

# OFFICERS IAS ACADEMY

## IAS ACADEMY RUN BY FORMER CIVIL SERVANTS

Daily MCQs: 25-06-2024

### 1. Consider the following statements about the Minimum Support Price (MSP)

- 1) It is a form of market intervention by the Government to insure agricultural producers against any sharp fall in farm prices.
- 2) It is announced at the beginning of the sowing season by the Cabinet Committee on Economic Affairs (CCEA).

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. Consider the following statements about the Goods & Services Tax (GST) Council.

1. It is a statutory body to make recommendations to the Union and the States on important issues related to GST.
2. It is chaired by the Prime Minister of India.
3. Every decision of the Council is taken by a majority of not less than three-fourths of the weighted votes of the members present and voting.

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. 3 only

### 3. With reference to India's Foreign Exchange Reserve, consider the following.

1. Foreign currency assets
2. Gold Stock of RBI
3. Special Drawing Rights holdings
4. Reserve tranche

Which of the above are components of India's Foreign Exchange Reserve?

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

### 4. The primary purpose of the Inter-Services Organisations (Command, Control and Discipline) Act, 2023 is

- A) To promote coordination between civilian and military authorities
- B) To provide a legal framework for joint operations among the Army, Navy, and Air Force
- C) To establish new ranks and pay scales for the armed forces

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D) To restructure the Ministry of Defence

### 5. CPEC is a part of which larger initiative of China?

- A) Shanghai Cooperation Organisation (SCO)
- B) Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)
- C) Belt and Road Initiative (BRI)
- D) South Asian Association for Regional Cooperation (SAARC)

### Solutions:

1. Answer: C

### Explanation

Both the statements are correct.

- Minimum Support Price (MSP) is a form of **market intervention** by the Government to **insure agricultural producers against any sharp fall in farm prices**.
- MSP is the price at which the government procures certain crops from farmers to ensure support price to farmers and affordable prices to the consumer.
- The minimum support prices are announced by the Government at the **beginning of the sowing season** for certain crops on the basis of the recommendations of the **Commission for Agricultural Costs and Prices (CACP)**.

### About CACP

- The Commission for Agricultural Costs & Prices is an attached office of the **Ministry of Agriculture and Farmers Welfare**. It came into existence in 1965.
- It is **mandated to recommend MSPs** to incentivize the cultivators to adopt modern technology and raise productivity and overall grain production in line with the emerging demand patterns in the country.

### How many crops does the minimum support price cover?

- As of now, CACP recommends MSPs of **23 commodities**, which comprise **7 cereals** (paddy, wheat, maize, sorghum, pearl millet, barley and ragi), **5 pulses** (gram, tur, moong, urad, lentil), **7 oilseeds** (groundnut, rapeseed-mustard, soyabean, seasmum, sunflower, safflower, niger seed), and **4 commercial crops** (copra, sugarcane, cotton and raw jute).
- CACP submits its recommendations to the government. The **Cabinet Committee on Economic Affairs (CCEA)** chaired by the **Prime Minister** takes a **final decision** on the level of MSPs and other recommendations made by CACP.

### Why in News?

- The Union Cabinet has approved MSP hikes for all kharif season crops, in alignment with the government's policy of keeping MSPs **at least 1.5 times above the cost of production**, aiming at reasonably fair remuneration for the farmers.

### How is the production cost arrived at?

- As per CACP, there are three definitions of production cost which includes **A2, A2+FL and C2**.

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- A2 covers **all paid-out expenses**, including cash and in kind. It includes costs on seeds, chemicals, hired labour, irrigation, fertilisers and fuel.
- A2+FL covers **actual paid cost and also unpaid family labour**.
- C2 cost method is more comprehensive and makes the calculation by including a wider range of inputs. It includes **actual paid out costs, imputed value of family labour, interest on the value of owned capital assets, rent paid for leased-in land and the rental value of owned land**.
- CACP considers **both A2+FL and C2 costs** while recommending MSP.
- It should be noted that there is currently **no statutory backing** for these prices, **nor any law mandating their enforcement**.

