

# OFFICERS IAS ACADEMY

## IAS ACADEMY RUN BY FORMER CIVIL SERVANTS

Daily MCQs: 16-04-2024

### 1. In financial terms, a bull market denotes

- A. Consistent rise or expected rise in the stock prices
- B. Condition in which stock prices are on a consistent decline
- C. Negative market sentiment in the financial market
- D. High inflation coupled with high unemployment rate

### 2. Consider the following statements.

- 1. Depository Receipts allow investors to hold equity shares of foreign companies.
- 2. Indian Depository Receipt (IDR) is an instrument issued by depositories in foreign jurisdictions.
- 3. IDR is denominated in Indian Rupees.

### How many of the statements given above are correct?

- A. Only one
- B. Only two
- C. All three
- D. None

### 3. Consider the following statements about Corporate Social Responsibility (CSR) in India.

- 1. Under the Companies Act, 2013, companies with a net worth of more than Rs 500 crore are obliged to spend 10% of their average profits on CSR.
- 2. Non-compliance to the CSR rules and obligations are treated as criminal offence in India.

### 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

### 4. With reference to the International Labour Organisation (ILO), consider the following statements.

- 1. It was created as part of the Treaty of Versailles that ended World War I.
- 2. It is the only tripartite U.N. agency with government, employer, and worker representatives.
- 3. India is a founder member of the ILO.

### Which of the statements given above is/are correct?

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

### 5. Global Innovation Index (GII) is a flagship publication of

- A. World Intellectual Property Organization
- B. World Trade Organization
- C. World Economic Forum
- D. Organisation for Economic Co-operation and Development

#### Solutions:

1. Answer: A

#### Explanation:

- In financial terms, a **bull market** means a consistent rise or expected rise in the stock prices for months or even years. A bull market is the **period of strong gains in the stock prices**.
- With a rise in stock prices, the investors feel **optimistic about the future performance** of the market and buy more stocks.
- A **bear market** is contrary to a bull market where the stock prices are on a consistent decline or are expected to decline for a prolonged duration. The bear market scenario is coupled with a **pessimistic outlook of the economy**.
- With low market confidence, investors start selling their stocks in fear of further drop in prices.

2. Answer: B

#### Explanation:

- A depositary receipt (DR) is a negotiable certificate **representing shares in a foreign company traded on a local stock exchange**.
- **Statement 1 is correct:** Depositary receipts allow investors to hold equity shares of foreign companies without the need to trade directly on a foreign market.
- Depositary receipts allow investors to diversify their portfolios by purchasing shares of companies in different markets and economies.
- DRs constitute an important mechanism through which **issuers can raise funds outside their home jurisdiction**. DRs are issued for tapping foreign investors who otherwise may not be able to participate directly in the domestic market.
- One of the most common types of DRs is the **American depositary receipt (ADR)**, which has been offering companies, investors and traders global investment opportunities since the 1920s.
- **Statement 2 is incorrect & Statement 3 is correct:** An **Indian Depositary Receipt (IDR)** is a **depositary receipt denominated in Indian rupees** issued by a domestic depository in India.
- Since foreign companies are not allowed to list on Indian equity markets, IDR is a way to own shares of those companies. These IDRs are listed on Indian stock exchanges.

3. Answer: D

#### Explanation:

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- Corporate Social Responsibility (CSR) is a business philosophy that dictates that companies around the globe should deviate from the narrow path of chasing only financial gains and wealth buildup and embark on a **journey of sustainable development**.
- It includes community welfare, ethical corporate conduct, climate action, defending the socio-economic rights of marginalised sections of society, among other aspects.

### CSR in India

- India harbours one of the earliest and richest traditions of CSR in the world in the form of philanthropy.
- We can find **Chanakya**, also called Kautilya, the cardinal force behind Mauryan Imperialism, commenting and emphasising on the importance of observing ethical practices and principles while conducting commercial activities.
- Our scriptures have also repeatedly echoed the importance of sharing business earnings with the deprived segments of the society.
- In modern India, CSR was attributed with a whole new dimension with the **“Trusteeship Theory” of Mahatma Gandhi**, which considered the businessmen of India as trustees of trusts that looked after public welfare.

### Legal Provisions

- India is the **first country in the world to make CSR mandatory**, following an amendment to The Companies Act, 2013 in 2014.
- **Statement 1 is incorrect:** Any company that has a **net worth of at least Rs 500 crore**, a **turnover of Rs 1,000 crore** or a **net profit of Rs 5 crore** is obliged to **spend 2% of its average profits** over the last three years on CSR.
- Businesses can invest their profits in areas such as education, poverty, gender equality, and hunger as part of their CSR compliance, as regulated by the law.

### Major Amendments

- In 2021, the Ministry of Corporate Affairs amended the rules of CSR.
- **Statement 2 is incorrect:** According to the amendments, **non-compliance** to the CSR rules and obligations will **no longer be treated as a criminal offence**. These will now be treated as civil wrongs.
- Any **surplus income** being generated through a company’s CSR activities can not form part of the company’s profit. The surplus shall be reinvested into the same project or shall be transferred to the Unspent CSR Account.
- Any CSR expenditure that exceeds the required amount can be carried **forward to the next three years**.

4. Answer: D

### Explanation:

- **Statement 1 is correct:** The International Labour Organisation was created in 1919, as part of the **Treaty of Versailles** that ended World War I.
- It became the **first specialized agency of the UN** in 1946.

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- **Statement 2 is correct:** ILO is the **only tripartite U.N. agency which brings together governments, employers and workers** of 187 member States, to set labour standards, develop policies and devise programmes promoting decent work for all women and men.
- **Statement 3 is correct:** **India is a founder member** of the ILO.
- It is headquartered in Geneva, Switzerland.

5. Answer: A

#### Explanation:

- Global Innovation Index (GII) is co-published annually by **Cornell University, INSEAD Business School**, and the **World Intellectual Property Organization (WIPO)**, a specialized agency of the United Nations.
- **GII ranks global economies according to their innovation capabilities**, using roughly 80 indicators, grouped into **innovation inputs and outputs**.
- The metrics include institutions, human capital and research, infrastructure, market sophistication and business sophistication, knowledge and technology outputs and creative outputs.
- Over the years, the **GII has established itself as a policy tool for various governments and helped them to reflect upon the existing status quo.**

