

OFFICERS IAS ACADEMY

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MCQ 29.06.2020 & 30.06.2020

1. Consider the following statements about the Finance Commission of India.

1. The Finance Commission is a constitutional body set up under Article 280 of the Constitution.
2. The President of India is required to constitute a Finance Commission at an interval of five years or earlier.
3. The Chairman of the Commission shall be selected from among persons who is, or has been, or are qualified to be appointed as Judge of a High Court.

Which of the statements given above is/are correct?

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

Answer: A

Explanation:

- **Statement 1 is correct:** The Finance Commission is a **constitutional body** set up under **Article 280** of the Constitution.
- **Statement 2 is correct:** Under Article 280, the **President of India** is required to constitute a Finance Commission at an interval of five years or earlier.
- In November 2017, President of India constituted the 15th Finance Commission and appointed former Planning Commission member **NK Singh** as its chairman.

What are the qualifications for Members?

- The Finance Commission has a chairman and four members appointed by the **President**.
- **Statement 3 is incorrect:** The **Chairman** of the Commission is selected from among persons who have had **experience in public affairs**, and the **four other members** are selected from among persons who--

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- o are, or have been, or are qualified to be appointed as Judges of a High Court; or
- o have special knowledge of the finances and accounts of Government; or
- o have had wide experience in financial matters and in administration; or
- o have special knowledge of economics

What are the functions of the Finance Commission?

- It is the duty of the Commission to make recommendations to the President as to—
 - o the distribution of tax proceeds between the Union and the States and the share of each state.
 - o the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India;
 - o the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State;
 - o the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State;
 - o any other matter referred to the Commission by the President in the interests of sound finance.

<https://www.thehindu.com/news/national/panchayats-to-get-10-lakh-cr-till-2026/article31918244.ece>

2. The World Drug Report is released by

- A. World Health Organization
- B. United Nations Office on Drugs and Crime
- C. World Customs Organization
- D. International Narcotics Control Board

Answer: **B**

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Explanation:

- The World Drug Report is published annually by the United Nations Office on Drugs and Crime (UNODC).
- It provides a wealth of information and analysis to support the international community in implementing operational recommendations on a number of commitments made by Member States.

<https://www.thehindu.com/opinion/op-ed/drug-abuse-amidst-pandemic/article31917900.ece>

3. Which among the following taxes is/are levied on petrol in India?

1. Goods and Services Tax
2. Central excise duty
3. Value Added Tax by states

Select the correct answer using the codes given below.

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

Answer: C

Explanation:

- Taxes on fuel include central excise duty levied by the central government, and Value Added Tax (VAT) charged by the states (which varies from state to state).
- Petrol & diesel have not been brought under the ambit of the GST.

<https://www.thehindu.com/news/national/revenue-from-fuel-used-for-welfare-work-says-pradhan/article31948409.ece>

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4. With reference to Exchange Traded Funds (ETFs), consider the following statements.

1. An exchange-traded fund is a basket of securities that trade on an exchange
2. Government of India uses ETF to disinvest its holdings in public sector companies
3. Bharat-22 is an ETF launched by the government, which includes both public and private sector companies
4. Bharat-22 is managed by the RBI

Which of the statements given above is/are correct?

- A. 1 only
- B. 1, 2 and 3 only
- C. 1, 2 and 4 only
- D. 1, 2, 3 and 4

Answer: **B**

Explanation:

- An exchange-traded fund (ETF) is a basket of securities that trade on an exchange. ETFs can contain all types of investments including stocks, commodities, or bonds. **Hence, statement 1 is correct.**
- ETFs are in many ways similar to mutual funds; however, they are listed on exchanges and ETF shares trade throughout the day just like ordinary stock.
- **Statement 2 is correct:** Government of India uses ETF to disinvest its holdings in public sector companies. According to the Department of Investment & Public Asset Management (DIPAM), the total subscription received by the Centre from various ETFs launched so far stands at Rs 1.87 lakh crores.
- **Statement 3 is correct:** Bharat 22 is an open-ended Exchange-Traded Fund (ETF) which allows investors to invest in a basket of government-owned and private sector entities. Bharat 22 ETF

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invests in the 22 companies that comprise the S&P BSE Bharat 22 index—19 companies are in the public sector and three in the private sector.

