



**CSE PRELIMS 2020**  
**TEST - IX (ECONOMICS)**

1. The strongest currency of the world is the one which has a high level of liquidity is called \_\_\_\_\_.
- a) Hot currency
  - b) Soft currency
  - c) Hard currency
  - d) Heated currency

**Answer: (c)**

2. Which of the following statements given below is INCORRECT?
- a) The technology behind the blockchain is the “digital decentralized distributed ledger”.
  - b) Remittances, Loans and finances can be tracked and managed through Blockchain technology
  - c) Block chain technology reduces the time of processing stored information
  - d) Only drawback of blockchain technology is its lack of security.

**Answer: (d)**

**Explanation:** Similar to an enormous ledger, the blockchain records and indexes each movement of bitcoin, creating a searchable database of every transaction in the process.

However, unlike traditional digital ledgers that record information on a central server, the blockchain stores transaction data across vast networks of computers that constantly check and verify information with each other. By storing financial information across a network of computers, the task of compromising data becomes much more difficult for hackers.

Instead of having to breach just one server, falsifying a balance or making a fraudulent transaction on a blockchain can only be achieved if the majority of the network is compromised.

3. Rupee bonds are issued by International Finance Corporation (IFC) in the international capital market, to raise funds for supporting private sector infrastructure development initiatives in India. They are
- Derivative bonds
  - Future Bonds
  - Masala Bonds
  - None of the above

**Answer: (c)**

**Explanation:** Masala Bonds are rupee-denominated borrowings issued by Indian entities in overseas markets. Masala means spices and the term was used by International Finance Corporation (IFC) to popularise the culture and cuisine of India on foreign platforms. The objective of Masala Bonds is to fund infrastructure projects in India, fuel internal growth via borrowings and internationalise the Indian currency.

4. Consider the following statements with reference to Foreign Institutional Investors (FIIs)
- Foreign Institutional Investors (FIIs) can invest in India only through Portfolio Investment Scheme (PIS)
  - The FIIs having good track record register with RBI as broker.
- Which of the statements given above is/are INCORRECT?
- 1 only
  - 2 only
  - Both
  - Neither 1 nor 2

**Answer: (2)**

**Explanation:**

**Statement (2) is incorrect.**

FIIs have to register themselves with SEBI.

5. Which among the following is a mechanism through which Indian Investor can investment in foreign companies in Indian Rupee?
- IDR (Indian Depository Receipt)
  - GDR (Global Depository Receipt)
  - IPO (Initial public offering)

**Answer: (a)**

**Explanation:** A foreign company can access Indian securities market for raising funds through issue of Indian Depository Receipts (IDRs). An IDR is an instrument denominated in Indian Rupees in the form of a depository receipt created by a Domestic Depository (custodian of securities registered with the Securities and Exchange Board of India) against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets.

6. With reference to the functions for SEBI, consider the following
1. Registering and stock exchanges, merchant banks, mutual Funds, underwriters, registrars to the issues, Brokers, Sub-brokers, transfer agents and others.
  2. Levying various fees and other charges
  3. Promoting investor education
  4. Inspection and audit of company's accounts

Which of the statements given above are CORRECT?

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

**Answer: (a)**

**Explanation:** *...Lead with Edge...*

**Statement (4) is incorrect.**

While SEBI can call for information and record from any bank or any other authority or boars or corporation established or constituted by or under any Central, State or Provincial Act in respect of any transaction in securities which are under investigation or inquiry by the Board, it cannot inspect and audit company accounts.

7. Which of the following reasons to understand the failure of trickledown theory in Indian Economy?
1. Indian economy has a structural problem of excessive economic dependence on the agricultural sector.

2. In India's growth process, there has been a missing link due to the relative earlier maturity of the service sector than manufacturing sector maturity.

Select the CORRECT answer using the code given below:

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

**Answer: (c)**

8. With reference to 'Real Output' and 'Nominal Output', consider the following statements

1. The output at constant prices refers to the output obtained after being adjusted for Inflation or Deflation.
2. Real growth is adjusted for inflation while nominal growth ignores adjustment for inflation.
3. Nominal GDP is a better measure of growth than Real GDP.

Which of the statements given above is/are correct?

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

**Answer: (a)**

**Explanation:** Real GDP is a better measure of growth than Nominal GDP as it adjusts the Nominal GDP for its 'inflation component' and therefore depicts the 'real' growth picture.

