

# OFFICERS IAS ACADEMY

## IAS ACADEMY RUN BY FORMER CIVIL SERVANTS

Daily MCQs: 23-05-2024

**1. With reference to the inflation targeting framework in India, consider the following statements.**

1. According to the new inflation target for the period 2021-2026, the RBI should maintain Consumer Price Index (CPI) inflation at 5%, with a tolerance band of +/- 2 percentage points.
2. According to the inflation targeting framework, a breach of the target for three consecutive quarters constitutes a failure of monetary policy.

**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. A rapid increase in the rate of inflation is sometimes attributed to the "base effect". What is "base effect"?**

- A) It is the impact of drastic deficiency in supply due to failure of crops
- B) It is the impact of the surge in demand due to rapid economic growth
- C) It is the impact of the price levels of previous year on the calculation of inflation rate
- D) None of the statements (a), (b) and (c) given above is correct in this context

**3. Which of the following is the significance of developing Chabahar Port for India?**

- A. India's trade with African countries will increase significantly.
- B. India's relations with oil-producing Arab countries will be strengthened.
- C. India will gain access to Afghanistan bypassing Pakistan.
- D. Pakistan will facilitate the installation of a gas pipeline between Iraq and India.

**4. Arrange the various forms of coal in the increasing order of the carbon content they possess**

1. Lignite
2. Anthracite
3. Peat
4. Bituminous

Select the correct answer using the codes given below

- A) 2-4-1-3
- B) 3-4-1-2
- C) 3-1-4-2
- D) 2-3-1-4

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5. Which of the following is a major strait connecting the Andaman Sea (Indian Ocean) and South China Sea (Pacific Ocean)?

- A) Palk Strait
- B) Malacca Strait
- C) Sunda Strait
- D) Sixteen Degree Channel

**Solutions:**

**1. Answer: B**

**Explanation:**

**How does India measure retail inflation?**

- Inflation refers to a rise in the **general level of prices of a set of goods and services over a period of time.**
- India bases its **retail inflation** metrics on the **Consumer Price Index - Combined (CPI-C).**

**About CPI**

- Consumer Price Index-Combined (CPI-C) is an index which measures the weighted average of prices of a basket of **consumer goods and services** such as transportation, food and medical care.
- It is calculated by measuring price changes for each item in the **predetermined basket of goods and services** and averaging them.
- It is released by the **National Statistical Office (NSO)** under the Ministry of Statistics and Programme Implementation.
- The **base year** used to calculate CPI-C in India is **2012.**
- Weightage of Sub-groups in CPI
  - Food and beverages (45.86 percent of total weight);
  - Miscellaneous (28.32 percent), of which Transport and communication (8.59 percent), health (5.89 percent), and education (4.46 percent);
  - Housing (10.07 percent);
  - Fuel and light (6.84 percent);
  - Clothing and footwear (6.53 percent);
  - Pan, tobacco and intoxicants (2.38 percent).

**RBI's Target**

- The RBI's explicit mandate is to **conduct monetary policy.** The primary objective of monetary policy is to **maintain price stability while keeping in mind the objective of growth.** Price stability is a necessary precondition to sustainable growth.
- In **2016**, the **Reserve Bank of India Act, 1934**, was amended to provide a statutory basis for the implementation of a **flexible inflation-targeting framework**, where the Centre and the RBI would review and agree upon a specific inflation target every five years.
- **Statement 1 is incorrect:** In 2021, the **Centre decided to retain the inflation target of 4% (measured by CPI-C), with a tolerance band of +/- 2 percentage points** for the period **April 1, 2021, to March 31, 2026.**

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- **Statement 2 is correct:** When the Reserve Bank of India fails to meet the inflation target, it will send a report to the central government stating reasons and remedial actions that will be taken. A **breach of the “tolerance level” for three consecutive quarters will constitute a failure of monetary policy.**

### 2. Answer C

#### Explanation:

- Base effect of inflation – when a change in the index in the base period has a considerable effect on the measured inflation, this is called base effect of inflation. Base effects are therefore the contribution to changes in the annual rate of measured inflation from abnormal changes in the index during the base period.