- **Statement 4 is incorrect:** Bharat 22 is managed by ICICI Prudential Asset Management Company.

<https://www.livemint.com/brand-stories/etf-to-become-the-go-to-investment-product-in-5-years-says-swarup-mohanty-11593088321177.html>

5. ‘Operation Samudra Setu’ sometimes seen in the news is related to

- A. Indian Navy’s rescue mission in cyclone-hit Madagascar.
- B. Air strike by the Indian Air Force on a terrorist training camp in Balakot.
- C. Indian Navy’s joint exercise initiative with Indian ocean littoral countries.
- D. Evacuation of stranded Indians from other countries due to the coronavirus pandemic.

Answer: **D**

Explanation:

- Operation Samudra Setu is part of the Centre's initiative to repatriate Indians stranded in foreign countries due to the coronavirus pandemic.
- Indian Naval ships Jalashwa and Magar have already evacuated 2,874 personnel from Maldives and Sri Lanka to ports of Kochi and Tuticorin as part of Operation Samudra Setu.
- **Operation Vanilla** is Indian Navy’s rescue mission in Madagascar.
- The air strike by the Indian Air Force (IAF) on a terrorist training camp in Balakot, Pakistan, was code-named **Operation Bandar**.

<https://pib.gov.in/PressReleasePage.aspx?PRID=1634421>

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6. Consider the following statements about the Monetary Policy Committee (MPC).

1. It is a 6-member body entrusted with the task of fixing policy interest rate required to achieve the inflation target.
2. The decisions of the MPC are taken by a simple majority.
3. It is headed by the Finance Minister who enjoys a casting vote.

Which of the statements given above is/are correct?

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

Answer: **B**

Explanation:

- **Statement 1 is correct:** The Monetary Policy Committee (MPC) is a committee of the RBI, 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.

- The MPC has six members

- **RBI Governor (Chairperson)**, RBI Deputy Governor in charge of monetary policy, one official nominated by the RBI Board and remaining 3 members would represent the Government. **Hence, statement 3 is incorrect.**

- **Statement 2 is correct:** The MPC makes decisions based on **majority vote**. In case of a tie, the **RBI governor will have a second or casting vote.**

<https://economictimes.indiatimes.com/news/economy/policy/rbi-seeks-extension-for-monetary-policy-committee-members/articleshow/76687316.cms>

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7. Which one of the following countries is not a member of the ASEAN grouping?

- A. Thailand
- B. Laos
- C. Brunei
- D. China

Answer: **D**

Explanation:

- Association of South East Asian Nations (ASEAN) is a regional & intergovernmental organisation of 10 countries of southeast Asia.
- Its members are Thailand, Malaysia, Laos, Cambodia, Indonesia, Singapore, Myanmar, Philippines, Brunei and Vietnam.
- They work towards the progress of the southeast Asia region.

<https://www.thehindu.com/news/international/asean-states-warn-of-s-china-sea-tensions/article31927032.ece>

8. Consider the following statements about the Special Economic Zones (SEZs).

1. SEZs are specifically delineated duty-free enclaves and deemed to be foreign territory for the purposes of trade operations and duties and tariffs.
2. The prime objective of SEZs is to enhance foreign investment by providing world class facilities.

Which of the statements given above is/are correct?

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

Answer: **C**

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Explanation:

- **Statement 1 is correct:** SEZs are specifically delineated duty-free enclaves and deemed to be foreign territory for the purposes of trade operations and duties and tariffs.
- SEZs' economic laws are more liberal than a country's typical economic laws. India's SEZ policy offers various fiscal and regulatory incentives to the developers within the zone like exemption from customs duties, central excise duties.
- **Statement 2 is correct:** The idea was to enhance foreign investment by providing world class facilities.
- THE SPECIAL ECONOMIC ZONE ACT 2005 provides for the establishment, development and management of the SEZs for the promotion of exports and for matters connected therewith.
- The government provides 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years.

