation (IFC), a member of the World Bank Group,** advances economic development and improves the lives of people by encouraging the growth of the private sector in developing countries.
- **The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group.** MIGA provides political risk insurance (guarantees) for projects in a broad range of sectors in developing member countries, covering all regions of the world.
- **International Centre for Settlement of Investment Disputes (ICSID)** is the world's leading institution specializing in international investment dispute settlement. States have agreed on ICSID as a forum for Investor-State dispute settlement in most international investment treaties and numerous investment laws and contracts. ICSID is an independent, depoliticized, and effective dispute-settlement institution. ICSID provides for the settlement of disputes by conciliation, arbitration, or fact-finding. **It is part of the World Bank group. Hence, option (c) is the correct answer**
- Apart from these, the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) are also part of it.

#### **Q 44.A**

- **Sterilization by the Reserve Bank of India (RBI):** The RBI often uses its instruments of money creation for stabilizing the stock of money in the economy from external shocks. Suppose, due to future growth prospects in India, investors from across the world increase their investments in Indian bonds, which, under such circumstances, are likely to yield a high rate of return. They will buy these bonds with foreign currency. Hence, option (a) is the correct answer.
- Since one cannot purchase goods in the domestic market with foreign currency, a person or a financial institution that sells these bonds to foreign investors will exchange their foreign currency holdings into rupees at a commercial bank. The bank, in turn, will submit this foreign currency to the RBI, and its deposits with the RBI will be credited with an equivalent sum of money. The commercial bank's total reserves and deposits remain unchanged (it has purchased the foreign currency from the seller using its vault cash, which, therefore, goes down; but the bank's deposit with the RBI goes up by an equivalent amount, leaving its total reserves unchanged).
- There will, however, be increments in the assets and liabilities on the RBI balance sheet. RBI's foreign exchange holding goes up. On the other hand, the deposits of commercial banks with the RBI also increase by an equal amount. But that means an increase in the stock of high-powered money, which, by definition, is equal to the total liability of the RBI.
- With a money multiplier in operation, this, in turn, will result in an increased money supply in the economy. This increased money supply may not altogether be good for the economy's health. If the volume of goods and services produced in the economy remains unchanged, the extra money will lead to an increase in the prices of all commodities.
- People have more money in their hands, with which they compete with each other in the commodities market for buying the same old stock of goods. As too much money is now chasing the same old quantities of output, the process ends up in bidding up prices of every commodity – an increase in the general price level, which is also known as inflation.
- RBI often intervenes with its instruments to prevent such an outcome. In the above example, the RBI will undertake an open market sale of government securities of an amount equal to the amount of foreign exchange inflow in the economy, thereby keeping the stock of high-powered money and total money supply unchanged. Thus, it sterilizes the economy against adverse external shocks. This operation of RBI is known as sterilization.

#### **Q 45.A**

- Marginal Standing Facility (MSF) was announced by the Reserve Bank of India (RBI) in its Monetary Policy (2011-12).
- **The scheme has been introduced by the RBI with the main aim of reducing volatility in the overnight lending rates in the inter-bank market and to enable smooth monetary transmission in the financial system. Hence, statement 1 is correct.**
- The MSF would be the last resort for banks once they exhaust all borrowing options, including the liquidity adjustment facility by pledging government securities, where the rates are lower in comparison with the MSF.
- **It refers to the penal rate at which banks can borrow money from the central bank over and above what is available to them through the LAF window. It is always fixed above the repo rate. Hence, statement 2 is not correct.**
- Under MSF, banks can borrow funds by pledging government securities within the limits of the statutory liquidity ratio
- MSF represents the upper band of the interest corridor with repo rate at the middle and reverse repo as the lower band.
- Under MSF, Banks can borrow overnight up to 1 percent of their net demand and time liabilities (NDTL)

#### **Q 46.D**

- The Reserve Bank of India began operations on April 01, 1935, by the provisions of the Reserve Bank of India Act, 1934. The Preamble of the Reserve Bank of India describes the basic functions of the Reserve Bank as: "**to regulate the issue of Bank notes and keeping of reserves to secure monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth.**"

- **The main Functions of the RBI are:**
  - **Monetary Authority:** The RBI Formulates, implements, and monitors the monetary policy **to maintain price stability and financial stability** while keeping in mind the objective of growth.
  - **Regulator and supervisor of the financial system:** The RBI prescribes broad parameters of banking operations within which the country's banking and financial system functions to maintain public confidence in the system, protecting depositors' interests, and providing cost-effective banking services to the public.
  - **Manager of Foreign Exchange:** The RBI manages the Foreign Exchange Management Act with the objective to facilitate external trade and payment and promote orderly development and maintenance of the foreign exchange market in India.
  - **The issuer of currency:** The RBI Issues, exchanges, and destroys currency notes as well as puts into circulation coins minted by the Government of India with the **objective to give the public an adequate quantity of supplies of currency notes and coins of good quality.**
  - **Developmental role:** The RBI performs a wide range of promotional functions to support national objectives.
  - **Regulator and Supervisor of Payment and Settlement Systems:** The RBI introduces and upgrades safe and efficient modes of payment systems in the country to meet the requirements of the public at large. Its objective is to maintain public confidence in the payment and settlement system. **Hence, option (d) is the correct answer.**

#### **Q 47.C**

- When a country joins the IMF, it is assigned an initial quota in the same range as the quotas of existing members of broadly comparable economic size and characteristics. The IMF uses a quota formula to help assess a member's relative position.
- The quota, in turn, determines the weight each country has within the IMF—and hence its voting rights—as well as how much financing it can receive from the IMF. Twenty-five percent of each country's quota is paid in the form of special drawing rights (SDRs), which are a claim on the freely usable currencies of IMF members.
- The top 10 largest members according to the voting share are:
  - **United States (16.50%), Japan (6.14%), China (6.08%). Hence, statement 1 is not correct.**
  - Germany (5.31%), France (4.03%), United Kingdom (4.03%)
  - **Italy (3.02%), India (2.63%). Hence, statement 2 is not correct.**
  - Russia (2.59%) and Brazil (2.22%)