- The **agricultural crop year** in India is from **July to June**. The Indian cropping season is classified into **two main seasons** - (i) **Kharif** and (ii) **Rabi** based on the monsoon.
- The **kharif cropping** season is from **July–October** during the **south-west monsoon** and the **Rabi cropping** season is from **October–March (winter)**.
- The kharif crops include **rice, maize, sorghum, pearl millet/bajra, finger millet/ragi (cereals), arhar (pulses), soyabean, groundnut (oilseeds), cotton etc.** The rabi crops include **wheat, barley, oats (cereals), chickpea/gram (pulses), linseed, mustard (oilseeds) etc.**

### 2. Answer: D

#### Explanation:

- **Statement 1 is incorrect:** Goods & Services Tax Council is a **constitutional body** under Article 279A of the amended Constitution, for making recommendations to the Union and State Government on issues related to Goods and Service Tax.
- The Council was introduced by the **Constitution (One Hundred and First Amendment) Act, 2016**.
- **Statement 2 is incorrect:** The GST Council is chaired by the **Union Finance Minister** and other members are the Union State Minister of Revenue or Finance and Ministers in-charge of Finance or Taxation of all the States.

#### Mandate of GST Council

- The Goods and Services Tax Council shall make recommendations to the Union and the States on—
  - the **taxes, cesses and surcharges** levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;
  - the goods and services that may be **subjected to, or exempted** from the goods and services tax;
  - the **threshold limit of turnover** below which goods and services may be exempted from goods and services tax;
  - the **rates including floor rates with bands** of goods and services tax;

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- the date on which the goods and services tax be levied on **petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.**
- **Quorum:** **One-half** of the total number of Members of the Goods and Services Tax Council shall constitute the quorum at its meetings.
- **Voting share:** Every decision of the Goods and Services Tax Council shall be taken at a meeting, by a majority of **not less than three-fourths** of the weighted votes of the members present and voting, in accordance with the following principles, namely: —
  - the vote of the **Central Government** shall have a weightage of **one-third** of the total votes cast, and
  - the votes of all the **State Governments** taken together shall have a weightage of **two-thirds** of the total votes cast, in that meeting. **Hence, statement 3 is correct.**
- No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—
  - any vacancy in, or any defect in, the constitution of the Council; or
  - any defect in the appointment of a person as a Member of the Council; or
  - any procedural irregularity of the Council not affecting the merits of the case.
- **Dispute adjudication:** The Goods and Services Tax Council shall establish a mechanism to adjudicate any dispute
  - between the Government of India and one or more States; or
  - between the Government of India and any State or States on one side and one or more other States on the other side; or
  - between two or more States, arising out of the recommendations of the Council or implementation thereof.

### 3. Answer: D

#### Explanation

- Foreign Exchange Reserve indicates the reserves held by RBI in the form foreign currency assets, gold, SDR and reserve tranche. Components of foreign exchange reserve:
  1. **Foreign Currency Assets-** Currencies of foreign countries are held in foreign exchange reserves. Apart from currency it also includes foreign currency deposit held by RBI with foreign central banks and the Bank for International Settlements (BIS).
  2. **Gold Stock of RBI-** The RBI has gold stock as a backup to issue currency and to meet unexpected Balance of Payments (BOP) problems. (*BOP problem occurs when a nation is unable to pay for essential imports or service its external debt repayments*)
  3. **SDR Holdings-** Special Drawing Rights (also called “*paper gold*”) is a reserve created by the **International Monetary Fund (IMF)** to help countries that have BOP problems. The member countries have to contribute to this account in proportion to their IMF quota. The SDR basket consists of **five** major currencies of the world - the US dollar, Euro, British Pound, Chinese Renminbi and Yen (Japan).
  4. **Reserve Tranche-**The reserve tranche is a portion of the required quota of currency that each IMF member country must provide to the IMF. It can be accessed by the member country at any time for its own purposes without a service fee.

