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Daily MCQs: 22-04-2024

1. With reference to credit rating agencies, consider the following statements.

1. A rating agency is a company that assesses the financial strength of companies and government entities.
2. In India, credit rating agencies are regulated by SEBI.

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

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

- A. Mining operation by multinational companies in resource-rich but backward areas
- B. Exploitation of genetic resources of a country by multinational companies
- C. Lack of consideration of environmental costs in the planning and implementation of developmental projects
- D. Curbing of the tax evasion by multinational companies

3. With reference to the Organisation for Economic Co-operation and Development (OECD), consider the following statements.

1. It is an international, intergovernmental economic organization which aims to stimulate world trade and economic progress.
2. India is not a member of OECD.

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. The Indian National Centre for Ocean Information Services (INCOIS) is an autonomous body under

- A. Ministry of Defence
- B. Ministry of Ministry of Jal Shakti
- C. Ministry of Science and Technology
- D. Ministry of Earth Sciences

5. Which of the following is geographically closest to Maldives?

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- A. Madagascar
- B. Mauritius
- C. Andaman and Nicobar Islands
- D. Lakshadweep island

Solutions:

1. Answer: C

Explanation:

- **Statement 1 is correct:** A credit rating agency is a company that **assesses the financial strength of companies and government entities**, especially their ability to meet principal and interest payments on their debts.
- The rating shows an agency's level of confidence that the borrower will honor its debt obligations as agreed. Each agency uses unique letter-based scores to indicate if a debt has a low or high default risk and the financial stability of its issuer.
- The debt issuers may be sovereign nations, local and state governments, special purpose institutions, companies, or non-profit organizations.
- **Statement 2 is correct:** In India, credit rating agencies are regulated by the SEBI.

How ratings affect the market?

- At the corporate level, companies planning to issue a security must find a rating agency to rate their debt. Rating agencies such as Moody's, S&P Global Ratings, and Fitch perform the rating service for a fee. **Investors rely on the ratings to decide on whether to buy or not to buy a company's securities.**
- At the country level, investors rely on the ratings given by the credit rating agencies to make **investment decisions**. Many countries sell their securities in the international market, and a good credit rating can help them access high-value investors. A favorable rating may also **attract other forms of investments** like foreign direct investments to a country.
- A rating downgrade means that bonds issued by the governments are now "riskier" than before. Lower risk is better because it allows governments and companies of that country to **raise debts at a lower rate of interest.**

2. Answer: D

Explanation:

- Base erosion and profit shifting (BEPS) refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.
- Under the inclusive framework, over 100 countries and jurisdictions are collaborating to implement the BEPS measures and tackle BEPS.
- Double-tax avoidance treaties and tax-information exchange between member nations are used to curb this practice.

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3. Answer: C

Explanation:

- **Statement 1 is correct:** The Organisation for Economic Co-operation and Development is an international, intergovernmental economic organization of 38 countries.
- OECD was founded in **1961** to stimulate world trade and economic progress. Its members are committed to Democracy and Market Economy
- Most OECD members are high-income economies with a very high Human Development Index (HDI) and are regarded as developed countries.
- **Statement 2 is correct: India is not a member of OECD.**
- Reports and Indices by OECD
 - **International Migration Outlook.**
 - **OECD Better Life Index.**
- **Headquarters:** Paris, France

4. Answer: D

Explanation:

About Indian National Centre for Ocean Information Services (INCOIS)

- ESSO-INCOIS was established as an **autonomous body** in **1999** under the **Ministry of Earth Sciences (MoES)**.
- It is a **unit of the Earth System Science Organization (ESSO)**.
 - *ESSO operates as an **executive arm of MoES**. It was established in 2007 as a virtual organization, bringing all meteorological and ocean development activities under one umbrella.*

Mandate of ESSO-INCOIS

- ESSO-INCOIS is mandated to provide the **best possible ocean information and advisory services** to society, industry, government agencies and the scientific community through sustained ocean observations and constant improvements through systematic and focussed research.
- It provides round-the-clock **monitoring and warning services** for the coastal population on tsunamis, storm surges, high waves, etc. through the in-house **Indian Tsunami Early Warning Centre (ITEWC)**.

5. Answer: D

Explanation:

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