#### **Q 48.C**

- **Payment Banks are a new set of banks licensed by the Reserve Bank of India to further financial inclusion by enabling them to provide**
  - **small savings/ current accounts below Rs. 1 lakh. Hence, option 1 is correct.**
  - distribution of mutual funds, insurance products on a non-risk-sharing basis
  - **payments/remittance services to migrant labor workforce, low-income households, small businesses, etc., using a secured technology-driven environment, including the issuance of prepaid cards, etc. Hence, option 3 is correct.**
- Payment banks are differentiated from or restricted to banks.
  - **They cannot set up subsidiaries to undertake non-banking financial services activities (hire purchase, leasing etc), nor can they undertake lending business. Hence, option 2 is not correct.**
- It may choose to become a banking correspondent (BC) of another bank for credit and other services which it cannot offer.
- Since liquidity is the most important aspect required for such banks, they will be bound by the reserve requirement rules of the RBI (CRR, SLR, etc.).
  - Thus, apart from amounts maintained as Cash Reserve Ratio (CRR) with the Reserve Bank on its outside demand and time liabilities, the payments banks will be required to invest a minimum of 75 percent of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year and hold maximum 25 percent in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

#### **Q 49.A**

- Small Finance Banks (SFBs) registered as a public limited company under the Companies Act, 2013, intend to provide financial services to the unserved and unbanked regions of the country. Hence, statement 1 is correct.
- They primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections, including small business units, small and marginal farmers, micro and small industries, and unorganized sector entities, but without any restriction in the area of operations, unlike Regional Rural Banks or Local Area Banks. Hence, statement 2 is correct.
- Eligibility for Setting up SFBs:
- Resident individuals/professionals with 10 years of experience in banking and finance.
- The companies and societies are owned and controlled by residents.
- Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), Local Area Banks (LABs), and payment banks that are owned and controlled by residents.
- SFBs are full-fledged banks in contrast to payments banks created around the same time. Hence, they are subject to all prudential norms and regulations of the RBI as applicable to existing commercial banks, like maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). Hence, statement 3 is not correct.

#### **Q 50.A**

- Statutory Liquidity Ratio (SLR) refers to the minimum percentage of deposits that commercial banks are mandated to maintain as gold assets, cash, or government-approved securities in their own vaults. These deposits have to be maintained by the banks themselves and not with the Reserve Bank of India. By definition, the SLR is the ratio of a bank's liquid assets to its Net Demand and Time liabilities (NDTL). The SLR is an essential instrument in the RBI's monetary policy that helps regulate the cash flow in the economy and ensures the bank's stability.
- As per the Reserve Bank of India, SLR norms are applicable to all Scheduled Commercial Banks (SCBs) (including Regional Rural Banks), Small Finance Banks (SFBs), Payments Banks, Local Area Banks (LABs), Primary (Urban) Co-operative Banks (UCBs), State Co-operative Banks (StCBs), and District Central Co-operative Banks (DCCBs). Hence, option (a) is the correct answer.
- SLR is used by the RBI to control credit flow in the banks. In a way, SLR also makes commercial banks invest in government securities. Making banks invest a portion of their deposits in government securities also ensures the solvency of such banks.
- SLR is decided by the RBI from time to time. The maximum limit of SLR is 40%, and the minimum limit is zero. If the bank fails to control the required level of the statutory liquidity ratio, then it becomes responsible for paying a penalty to the Reserve Bank of India (RBI).

#### **Q 51.B**

- The SDR was created as a supplementary international reserve asset in the context of the Bretton Woods fixed exchange rate system. The collapse of the Bretton Woods system in 1973 and the shift of major currencies to floating exchange rate regimes lessened the reliance on the SDR as a global reserve asset.
- Nonetheless, SDR allocations can play a role in providing liquidity and supplementing member countries' official reserves, as was the case amid the global financial crisis.
- The SDR serves as the unit of account of the IMF and some other international organizations.
- **The SDR is neither a currency nor a claim on the IMF. Hence, statement 1 is not correct.**
- Rather, it is a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for these currencies.
- **Currencies included in the SDR basket have to meet two criteria: the export criterion and the freely usable criterion. Hence, statement 2 is correct.**
- A currency meets the export criterion if its issuer is an IMF member or a monetary union that includes IMF members, and is also one of the top five world exporters. For a currency to be determined "freely usable" by the IMF, it has to be widely used to make payments for international transactions and widely traded in the principal exchange markets.
- The IMF has the authority to prescribe other holders of SDRs, non-members, member countries that are not SDR Department Participants, institutions that perform the functions of a central bank for more than one member, and other official entities. **SDRs cannot be held by private entities or individuals. Hence, statement 3 is not correct.**

#### **Q 52.A**

- Money supply, like money demand, is a stock variable. The total stock of money in circulation among the public at a particular point in time is called the money supply.
- RBI publishes figures for four alternative measures of money supply, viz. M1, M2, M3 and M4. They are defined as follows:
  - $M1 = CU + DD$
  - $M2 = M1 + \text{Savings deposits with Post Office savings banks}$
  - $M3 = M1 + \text{Net time deposits of commercial banks}$
  - $M4 = M3 + \text{Total deposits with Post Office savings organizations (excluding National Savings Certificates)}$ , where CU is currency (notes plus coins) held by the public, and DD is net demand deposits held by commercial banks.
- The word ‘net’ implies that only deposits of the public held by the banks are to be included in the money supply. The interbank deposits, which a commercial bank holds in other commercial banks, are not to be regarded as part of the money supply. M1 and M2 are known as narrow money. M3 and M4 are known as broad money.
- These measures are in decreasing order of liquidity. M1 is the most liquid and easiest for transactions, whereas M4 is the least liquid of all. M3 is the most commonly used measure of money supply. It is also known as aggregate monetary resources. Hence, statement 1 is correct and statement 2 is not correct.

#### **Q 53.C**

- The SDR basket of currencies includes the US dollar, the Euro, the Japanese yen, the pound sterling, and the Chinese renminbi (included in 2016).
- The SDR currency value is calculated daily (except on IMF holidays or whenever the IMF is closed for business), and the valuation basket is reviewed and adjusted every five years. Indian Rupee is not part of the SDR basket.
- Quota (the amount contributed to the IMF) of a country is denominated in SDRs. Members' voting power is related directly to their quotas.
- IMF makes the general SDR allocation to its members in proportion to their existing quotas in the IMF. Hence, option (c) is the correct answer.