The salient features of the SEZ scheme are:

- i. A designated duty free enclave to be treated as a territory outside the customs territory of India for the purpose of authorised operations in the SEZ;
 - ii. No licence required for import;
 - iii. Manufacturing or service activities allowed;
 - iv. The Unit shall achieve Positive Net Foreign Exchange to be calculated cumulatively for a period of five years from the commencement of production;
 - v. Domestic sales subject to full customs duty and import policy in force;
 - vi. SEZ units will have freedom for subcontracting;
 - vii. No routine examination by customs authorities of export/import cargo;
 - viii. SEZ Developers /Co-Developers and Units enjoy Direct Tax and Indirect Tax benefits as prescribed in the SEZs Act, 2005.
- The major objectives of setting up a SEZ are

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- To attract FDI
- Earn foreign exchange and contribute to exchange rate stability
- Boost the export sector especially non traditional exports
- To create employment opportunities
- Introduce new technology
- Develop backward regions etc.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/proposed-duty-on-chinese-solar-imports-worries-firms-in-sezs/articleshow/76652320.cms>

9. Consider the following statements about the Kartarpur Corridor.

1. The Corridor lies on the banks of river Ravi.
2. It is in Kartarpur Sahib that Guru Gobind Singh had spent the last 18 years of his life.

Which of the statements given above is/are correct?

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

Answer: A

Explanation:

● **Statement 1 is correct:** The Kartarpur Corridor is known as the corridor of ‘international peace and harmony’ and is a 4.2-km-long passage connecting the town of Dera Baba Nanak in India with the Kartarpur Sahib Gurudwara in Pakistan’s Narowal district. The Corridor lies on the banks of **river Ravi**.

● **Statement 2 is incorrect:** It is in Kartarpur Sahib that **Guru Nanak Dev** had spent the last 18 years of his life. The gurdwara is built where Guru Nanak is said to have died.

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Guru Nanak

- Guru Nanak was the founder of Sikhism and became the first Sikh Guru. His spiritual teachings laid the foundation on which Sikhism was formed.
- He advocated the existence of one God and taught his followers that every human being can reach out to God through meditation and other pious practices. Guru Nanak did not support monasticism and asked his followers to lead the life of an honest householder.
- His teachings were immortalized in the form of 974 hymns, which came to be known as 'Guru Granth Sahib,' the holy text of Sikhism. With more than 20 million followers, Sikhism is one of the important religions in India.

<https://www.livemint.com/news/world/pakistan-conveys-to-india-its-readiness-to-reopen-kartarpur-corridor-from-june-2-11593240545394.html>

10. Consider the following pairs

Deficit Definition

1. Fiscal Deficit Total expenditure – total receipts except borrowings
 2. Primary Deficit Fiscal deficit - interest payments
 3. Effective revenue Deficit Part of the fiscal deficit covered by borrowing from the RBI
 4. Monetized Fiscal Deficit Revenue Deficit – grants for the creation of capital assets
- Which of the pairs given above is/are correctly matched?
- A. 1 and 2 only
 - B. 3 and 4 only
 - C. 2 only
 - D. None of them are correct

Answer: A

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Explanation

- Budget deficit = total expenditure – total receipts
- Revenue deficit = revenue expenditure – revenue receipts
- Fiscal Deficit = total expenditure – total receipts except borrowings
- Primary Deficit = Fiscal deficit- interest payments
- Effective revenue Deficit= Revenue Deficit – grants for the creation of capital assets
- Monetized Fiscal Deficit = part of the fiscal deficit covered by borrowing from the RBI

<https://economictimes.indiatimes.com/news/economy/finance/govt-need-not-focus-on-debt-at-present-should-concentrate-on-economic-revival-fincomm/articleshow/76648698.cms>