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### 4. Answer: B

#### Explanation

- The Government of India has notified the Inter-Services Organisations (Command, Control and Discipline) Act which was passed in the Parliament in 2023.

#### Key Provisions of the Act

- The Act **empowers commanders-in-chief and officers-in-command of Inter-Services Organisations (ISOs) with disciplinary and administrative powers** that will govern the personnel serving in or attached to such organizations.

- *The Act defines ISO as a body of troops consisting of **personnel belonging to at least two of the three services**: the army, the navy, and the air force.*
- *Till now, armed forces personnel of all three services are **governed in accordance** with the provisions contained in their **respective service acts** -- Army Act 1950, Navy Act 1957 and Air Force Act 1950.*
- *This existing legal framework had its limitations when it came to tri-services matters as officers of one service lacked the authority to exercise disciplinary and administrative powers over personnel belonging to another service.*

- The Inter-Services Organisations Act will empower the Heads of ISOs and will **promote maintenance of discipline in inter-services establishments** by eliminating the need to revert personnel for disciplinary proceedings to their parent units.
- The Act will also pave the way for **expeditious disposal of cases, avoid multiple proceedings** and will be a step towards **greater integration and jointness** among the armed forces personnel.
- It should be noted that **service personnel** -- whether army, navy or air force -- who serve in an ISO will **continue to be governed by their respective Service Acts**.
- The Act only empowers ISO heads to exercise the disciplinary and administrative powers that relate to the service they belong to.

### 5. Answer: C

#### Explanation

#### What is the CPEC project?

- China-Pakistan Economic Corridor (CPEC) refers to a clutch of major infrastructure works currently under way in Pakistan, intended to **link Kashgar in China's Xinjiang province to Gwadar deep sea port** close to Pakistan's border with Iran.
- Several other road, rail and power projects are associated with the corridor, and the project seeks to expand and upgrade infrastructure across the length and breadth of Pakistan, and to widen and deepen economic ties with China.
- CPEC is **part of the larger Belt and Road Initiative**.
  - *China's Belt and Road Initiative aims to strengthen Beijing's economic leadership through a vast program of infrastructure building throughout China's neighbouring regions. It was launched in 2013.*

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- *The plan was two-pronged: the overland **Silk Road Economic Belt** and the **Maritime Silk Road**. The project initially aimed to strengthen connectivity with Southeast Asia but later expanded to South and Central Asia, Africa, Europe, and Latin America.*
- CPEC was launched in 2015 and it now envisages investment of over USD 70 billion in different projects of development in Pakistan.



### Significance

- The goal of CPEC is both to **transform Pakistan's economy**—by modernizing its road, rail, air, and energy transportation systems—and to **connect the deep-sea Pakistani ports of Gwadar and Karachi to China's Xinjiang province and beyond by overland routes**.
- This would reduce the time and cost of transporting goods and energy such as natural gas to China by **circumventing the Straits of Malacca and the South China Sea**.
- The CPEC project is also **strategically important for China**. Currently, eighty percent of China's oil has to pass through the **Strait of Malacca**, a narrow stretch of water between the Indonesian island of Sumatra and the Malay Peninsula.
- In the event of a conflict, the Malacca Strait could easily be blocked by a rival nation, cutting off China from crucial energy resources. CPEC allows China to circumvent the Strait of Malacca and reduce its **dependency on the strait**.

### India's position on CPEC

- India has been opposing the project as it **passes through Gilgit-Baltistan in Pakistan-occupied Kashmir (PoK)**, which New Delhi considers its own territory.
- India claims that the CPEC project encroaches on sovereignty and territorial integrity of the country.

### Why in News?

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- Pakistan and China have affirmed consensus on the upgradation of the China-Pakistan Economic Corridor (CPEC) and advancing high-quality development of the multi-billion dollar project in the second phase.
- The CPEC, which connects Gwadar Port in Pakistan's Balochistan with China's Xinjiang province, is the flagship project of China's ambitious **Belt and Road Initiative (BRI)**.
- The BRI is seen as an attempt by China to **further its influence abroad with infrastructure projects** funded by Chinese investments across the world.