#### **Q 54.C**

- Monetary Policy: Contractionary and expansionary policies involve modification of the level of money supply in an economy. An expansionary policy increases the money supply in an economy. On the other hand, a contractionary policy decreases the supply of a country's currency.
  - Expansionary Policy: When central banks want to increase the money supply, they do the following:
    - > Buy securities in the open market.
    - > Reduce the discount rate.
    - > lower the reserve requirements.
  - Contractionary Policy: The effects of contractionary policies are the opposite of expansionary policies. They cause a reduction in bond prices and an increase in interest rates. When the central bank wishes to lower the money supply, it can do the following:
    - > sell securities(Government Bonds) in the open market; (Hence, option 3 is correct)
    - > increase the discount rate; or (Hence, option 1 is correct)
    - > Increase the reserve requirements of commercial banks. (Hence, option 2 is correct)

#### **Q 55.C**

- Components of Balance of Payments:
  - There are two main accounts in the BoP – Current Account and Capital Account.
- Balance of Current Account
  - It includes the BoT (visibles) and the balance of invisibles (services or transfer payments).
  - It is a measure of all payments made for currently produced goods and services, plus non-trade flows of funds between a country and the rest of the world. Hence, statement 1 is not correct.
    - > Non-trade flows comprise Factor Income from abroad (interest, profits, wages, etc.) and international transfer payments. Hence, statement 2 is not correct.
    - > Invisible Balance shows the value of imports and exports of services or invisible items.

- Trade-in services are denoted as invisible trade (because they are not seen to cross national borders). Services trade includes both factor and non-factor income. Factor income includes net international earnings on factors of production (like labour, land, and capital). Non-factor income is the net sale of service products like shipping, banking, tourism, software services, etc.
- Transfer payments are receipts that the residents of a country receive ‘for free’, without having to make any present or future payments in return. They consist of remittances, gifts, and grants. They could be official or private. The balance of exports and imports of goods is referred to as the trade balance. Adding trade-in services and net transfers to the trade balance, we get the current account balance. The capital account records all international purchases and sales of assets such as money, stocks, bonds, etc

**Q 56.A**

- The Monetary Policy Committee (MPC) is a committee of the Central Bank in India (Reserve Bank of India), headed by its Governor, which is entrusted with the task of fixing the benchmark policy interest rate (repo rate) to contain inflation within the specified target level.
- Monetary Policy Committee is defined in Section 2(iii) (cci) of the Reserve Bank of India Act, 1934, and is constituted under Sub-section (1) of Section 45ZB of the same Act.
- **The MPC replaced the system where the RBI governor, with the aid and advice of his internal team and a technical advisory committee, had complete control over monetary policy decisions. A Committee-based approach will add a lot of value and transparency to monetary policy decisions.**
- The committee comprises six members - three officials of the Reserve Bank of India and three external members nominated by the Government of India. The governor of the Reserve Bank of India is the chairperson ex officio of the committee. Decisions are taken by the majority, with the governor having the casting vote in case of a tie. **Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.**

**Q 57.C**

- **Balance of Payments (BoP) of a country is a systematic record of all economic transactions between the residents of one country and the rest of the world during a given period of time.** It summarizes all transactions that a country's individuals, companies and government bodies complete with individuals, companies and government bodies outside the country. These transactions consist of imports and exports of goods, services and capital, as well as transfer payments such as foreign aid and remittances. **Hence, option (c) is the correct answer.**

**Q 58.B**

- Ease of doing business is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country.
- World Economic Outlook - A Survey by the IMF staff is usually published twice a year. It presents IMF staff economists' analyses of global economic developments during the near and medium term. It gives an overview as well as a more detailed analysis of the world economy; considers issues affecting industrial countries, developing countries, and economies in transition to market; and addresses topics of pressing current interest.
- **Global Economic Prospects (GEP) is a flagship report of the World Bank Group,** which examines global economic developments and prospects, with a special focus on emerging markets and developing economies, on a semi-annual basis (in January and June). Each edition includes analytical pieces on topical policy challenges faced by these economies.
- **The World Development Report (WDR) is an annual report published since 1978 by the International Bank for Reconstruction and Development (IBRD) or World Bank.** Each WDR provides an in-depth analysis of a specific aspect of economic development. Past reports have considered such topics as agriculture, youth, equity, public services delivery, the role of the state, transition economies, labour, infrastructure, health, the environment, risk management, and poverty. The reports are the Bank's best-known contribution to thinking about development.
- **The Global Financial Stability Report by the IMF provides an assessment of the global financial system and markets and addresses emerging market financing in a global context.** It focuses on current market conditions, highlighting systemic issues that could pose a risk to financial stability and sustained market access by emerging market borrowers. **Hence, option (b) is the correct answer.**

#### **Q 59.C**

- Commercial banks are the other type of institutions that are a part of the money-creating system of the economy. Scheduled banks are banks that are listed in the 2nd schedule of the Reserve Bank of India Act, 1934. The Balance sheet is a record of the assets and liabilities of any firm/bank.
- Assets are things a firm owns or what a firm can claim from others. **In the case of a bank, apart from buildings, furniture, etc., its assets are loans given to the public. Hence, option 1 is correct.**
- **Another asset that a bank has is reserves (Cash Reserve Ratio).** Reserves are deposits that commercial banks keep with the Central Bank, Reserve Bank of India (RBI), and its cash. These reserves are kept partly as cash and partly in the form of financial instruments (bonds and treasury bills) issued by the RBI. **Hence, option 3 is correct.**
- Besides reserves with the RBI, other classes of assets held by commercial banks are investments in Government Securities. Government securities are securities of both the central and state governments, including treasury bills, treasury deposit certificates, and postal obligations such as national plan certificates and national savings certificates.
- **Liabilities for any firm are its debts or what it owes to others. For a bank, the main liability is the deposits that people keep with it. Liabilities for a bank = Total Deposits of the public held by banks. Hence, option 2 is not correct.**