### 3. Answer: C

#### Explanation

- Chabahar is a **deep water port** in Iran’s **Sistan-Baluchistan province**.
- It is the **Iranian port that is the closest to India**, and is located in the **open sea**, providing easy and secure access for large cargo ships.
- For India, Chabahar held immense strategic and economic significance, as it provided a route to reach Afghanistan, land access to which had been blocked by Pakistan.



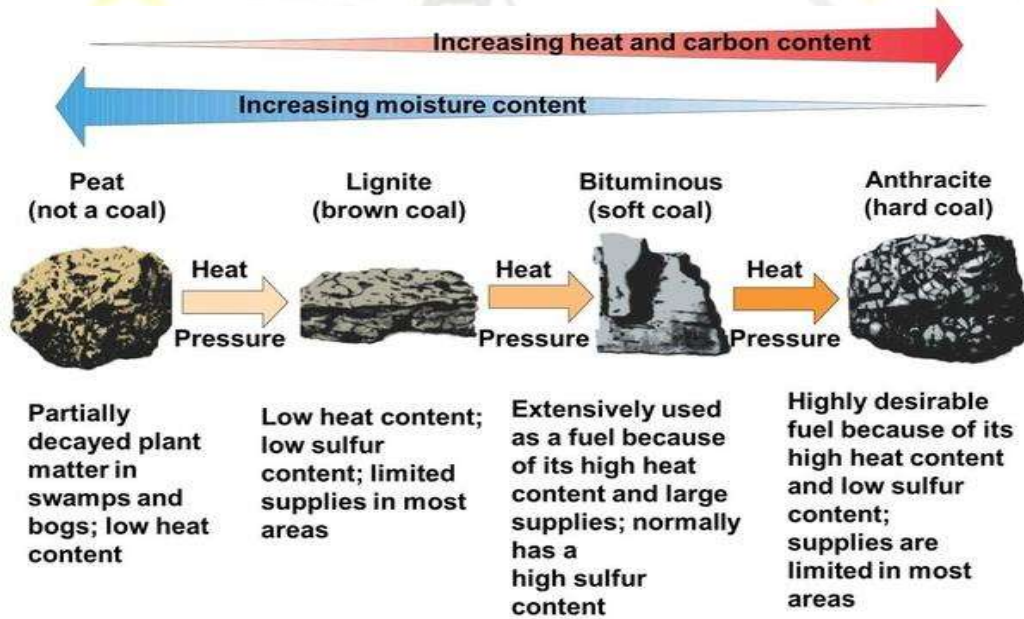
### 4. Answer: C

#### Explanation

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- Coal is formed due to the compression of plant material over millions of years. Coal, therefore, is found in a variety of forms depending on the degrees of compression and the depth and time of burial.
- Decaying plants in swamps produce peat, which has a low carbon and high moisture contents and low heating capacity.
- Lignite is a low grade brown coal, which is soft with high moisture content. The principal lignite reserves are in Neyveli in Tamil Nadu and are used for generation of electricity.
- Coal that has been buried deep and subjected to increased temperatures is bituminous coal. It is the most popular coal in commercial use. Metallurgical coal is high grade bituminous coal which has a special value for smelting iron in blast furnaces. Anthracite is the highest quality hard coal.
- In the process of transformation (coalification), **peat is altered to lignite, lignite is altered to sub-bituminous, sub-bituminous coal is altered to bituminous coal, and bituminous coal is altered to anthracite.**



5. Answer: B

### Explanation

- The **Strait of Malacca is the waterway connecting the Andaman Sea (Indian Ocean) and the South China Sea (Pacific Ocean)**. It runs between the Indonesian island of Sumatra to the west and peninsular (West) Malaysia and extreme southern Thailand to the east.



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