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Daily MCQs: 02-05-2024

1. Which of the following is levied to facilitate the taxation of 'zero tax companies'?

- A. Surcharge
- B. Equalisation levy
- C. Dividend Distribution Tax
- D. Minimum Alternate Tax

2. With reference to the masala bonds, consider the following statements:

- 1. They are foreign currency-denominated bonds issued by Indian entities in overseas markets.
- 2. The exchange rate risk falls on the investor.

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

3. Consider the following statements about the Generalized System of Preferences (GSP)

- 1. Under the GSP, developed countries offer non-reciprocal preferential treatment to products originating in developing countries.
- 2. At present, GSP is offered by the U.S. only.

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 environmental Kuznets curve is related to

- A. Economic growth and inequality
- B. Distribution of income within an economy
- C. Population growth in a country and its environmental degradation
- D. Economic growth of a country and its environmental degradation

5. With reference to the National Disaster Response Fund (NDRF), consider the following statements.

- 1. NDRF was constituted under the Epidemic Diseases Act, 1897.

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2. The primary purpose of NDRF is to supplement the State Disaster Response Fund, provided adequate funds are not available in SDRF.
3. NDRF is classified in the Public Accounts of the Government of India.

How many of the statements given above are correct?

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

Solutions:

1. Answer: **D**

Explanation:

- Minimum Alternate Tax (MAT) was introduced in India to facilitate the taxation of 'zero tax companies' i.e., those **companies which show zero or negligible income to avoid tax**.
- Under MAT, such companies are made liable to pay to the government, by deeming a certain percentage of their book profit as taxable income.

2. Answer: **B**

Explanation:

What are masala bonds?

- **Statement 1 is incorrect:** These are **rupee-denominated borrowings by Indian entities in overseas markets**.
- Indian companies issue masala bonds outside India to raise money from foreign investors.

What is the advantage of borrowing abroad in rupees?

- The bonds are directly pegged to the Indian currency. So, investors will directly take the currency risk or exchange rate risks. **Statement 2 is correct**.
- If the value of Indian currency falls, the foreign investor will have to bear the losses, not the issuer which is an Indian entity or a corporate.
- If foreign investors eagerly invest in Masala Bonds or bring money into India, this would help in tackling the depreciation of rupee.

3. Answer: **A**

Explanation:

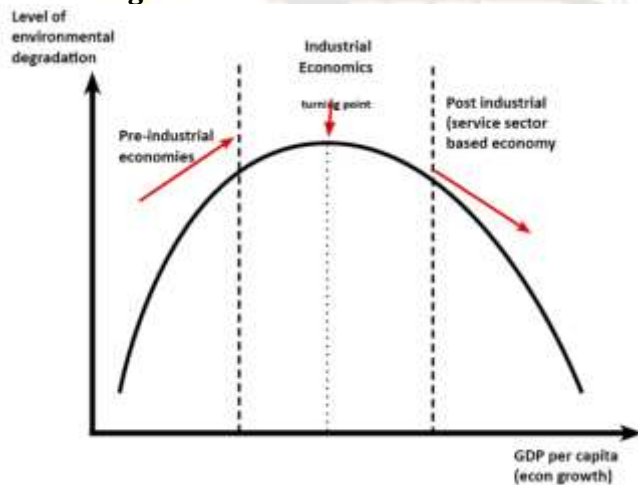
- The Generalized System of Preferences (GSP) was instituted in **1971** under the aegis of **UNCTAD**.

- **Statement 1 is correct:** Under the GSP, **developed countries offer non-reciprocal preferential treatment** (such as zero or low duties on imports) to products originating in developing countries.
- Preference-giving countries unilaterally determine which countries and which products are included in their schemes.
- **Statement 2 is incorrect:** The following **15 countries** grant GSP preferences: Armenia, Australia, Belarus, Canada, the European Union, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey, United Kingdom and the United States of America.

4. Answer: **D**

Explanation:

- The environmental Kuznets curve suggests that **economic development initially leads to a deterioration in the environment**, but after a **certain level of economic growth**, a society begins to **improve its relationship with the environment and levels of environmental degradation reduces**.



- From a very simplistic viewpoint, it can suggest that economic growth is good for the environment.
- However, critics argue there is no guarantee that economic growth will lead to an improved environment – in fact, the opposite is often the case. At the least, it requires a very targeted policy and attitudes to make sure that economic growth is compatible with an improving environment.

5. Answer: **B**

Explanation:

- **Statement 1 is incorrect:** Under the **Disaster Management Act 2005**, a financial mechanism has been set up by way of National Disaster Response Fund (NDRF) at national

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level and State Disaster Response Fund (SDRF) at state level to meet the rescue and relief expenditure during any notified disaster.

- **Statement 2 is correct:** The primary purpose of NDRF is to **supplement the SDRF**, in case there is a calamity of “**severe nature**” which requires assistance over and above the funds available under SDRF.
- **Statement 3 is correct:** NDRF is classified in the **Public Accounts of the Government of India** under “Reserve Funds not bearing interest”.
- The NDRF is funded through the **National Calamity Contingency Duty (NCCD)** imposed on specified goods and additional budgetary support is provided as and when necessary.
- The National Executive Committee (NEC) of the National Disaster Management Authority takes decisions on the expenses from the National Disaster Response Fund.