#### **Q 60.B**

- Determination of the money supply is currently expressed in terms of the monetary base or high-powered money.
- **High-powered money is the sum of commercial bank reserves and currency (notes and coins) held by the Public. High-powered money is the base for the expansion of bank deposits and the creation of a money supply. Hence, option (b) is the correct answer.**
- The supply of money varies directly with changes in the monetary base and inversely with the currency and reserve ratios.
- The use of high-powered money consists of the demand of commercial banks for the legal limit or required reserves with the central bank and excess reserves, and the demand of the public for currency. Thus, High power money
  - $H = C + RR + ER$ 
    - > Where, C = represent currency, RR = Required reserves, ER = The Excess reserves
- A commercial bank's reserves depend on its deposits. But a bank usually holds reserves in excess of its required reserves. Banks do not advance loans up to the legal limits and remain precisely under that. Hence, the need arises for maintaining excess reserves.
- Thus, the money supply is determined by the required reserve ratio and the excess reserve ratio of commercial banks.
- The formal relation between the money supply and high-powered money can be stated in the form of equations:
  - The money supply(M) consists of deposits of commercial banks (D) and currency (C) held by the public.
    - > Thus, the supply of money ( $M = D + C$ )
- High-powered money (H) (or monetary base) consists of currency held by the public(C), required reserves (RR), and excess reserves of commercial banks.
- Thus, high-powered money ( $H = C + RR + ER$ )

#### **Q 61.B**

- The RBI is authorised to deal in Government securities under Section 17(8) of the Reserve Bank of India Act, 1934, through open market operations. There are two types of open market operations: outright and repo.
- **Outright open market operations**
  - They are permanent in nature: when the central bank buys these securities (thus injecting money into the system), it is without any promise to sell them later. Similarly, when the central bank sells these securities (thus withdrawing money from the system), it is without any promise to buy them later. **Hence, statement 1 is not correct.**
  - As a result, the injection/absorption of money is of a permanent nature.

- **Repo open market operations**

- When the central bank buys the security, the agreement of purchase also has specifications about the date and price of the resale of this security. This type of agreement is called a repurchase agreement or repo. The interest rate at which the money is lent in this way is called the repo rate.
- Similarly, instead of an outright sale of securities, the central bank may sell the securities through an agreement which has a specification about the date and price at which it will be repurchased. This type of agreement is called a reverse repurchase agreement or reverse repo. The rate at which the money is withdrawn in this manner is called the reverse repo rate.
- Open market operations via Repo and Reverse Repo operations are conducted under the Liquidity Adjustment Facility.
- **While the outright OMOs are directed at influencing enduring (long-term) liquidity, the LAF OMO operations target the temporary liquidity in the system. Hence, statement 2 is correct.**

**Q 62.B**

- Depreciation represents the decline in the value of a capital asset over time. It reflects wear and tear or obsolescence rather than a direct financial outlay. Depreciation is a non-cash expense capturing loss in an asset's productive value. It differs from maintenance expenditure, which involves actual monetary spending. **Hence option (b) is the correct answer.**

**Q 63.A**

- We may note here that some commodities like **television sets, automobiles, refrigerators or home computers**, although they are for ultimate consumption, have one characteristic in common with capital goods – they are also durable. That is, they are not extinguished by immediate or even short period consumption; they have a relatively long life as compared to articles such as food or even clothing. They also undergo wear and tear with gradual use and often need repairs and replacements of parts, i.e., like machines they also need to be preserved, maintained and renewed. That is why we call these goods consumer durables. **Hence statement 1 is correct.**
- Only those consumer durables which are used in the production of other goods are called capital goods. **Hence statement 2 is not correct.**
- Unlike the final goods (consumer durables) that we have considered above (like TV, refrigerators), they are the crucial backbone of any production process, in aiding and enabling the production to take place. These goods form a part of capital, one of the crucial factors of production in which a productive enterprise has invested, and they continue to enable the production process to go on for continuous cycles of production. These are capital goods and they gradually undergo wear and tear, and thus are repaired or gradually replaced over time

**Q 64.B**

- The four factors of production are land, labor, capital, and entrepreneurship. They are needed for the creation of goods and services. Those who control the factors of production often enjoy the greatest wealth in a society. Under capitalism, the factors of production are most often controlled by business owners and investors. In socialist societies, the government exerts greater control over the factors of production.
- In an economy, one's ability to buy commodities comes from the income one earns as **labourer (earning wages)**, or as **entrepreneur (earning profits)**, or as **landlord (earning rents)**, or as owner of **capital (earning interests)**. In short, the incomes that people earn as owners of factors of production are used by them to meet their demand for goods and services. **Hence only pairs 1 and 2 are correctly matched.**

**Q 65.B**

- A part of the country's capital gets consumed during the year due to wear and tear. This wear and tear are called depreciation. Naturally, depreciation does not become part of anybody's income. **If we deduct depreciation from GNP the measure of aggregate income that we obtain is called Net National Product (NNP). Thus,  $NNP \equiv GNP - Depreciation$ .**
- **Hence, option (b) is the correct answer.**

#### **Q 66.A**

- **Distribution of GDP - how the uniform is it: If the GDP of the country is rising, the welfare may not rise as a consequence.** This is because the rise in GDP may be concentrated in the hands of very few individuals or firms. For the rest, the income may in fact have fallen. So, it can be said that GDP does not account for inequalities in the economy. **Hence, statement-I is correct.**
- **Externalities:** Externalities refer to the benefits (or harms) a firm or an individual causes to another for which they are not paid (or penalized). For example, the production of a refinery is counted as part of the GDP of the economy. But in carrying out the production the refinery may also be polluting the nearby river. This may cause harm to the people who use the water of the river and organisms of the river. As a result, the fishermen of the river may be losing their livelihood. Such harmful effects that the refinery is inflicting on others, for which it will not bear any cost, are called externalities. **These are not counted in GDP calculation. Hence, Statement-II is correct and Statement-II explains Statement-I**
- **Hence option (a) is the correct answer.**