9. The World Social Protection Report is published by

- a) World Economic Forum  
b) World Bank  
c) International Monetary Fund  
d) International Labor Organization

**Answer: (d)**

**Explanation:** The World Social Protection Report is an ILO flagship report provides a global overview of recent trends in social protection systems, including social protection floors.

10. E-Kuber is often seen in News, E-kuber is

- a) Municipality Bonds by Bangalore
- b) Inflation Index bonds
- c) Core banking solution of RBI
- d) None of the above

**Answer: (c)**

**Explanation:** E-Kuber is the Core Banking Solution of Reserve Bank of India. E-Kuber provides the provision of a single current account for each bank across the country, with decentralised access to this account from anywhere-anytime using portal based services in a safe manner.

11. Which of the following is/are covered under Digital Payment System?

- 1. Immediate Payment Service (IMPS)
- 2. Real time Gross Settlement
- 3. National Automated Clearing House

Select the CORRECT answer using code given below:

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

**Answer: (d)**

**Explanation:**

**About NACH:** National Automated Clearing House (NACH) is developed by the National Payment Corporation of India (NPCI).

NACH is a web based platform to facilitate interbank, high volume, electronic transactions for Banks, Financial Institutions, Corporates and Government. It basically functions like an electronic clearing service available especially for banks.

12. Consider the following liquid assets:

- 1. Demand deposits with the banks
- 2. Time deposits with the banks
- 3. Currency

The CORRECT sequence of these assets in the decreasing order of liquidity is

- a) 1-3-2                      b) 3-2-1  
c) 2-3-1                      d) 3-1-2

**Answer: (d)**

**13.** With reference to 'Stand up India scheme', which of the following statements is/are CORRECT?

1. Its purpose is to promote entrepreneurship among SC/ST and women entrepreneurs.
2. It provides for refinance through SIDBI.

Select the CORRECT answer using code given below:

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

**Answer: (c)**

**About the Stand Up India Scheme:**

- To facilitate bank loans between Rs. 10 lakh and Rs. 1 Crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one-woman borrower per bank branch for setting up a greenfield enterprise.
- This enterprise may be in manufacturing, services or the trading sector.
- In case of non-individual enterprises at least 51% of the shareholding and controlling stake should be held by either an SC/ST or Woman entrepreneur.

**14.** National level Entrepreneurship awareness campaign 'Udyam Abhilasha' Is launched by

- a) Ministry of Skill Development  
b) NITI Aayog  
c) SIDBI  
d) None of the above

**Answer: (c)**

**Explanation:** On the occasion of Birth Anniversary of Mahatma Gandhi i.e. October 02, 2018, Small Industries Development Bank of India (SIDBI), had launched a National Level Entrepreneurship Awareness Campaign, Udyam Abhilasha (उद्यम अभिलाषा) in 115 Aspirational Districts identified by NITI Aayog in 28 States and reaching to around 15,000 youth. SIDBI will join to contribute to “the transformation mission” unleashed for these districts.

The campaign would be running parallelly from 3<sup>rd</sup> October to 8<sup>th</sup> October, 2018 across India.

The objectives of the missionary campaign includes:-

- (1) To inspire rural youth in aspirational districts to be entrepreneurs by assisting them to set up their own enterprise;
- (2) To impart trainings through digital medium across the country;
- (3) To create business opportunities for CSC VLEs;
- (4) To focus on women aspirants in these aspirational districts to encourage women entrepreneurship; and
- (5) To assist participants to become bankable and avail credit facility from banks to set up their own enterprise.

The campaign would create and strengthen cadre of more than 800 trainers to provide entrepreneurship training to the aspiring youths across these districts thus encouraging them to enter the admired segment of entrepreneurs.

*...Lead with Edge...*

15. Who among the following brings about the ‘Agriculture Census’ In India?

- a) Ministry of Statistics
- b) Ministry of Agriculture
- c) CSO
- d) NSSO

**Answer: (b)**

16. In India, deficit financing is used for raising resources for

- a) Economic development
- b) Redemption of Public debt
- c) Adjusting the balance of payments
- d) Reducing the foreign debt

**Answer: (a)**

17. The national income of a country for a given period is equal to the

- a) Total value of goods and services produced by the nationals
- b) Sum of total consumption and investments expenditure
- c) Sum of personal income of all individuals
- d) Money value of final goods and services produced

**Answer: (a)**

18. Which of the following groups of items is/are included in India's foreign exchange reserves?

- 1. Foreign currency assets
- 2. Gold holdings of RBI
- 3. Special Drawing Rights

Select the CORRECT answer using codes given below:

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

**Answer: (d)**

**Explanation:** Components of India's foreign exchange reserves:

- 1. Foreign Currency Assets (FCAs): It forms the largest component of our forex reserves. It mainly consists of US dollar and other major non-US global currencies. It also comprises investments in US treasury bills, bonds of other selected governments and deposits with foreign central banks.