#### **Q 67.C**

- The expenditure method is a system for calculating gross domestic product (GDP) that combines consumption, investment, government spending, and net exports. It is the most common way to estimate GDP.
- In an economy, there are three main agencies, which buy goods and services. These are: Households, Firms, and the Government.
- It says everything that the private sector, including consumers and private firms, and government spend within the borders of a particular country, must add up to the total value of all finished goods and services produced over a certain period of time.
- This final expenditure is made up of the sum of 4 expenditure items, i.e  $GDP = C + I + G + X - M$  namely:
- **Consumption (C):** Personal Consumption made by households, the payment of which is paid by households directly to the firms which produced the goods and services desired by the households.
- **Investment Expenditure (I):** Investment is an addition to the capital stock of an economy in a given time period. It includes capital expenditures by firms on assets, such as equipment, production facilities, and plants.
- **It is to be noted that final investment includes investment on capital goods and not on intermediate goods. Hence, option (c) is the correct answer.**
- **Government Expenditure (G):** It represents expenditures by the government on defense and non-defense goods and services, such as weaponry, health care, and education.
- Government expenditure on pension schemes, scholarships, unemployment allowances etc. are not included in this as all of them come under transfer payments.
- **Net Exports (X-IM):** Expenditure on foreign-made products (Imports) are expenditure that escapes the system, and must be subtracted from total expenditures. In turn, goods produced by domestic firms which are demanded by foreign economies involve expenditure by other economies on our production (Exports), and are included in total expenditure. The combination of the two gives us Net Exports.

#### **Q 68.A**

- **The GDP measures the aggregate production of final goods and services taking place within the domestic economy.** It refers to total market value of all the final goods and services produced in an economy in a given period of time. For India, this time period is from 1st April to 31st March. **Hence, statement 1 is correct.**
- This means it measures the value of final goods and services produced within a geographic boundary regardless of the nationality of the individual or firm. **Therefore, goods and services produced by a foreign national within the territory of India, is also calculated in GDP. Hence statement (2) is not correct.**
- In GDP, only the final output of such goods and services are included. The rule that only finished or final goods must be counted is necessary to avoid double or triple counting of raw materials, intermediate products, and final products. For example, the value of automobiles already includes the value of the steel, glass, rubber, and other components that have been used to make them.
- As the GDP takes into account only the goods and services produced within the domestic territory, the goods and services produced by Indian citizens in foreign territory is not included.

**Q 69.D**

- Personal Disposable Income is part of the aggregate income which belongs to the households. They may decide to consume a part of it and save the rest.
- If we deduct the Personal Tax Payments (income tax, for example) and Non-tax Payments (such as fines) from Personal Income (PI), we obtain what is known as Personal Disposable Income (PDI).
- Personal Income (PI)  $\equiv$  NI – Undistributed profits – Net interest payments made by households – Corporate tax + Transfer payments to the households from the government and firms.
- **Personal Disposable Income (PDI)  $\equiv$  PI – Personal tax payments – Non-tax payments.**
- Hence, option (d) is the correct answer.

**Q 70.A**

- **Factor cost is the cost of an item of goods or a service in terms of the various factors which have played a part in its production or availability.**
- **In order to arrive at the market prices, we have to add to the factor cost the total indirect taxes less total subsidies.** Also, it does not generally include direct taxes.
- Hence option (a) is the correct answer.

**Q 71.A**

- National Disposable Income is an aggregate macroeconomic variable that is used in National Income accounting. It is the Net National Product at market prices plus net current transfers from rest of the world.
- **National Disposable Income = Net National Product at market price + net other current transfers from the rest of the world.** (Current transfers from the rest of the world include items such as gifts, aids etc.).
- The National Disposable Income gives an idea about the maximum amount of goods and services the domestic economy has at its disposal.
- hence, option (a) is the correct answer.

**Q 72.B**

- In macroeconomics and finance, a transfer payment is a redistribution of income and wealth by means of the government making a payment, without goods or services being received in return. These payments are considered to be non-exhaustive because they do not directly absorb resources or create output.
- The households receive transfer payments from government and firms (pensions, scholarship, prizes, for example) which have to be added to calculate the Personal Income of the households. **Hence option (b) is the correct answer.**

**Q 73.C**

- An economic variable is any factor that may help to determine how an economy functions and its impact on the economy.
- **Flows are defined over time.** Thus **income, outputs or/and profits** are concepts that make sense only when a time-period is specified. These are called flows because they occur in a period of time.
- **Stock variables are defined at a particular point of time.** **Bank Balance** is a stock variable while withdrawals and interests earned are flow variables. **Equity shareholding** is a stock variable while sale and purchase of shares are flow variables.
- Hence, option (c) is the correct answer.

**Q 74.A**

- **Inflationary Gap** refers to a situation in which Aggregate demand is more than the productive capacity of an economy (aggregate demand at full employment level). An inflationary gap **measures the difference between the current real GDP and the GDP of an economy operating at full employment.** Hence, **statement 1 is correct.**
- The inflationary gap represents the point in the business cycle when the economy expands as consumers purchase more goods and services. As demand increases but production lags, prices rise to restore market equilibrium.
- The real GDP must be higher than the potential GDP for the gap to be considered inflationary. When the potential GDP is higher than the real GDP, the gap is instead referred to as a deflationary gap.
- **Inflationary gap leads to inflation which can be controlled by reductions in government spending, tax increases, bond and securities issues, interest rate increases, and transfer payment reductions.** A government may use fiscal policy to help reduce an inflationary gap by decreasing the number of funds circulating within the economy. **Hence, statement 2 is not correct.**

#### **Q 75.A**

- GDP measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period (say, a quarter or a year).
- It counts all of the output generated within the borders of a nation.
- GDP is composed of goods and services produced for sale in the market and includes nonmarket production, such as defense or education services provided by the government.
- An alternative concept, gross national product, or GNP, counts all the output of the residents of a country. While GDP limits its interpretation of the economy to the geographical borders of the country, GNP extends it to include the net overseas economic activities performed by its nationals. **Thus the Indian company's output would be included in USA's GDP and India's GNP.**
- Hence option (a) is the correct answer.

#### **Q 76.C**

- A variable is a measurable quantity that varies (changes). There are two types of variables i.e. stocks and flows. The basis of distinction is measurability at a point of time or period of time.
- **A flow is a quantity that is measured with reference to a period of time.** Thus, flows are defined with reference to a specific period (length of time), i.e. weeks, months, or years. For example, **National income is a flow**, as it describes and measures the flow of goods and services which become available to a country during a year. Other **examples of flow variables are expenditure, savings, depreciation, exports, imports, change in inventories (not mere inventories), change in money supply, output, rent, profit**, etc. because the magnitude (size) of all these are measured over a period of time.
- **A stock is a quantity that is measurable at a particular point in time.** For example, **capital is a stock variable** as capital goods continue to serve us through different cycles of production. The buildings or machines in a factory are there irrespective of the specific time period. There can be an addition to or deduction from, these if a new machine is added or a machine falls in disuse and is not replaced. A flow shows change during a period of time whereas a stock indicates the quantity of a variable at a point in time. Thus, **wealth is a stock** since it can be measured at a point in time, but income is a flow because it can be measured over a period of time. Other examples of stock are foreign debts, loans, inventories (not change in inventories), population, etc.
- Hence option (c) is the correct answer.

#### **Q 77.A**

- **Real GDP is calculated in a way such that the goods and services are evaluated at some constant set of prices (or constant prices).** Since these prices remain fixed, if the Real GDP changes we can be sure that it is the volume of production that is undergoing changes. An increase in real GDP implies an increase in the production of goods and services.
- **Nominal GDP, on the other hand, is simply the value of GDP at the current prevailing prices.** Hence, it may happen that the numbers of nominal GDP have increased due to price rise and not necessarily due to production increase. Actually, production may have remained constant or decreased in an economy but due to price rise, the nominal GDP figures may have improved. **Hence statement 1 is not correct but statement 2 is correct.**

#### **Q 78.A**

- The Gross Domestic Product (GDP) deflator is a measure of general price inflation. It is calculated by dividing nominal GDP by real GDP and then multiplying by 100. **Therefore, it is a ratio of nominal GDP to the real GDP.**
- $\text{GDP Deflator} = \text{Nominal GDP}/\text{Real GDP} \times 100$
- Nominal GDP is the market value of goods and services produced in an economy, unadjusted for inflation (It is the GDP measured at current prices). Real GDP is nominal GDP, adjusted for inflation to reflect changes in real output (It is the GDP measured at constant prices). Therefore, it indicates the change in prices of commodities from the base year to the current year.
- **GDP deflator reflects the prices of all domestically produced goods and services in the economy whereas, other measures like CPI and WPI are based on a limited basket of goods and services**, thereby not representing the entire economy (the basket of goods is changed to accommodate changes in consumption patterns, but after a considerable period of time). **Hence, statement 1 is correct.**
- CPI and WPI may differ from GDP deflators because

- The goods purchased by consumers do not represent all the goods that are produced in a country. GDP deflator takes into account all such goods and services.
- CPI includes prices of goods consumed by the representative consumer, hence it includes prices of imported goods. GDP deflator does not include prices of imported goods.
- The weights are constant in CPI – but they differ according to the production level of each good in the GDP deflator. Hence, statement 2 is not correct.**
- Changes in consumption patterns or the introduction of new goods and services or structural transformation are automatically reflected in the deflator which is not the case with other inflation measures.

#### **Q 79.C**

- The distinction between factor cost, basic prices, and market prices are based on the distinction between net production taxes (production taxes fewer production subsidies) and net product taxes (product taxes less product subsidies).
- Production taxes and subsidies are paid or received in relation to production and are independent of the volume of production such as land revenues, stamp and registration fees.** Product taxes and subsidies, on the other hand, are paid or received per unit or product, e.g., excise tax, service tax, export, and import duties, etc. **Hence, statement 1 is correct.**
- Factor cost includes only the payment to factors of production, it does not include any tax. In order to arrive at the market prices, we have to add to the factor cost the total indirect taxes less total subsidies. **The basic prices lie in between: they include production taxes (fewer production subsidies) but not product taxes (fewer product subsidies).** Therefore in order to arrive at market prices we have to add product taxes (less product subsidies) to the basic prices. **Hence, statement 2 is correct.**

#### **Q 80.B**

- Personal income (PI) includes all income which is received by all the individuals in a year.
- Personal Income (PI) = NI – Undistributed profits – Net interest payments made by households – Corporate tax + Transfer payments to the households from the government and firms.
- The Transfer payments to the households from the government and firms are added to the National Income to arrive at the PI. **Hence, option (b) is the correct answer.**

#### **Q 81.C**

- Per capita income is the average income of each individual in a specific geographic area, like a country or city. It's calculated by dividing the total income (often the Gross Domestic Product) of that area by its total population. This metric is often used to gauge the standard of living and economic well-being of a population. **Hence statement 1 is correct.**
- Per capita income, while a useful indicator of economic output, has several limitations. **It doesn't account for income inequality**, non-monetary factors like healthcare and education, the impact of inflation, or the differences in living costs across countries. Furthermore, it doesn't capture the informal economy or environmental costs. **Hence statement 2 is correct.**

#### **Q 82.A**

- Capital markets refer to financial markets where long-term debt or equity-backed securities are bought and sold. **Capital markets provide direct funding from saver to user via the issuance of securities.** **Hence, statement 1 is correct.**
- The following characteristics are typical of Capital Markets:
  - The capital market is the market for securities, where companies and governments can raise long-term funds.
  - The market in which corporate equity and longer-term debt securities maturing in more than one year are issued and traded.
  - The capital market is the market for long-term debt equity shares. **In this market, capital funds comprising both equity and debt are issued and traded.** **Hence, statement 2 is correct.**
- Public participation in capital markets is quite extensive**, especially when considering the broader range of investors and investment opportunities available in capital markets compared to the money market. **Hence statement 3 is not correct.**

### **Q 83.C**

- The insurance industry in India has witnessed an impressive growth rate over the last two decades driven by the greater private sector participation and an improvement in distribution capabilities, along with substantial improvements in operational efficiencies.
- Insurance penetration in India has been steadily increasing (**from 2.7% in 2000 to 4.2% of GDP in 2021. But India's insurance penetration decreased to 3.7% in the fiscal year 2023 to 2024 (FY 23-24). Hence statement 1 is not correct.**
- **FDI limit in insurance increased from 49% to 74% in Budget 2021.** Now government is planning to raise this limit from 74% to 100%. Hence statement 2 is not correct.