2. Gold: Gold held by the RBI with the intention to serve as a guarantee to redeem promises to pay depositors, note holders or to secure a currency.
3. Special Drawing Rights (SDRs): These are special instruments created by IMF to supplement its member countries official reserves and serve as an international reserve asset since 1969. It is essentially an artificial currency instrument made up of a basket of currencies: Dollar, Euro, Yuan, Yen & Pound-Sterling.
4. RBI's Reserve Tranche Position with IMF: It stands for the difference between India's quota at IMF & the IMF's holding of its currency.

19. Consider the following with reference to Indian Agricultural landholdings

1. High indebtedness
2. Rise of nuclear families
3. Inadequate growth in off farm employment opportunities to absorb the surplus workforce.

Which of the above lead to Fragmentation of Indian Agriculture?

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

**Answer: (d)**

20. Which among the following is/are provision/s under GrAM scheme?

1. Develop and upgrade existing 22000 rural haats into Gramin Agricultural Markets
2. Physical infrastructure to be strengthened using MGNREGs and other Government schemes.

Select the CORRECT answer using the codes given below:

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

**Answer: (c)**

The Gramin Agricultural Markets (GrAM) scheme was announced by the Finance Minister during the 2018-19 budget.

The scheme involves the development and upgradation of existing 22,000 rural haats into **Gramin Agricultural Markets (GrAMs)**,

More than 86% of farmers in India are small and marginal who are not always in a position to directly transact at APMCs and other wholesale markets.

In these GrAMs, physical infrastructure will be strengthened using MGNREGA and other Government Schemes and would be electronically linked to e-NAM and exempted from regulations of APMCs.

This would provide farmers facility to make direct sale to consumers and bulk purchasers

**21.** Which of the following is treated as artificial Currency?

- a) ADR                      b) GDR
- c) SDR                      d) None of the above

**Answer (c)**

**Explanation:** Special Drawing Rights (SDRs): are special instruments created by IMF to supplement its member countries official reserves and serve as an international reserve asset since 1969. It is essentially an artificial currency instrument made up of a basket of currencies: Dollar, Euro, Yuan, Yen & Pound-Sterling.

**22.** When RBI announces an increase of the Cash Reserve Rate, what does it mean?

- a) The commercial bank will have less money to lend
- b) The reserve bank of India will have less money to lend
- c) The union government will have less money to lend
- d) The commercial banks will have more money to lend

**Answer (a)**

**Explanation:** Cash Reserve Ratio is the ratio of the total deposits of a bank, which is kept with the RBI in the form of cash. An increase in cash reserve ratio would mean greater amount of such deposits with the bank & thus lesser amount of money available with commercial banks for lending purposes.

23. A rise in general level of prices may be caused by

1. An increase in the money supply
2. A decrease in the aggregate level of output
3. An increase in the effective demand

Select the CORRECT answer using the codes given below

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

**Answer: (d)**

**Explanation:** Inflation is driven by demand-pulls or supply bottlenecks. While an increase in money supply means more disposable income in the hands of the consumers causing surging demands, a decrease in aggregate level of output means the demands cannot be met, thus driving up prices.

24. Which one of the following is likely to be the most inflationary in its effect?

- a) Repayment of public debt
- b) Borrowing from public to finance a budget deficit
- c) Borrowing from banks to finance a budget deficit
- d) Creating new money to finance a budget deficit

**Answer: (d)**

**Explanation:** Creating new money augments the existing money supply having the greatest inflationary effect.

25. Which among the following launched the Bali Fintech agenda?

- a) IMF
- b) World Bank
- c) IMF and World Bank
- d) None of the above

**Answer: (c)**

**Explanation:** The International Monetary Fund and the World Bank Group launched, in October 2018, the Bali Fintech Agenda, a set of 12 policy elements aimed at helping member countries to harness the benefits and opportunities of rapid advances in financial technology that are transforming the provision of banking services, while at the same time managing the inherent risks.

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