### **Q 84.B**

- MSMEs in India are classified **based on their investment in plant and machinery or equipment, along with their annual turnover.** The current classification is as follows:
  - Micro Enterprises: Investment not more than Rs.1 crore and Annual Turnover; not more than Rs. 5 crore.
  - Small Enterprises: Investment not more than Rs.10 crore and Annual Turnover; not more than Rs. 50 crore.
  - Medium Enterprises: Investment not more than Rs.50 crore and Annual Turnover; not more than Rs. 250 crore. **Hence, statement 1 is not correct.**
- **MSMEs sector generates more employment opportunities per unit of capital invested compared to large-scale industries.** That is why they are considered to be less capital intensive and more labour intensive. This is a boon for a labour surplus country like India. **Hence, statement 2 is correct.**

### **Q 85.A**

- **Inflation-Indexed Bond (IIB) is a bond issued by a Sovereign,** which provides the investor with a constant return irrespective of the level of inflation in the economy. The main objective of Inflation Indexed Bonds is to **provide a hedge and to safeguard the investor against macroeconomic risks in an economy.**
- A predecessor of Inflation Indexed Bonds (IIBs) was Capital Indexed Bonds (CIBs) issued in 1997. However, the CIBs issued in 1997 provided inflation protection only to principal and not to interest payment.
- **IIBs are treated as government securities (G-Sec) and therefore, would be eligible for short-sale and repo transactions and gets SLR status** (i.e., they are eligible to be kept as part of Statutory Liquidity Ratio requirements of banks). **Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I. Hence option (a) is the correct answer.**

### **Q 86.A**

- **PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi):** This is a Central Sector Scheme to facilitate street vendors to access affordable working capital loans for resuming their livelihood activities, after the easing of the lockdown. **Hence, statement 1 is correct.**
- **The scheme intends to facilitate collateral free working capital loans of up to INR10,000/- of one-year tenure,** to approximately 50 lakh street vendors, to help resume their businesses in the urban areas, including surrounding peri-urban/rural areas. **Hence, statement 2 is not correct.**
- No collateral security is required.
- The interest subsidy amount will be credited directly to the beneficiary account on a quarterly basis.
- The PM SVANidhi scheme offers incentives in the form of:
  - interest subsidy @ 7% per annum on regular repayment of loan
  - cashback upto INR1200/- per annum on undertaking prescribed digital transactions
  - eligibility for enhanced next tranche of loans

#### **Q 87.B**

- **Hybrid Annuity Model (HAM) has been introduced by the Government to revive PPP (Public-Private Partnership) in highway construction in India.**
- HAM is a mix of The Build Operate and Transfer (BOT) Annuity and Engineering, Procurement and Construction (EPC) Models. As per the design, the government will contribute 40% of the project cost in the first five years through annual payments (annuity). The remaining payment will be made on the basis of the assets created and the performance of the developer. Hence, statement 1 is not correct.
- Under HAM there is no toll right for the developer. Under HAM, Revenue collection would be the responsibility of the National Highways Authority of India (NHAI). The advantage of HAM is that it gives enough liquidity to the developer and the financial risk is shared by the government. Hence, statement 2 is correct.

#### **Q 88.C**

- A Participatory Note (PN or P-Note) in the Indian context, in essence, is a derivative instrument issued in foreign jurisdictions, by a SEBI registered Foreign Institutional Investor (FII) or its sub accounts or one of its associates, against underlying Indian securities. Hence, statement 1 is correct.
- The investor in PN does not own the underlying Indian security, which is held by the FII who issues the PN. Thus the investors in PNs derive the economic benefits of investing in the security without actually holding it. They benefit from fluctuations in the price of the underlying security since the value of the PN is linked with the value of the underlying Indian security. The PN holder also does not enjoy any voting rights in relation to security/shares referenced by the PN. Hence, statement 2 is not correct.
- Being derivative instruments and freely tradable, PNs can be easily transferred, creating multiple layers, thereby obfuscating the real beneficial owner. It is in this respect that concerns about the identity of the ultimate beneficial owner and the source of funds arise. Hence, statement 3 is correct.

#### **Q 89.B**

- Micro-insurance policies are a special category of insurance policies created to promote insurance coverage among economically vulnerable sections of society. Hence statement 1 is correct.
- Microinsurance can be either a general insurance policy (which can insure health, belongings, house, tools, personal accident contract, livestock, etc) or a life insurance policy with a sum assured of Rs 50,000 or less. They can be on an individual or group basis. Micro-insurance business is done through the following intermediaries in India:
  - Non-Government Organisations
  - Self-Help Groups
  - Micro-Finance Institutions.
- These policies are regulated by the Insurance Regulatory Development Authority of India (IRDA). Hence statement 2 is not correct

#### **Q 90.B**

- India is the third largest domestic market for civil aviation in the world. The civil aviation sector contributes to 5% of GDP and 4 million jobs.
- **RCS - UDAN (Regional Connectivity Scheme - Ude Desh ka Aam Nagrik): UDAN will be applicable on flights which cover distance between 200 km and 800 km with no lower limit set for hilly, remote, island and security sensitive regions.** The scheme seeks to reserve a minimum number of UDAN seats i.e. seats at subsidized rates and also cap the fare for short distance flights. The scheme UDAN envisages providing connectivity to un-served and under-served airports of the country through revival of existing air-strips and airports. Hence statement 1 is not correct.
- Director General of Civil Aviation (DGCA) is the regulatory body in the field of civil aviation under the Ministry of Civil Aviation. Hence statement 2 is correct.

#### **Q 91.C**

- Futures are derivatives financial contracts that put an obligation on the parties to buy or sell an asset at a predetermined future date and price. **Hence statement 1 is correct.**
- Options are financial derivatives that give the right but not the obligation to buy or sell the underlying assets at an agreed-upon price and rate. If the option is exercised the holder will have to pay a fee which is predecided. **Hence statement 2 is correct.**

#### **Q 92.A**

- The primary market, also known as the new issue market, is where securities (such as stocks, bonds or other financial instruments) are issued and sold for the first time by companies or governments directly to investors.
- **Rights Issue: Issue of shares to existing Equity shareholders in proportion to their existing shareholding. Hence, option (a) is the correct answer.**
- Preferential issue: It refers to the procedure of bulk allotment of fresh shares to a specific group of individuals, venture capitalists, companies, or any other person by any particular company for fund raising.
- Follow on Public Offer (FPO): When a listed company comes out with a fresh issue of shares or makes an offer for sale to the public to raise funds it is known as FPO.

#### **Q 93.C**

- **Exchange Traded Currency Derivatives (ETCDs)** are financial instruments traded on exchanges that derive their value from underlying foreign exchange (forex) rates. ETCDs represent a specialized subset of currency derivatives designed for trading on a regulated stock exchange. Features of ETCDs:
  - Centralized Trading: Traded on regulated exchanges, providing liquidity and transparency.
  - Standardization: Contracts have predefined specifications, such as currency pair, contract size, and expiration dates.
  - Leverage: Allows investors to gain exposure to currency movements with relatively small capital outlays.
  - Hedging: Can be used to protect against potential currency losses in foreign currency exposures.
- **Regulation:**
  - **SEBI is the primary regulator for the securities market in India.** It governs the listing, trading, and clearing of ETCDs on stock exchanges.
  - **RBI can also establish guidelines and oversees the overall framework for ETCDs.** Hence, **option (c) is the correct answer.**

#### **Q 94.A**

- **Champion Service Sectors** refers to the 12 identified sectors identified by the **Ministry of Commerce and Industry** where the Government wants to give focused attention to promoting their development and realizing their potential.
- **These include** Information Technology & Information Technology enabled Services (IT& ITeS), Tourism and Hospitality Services, Medical Value Travel, Transport, and Logistics Services, Accounting and Finance Services, Audio Visual Services, Legal Services, Communication Services, Construction, and Related Engineering Services, Environmental Services, Financial Services, and Education Services. **Hence, option (a) is the correct answer.**

#### **Q 95.C**

- **Masala Bonds: They are Indian rupee-denominated bonds issued in offshore capital markets only.** **Hence, statement 1 is not correct.**
- They are issued to offshore investors settled in dollars and, therefore, **the currency risk lies with the investor and not the issuer,** unlike external commercial borrowings – where Indian companies raise money in foreign currency loans. **Hence, statement 2 is not correct.**

- **Benefits of Masala Bonds:**

- Companies do not have to worry about rupee depreciation.
- Masala bonds help protect corporate balance sheets from exchange rate risks, however, their issuance should be used in moderation.
- Masala bonds can have implications for the rupee, interest rates, and the economy as a whole.

**Q 96.A**

- **Treasury bills are short-term money market (not capital market) debt instruments** issued by the Central government with a maturity of one year or less. At present T-Bills are issued in three tenors, namely, 91 days, 182 days, and 364 days. **Hence statement 1 is not correct.**
- T-bills are debt instruments and they act as a **liability to the Indian government**. **Hence statement 2 is not correct.**
- **RBI allowed foreign investors to invest in T-bills to bring foreign funds into the market.** Currently, short-term investments by a foreign portfolio investors (FPI) should not exceed 20 percent of the total investment of that FPI in either central government securities (including treasury bills) or state development loans or corporate bonds. Recently, The Reserve Bank of India raised the investment limit for FPIs in government and corporate bonds. The short-term investment limit has now been increased from 20 percent to 30 percent. **Hence statement 3 is correct.**

**Q 97.C**

- **Engineering, Procurement and Construction (EPC) Model:** Under this model, the cost is completely borne by the government. The government invites bids for engineering knowledge from private players.
- Procurement of raw materials and construction costs are met by the government. The private sector's participation is minimal and is limited to the provision of engineering expertise. A difficulty of the model is the high financial burden for the government. **Hence sattement 1 and 2 are correct.**

**Q 98.B**

- **Certificate of deposit and commercial papers come under Money Market.**
- **Commercial Paper**
  - Unsecured security.
  - It is a short-term debt instrument issued by companies to raise funds generally for time period up to one year.
  - Issued at discount to their face value.
  - Maturity: from 14 days to 1 year.
  - One of most important sources of working capital finance for large firms.
- **Certificate of deposit**
  - A Security/Bond which is issued by the Bank to depositors of funds.
  - Similar to FDs but these are negotiable and tradable in money market. **Hence, option (b) is the correct answer.**

**Q 99.A**

- **National Skill Development Corporation (NSDC)-** It is a not-for-profit public limited company incorporated on July 31, 2008, under section 25 of the Companies Act, 1956. NSDC was set up by Ministry of Finance as a Public Private Partnership (PPP) model. **Hence, statement 1 is correct.**
- It aims to contribute significantly to the overall target of skilling up of people in India, mainly by fostering private sector initiatives in skill development programmes and providing funding.
- **The Government of India through the Ministry of Skill Development & Entrepreneurship (MSDE) holds 49% of the share capital of NSDC,** while the private sector has the balance 51% of the share capital. **The Ministry of Commerce and Industry is not the nodal agency associated with this.** **Hence, statement 2 is not correct.**

#### **Q 100.D**

- India is the world's second-largest telecommunications market with a subscriber base of 1.16 billion. The overall tele-density in India stands at 90.45%, the rural tele-density being 57.35% and urban tele-density being 160.71 %
- **The cabinet allowed 100% foreign direct investment through the automatic route with safeguards.** The Telecom sector is the 3rd largest sector in terms of FDI inflows, contributing 7.1% of total FDI inflow. **Hence statement 2 is not correct.**
- **Prime Minister launched the 5G services on 1st Oct 2022. 5G network has been rolled out in all 28 states and 8 UTs now.** This is one of the fastest 5G rollouts in the world. **Hence statement 1 is not correct.**

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