

# OFFICERS IAS ACADEMY

## IAS ACADEMY RUN BY FORMER CIVIL SERVANTS

Daily MCQs: 02-08-2024

### 1. Consider the following statements about the Food Corporation of India (FCI)

- 1) It is a statutory corporation under the Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution.
- 2) Maintaining a satisfactory level of operational and buffer stocks of foodgrains to ensure national food security is one of its objectives.

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. Which of the following statements about the Sangeet Natak Akademi is incorrect?

- A. It is the apex body in the field of performing arts in India.
- B. The Chairman of the Akademi is appointed by the President of India for a term of five years.
- C. It is an autonomous body of the Ministry of Culture.
- D. None of the above

### 3. The purpose of the National Financial Reporting Authority (NFRA) is to

- A. To regulate the stock market
- B. To oversee the auditing and accounting standards in India
- C. To manage the financial reporting of public sector banks
- D. To supervise the activities of insurance companies

### 4. Consider the following statements about the Coalition for Disaster Resilient Infrastructure

- 1) It is an intergovernmental organization that aims to promote the resilience of infrastructure systems to climate and disaster risks.
- 2) India is a member of CDRI.

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

### 5. Consider the following statements

Statement I:

The Sovereign Gold Bond scheme can contribute to reducing the Current Account Deficit.

Statement II:

Importing huge amounts of gold might lead to appreciation of Indian Rupee.

# OFFICERS IAS ACADEMY

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Which one of the following is correct in respect of the above statements?

- a) Both Statement I and Statement II are correct and Statement II is the correct explanation for Statement I.
- b) Both Statement I and Statements II are correct and Statement II is not the correct explanation for Statement I.
- c) Statement I is correct but Statement II is incorrect.
- d) Statement I is incorrect but Statement II is correct.

**Solutions:**

**1. Answer: C**

**Explanation**

- **Statement 1 is correct:** The Food Corporation of India (FCI) is a **statutory corporation** under the **Department of Food and Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution.**
- It was setup in 1965 under the **Food Corporation's Act 1964** to fulfill following objectives of the Food Policy:
  - **Effective price support operations** for safeguarding the interests of the farmers,
  - **Distribution of foodgrains** throughout the country for public distribution system and
  - **Statement 2 is correct: Maintaining satisfactory level of operational and buffer stocks of foodgrains** to ensure national food security.
- FCI's foremost priority is to **ensure food security** for the nation by effectively managing the procurement, storage, and distribution of essential commodities, thereby providing a reliable and sufficient food supply to meet the needs of the population.

**2. Answer: D**

**Explanation**

- Sangeet Natak Akademi is the **apex body in the field of performing arts** in India. It is an **autonomous body of the Ministry of Culture.**
- The Akademi was set up in **1953** for the **preservation and promotion of the vast intangible heritage of India's diverse culture** expressed in forms of music, dance and drama.
- The management of the Akademi vests in its **General Council.**
- The **Chairman** of the Akademi is appointed by the **President of India** for a term of **five years.**
- Its headquarters is located in **New Delhi.**

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IAS ACADEMY RUN BY FORMER CIVIL SERVANTS



### Sangeet Natak Akademi Fellowships and Awards

- The **Sangeet Natak Akademi Awards** are the **highest national recognition conferred on practising artists**.
- Akademi Awards may be conferred on **eminent practitioners, gurus and scholars of music, dance and theatre** for sustained individual achievement of high professional order.
  - The **Akademi Awards** have been conferred since **1952**.
- The Akademi also confers **Fellowships (Akademi Ratna) on eminent artists and scholars of music, dance and drama**. It is considered as the **highest honour given to an eminent artist in the field of performing arts** for his/her exceptional contribution to his/her performing art form.
  - The Fellowship of the Akademi is a most prestigious and rare honour, which is **restricted to 40 at any given time**.
  - The first Fellow of the Akademi was elected in **1954**.
- The award of Akademi Fellow carries a prize money of Rs 3 lakh, while the Akademi award carries a prize money of Rs 1 lakh, besides a 'tamrapatra' (inscriptions on copper plates) and 'angavastram' (a traditional shoulder cloth).

### 3. Answer: B

#### Explanation

- The National Financial Reporting Authority (NFRA) was constituted in **2018** under the **Companies Act, 2013** to continuously improve the quality of all corporate financial reporting in India.
- Functions and Duties:
  - **Recommend accounting and auditing policies and standards** to be adopted by companies for approval by the Central Government;
  - **Monitor and enforce compliance** with accounting standards and auditing standards;
  - **Oversee the quality of service of the professions** associated with ensuring compliance with such standards and suggest measures for improvement in the quality of service;
  - Perform such other functions and duties as may be necessary or incidental to the aforesaid functions and duties.

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## IAS ACADEMY RUN BY FORMER CIVIL SERVANTS

- The Authority consists of a **chairperson and three full time members appointed by the Central Government.**

### 4. Answer: B

#### Explanation

- Launched in 2019 under the leadership of the **Government of India**, the Coalition for Disaster Resilient Infrastructure (CDRI) is an international collaborative platform, aiming to **promote the resilience of infrastructure systems to climate and disaster risks**, thereby ensuring sustainable development.
- At present, it is **not an intergovernmental organization**, which are ordinarily treaty-based organizations. Hence **statement 1 is incorrect.**
- CDRI envisions enabling **measurable reduction in infrastructure losses** from disasters, including extreme climate events.
- CDRI is a **multi-stakeholder global partnership** of national governments, UN agencies and programmes, multilateral development banks and financing mechanisms, the private sector, and academic and knowledge institutions.
- CDRI has also created a dedicated initiative **“Infrastructure for Resilient Island States (IRIS)”**, which will work to achieve sustainable development through a systematic approach to promote resilient, sustainable and inclusive infrastructure in **Small Island Developing States (SIDS).**
- **Members of CDRI: 39 countries and 7 organizations.** (including India) Hence **statement 2 is correct.**





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## IAS ACADEMY RUN BY FORMER CIVIL SERVANTS

### Organizations



Asian Development Bank (ADB)



World Bank Group



United Nations Development Programme (UNDP)



United Nations Office for Disaster Risk Reduction (UNDRR)



The Private Sector Alliance for Disaster Resilient Societies



European Union



European Investment Bank

### Governance

- Governance arrangements for CDRI Secretariat comprises **three principal bodies**, viz., the **Governing Council** (highest policy-making body), the **Executive Committee** (managerial body) and the **Secretariat** in **New Delhi** headed by a Director General appointed by the Governing Council.
- The **Government of India** will be a **permanent Co-Chair** of the Governing Council of CDRI and a **representative of another national government** nominated by rotation **every two years**.

5. Answer: C

### Explanation

- **Sovereign Gold Bonds (SGBs)** are bonds that are issued **by the RBI on behalf of the Government** on payment of rupees but **denominated in grams of gold**.
- The **value of these bonds is tied to the value of gold**. On redemption, the **investor gets interest income and the prevailing price of gold**.
- These bonds are thus different from usual Government securities (G-secs) as the redemption value at the time of maturity is not a fixed sum, but linked to the price of an underlying commodity called gold.
- **It seeks to encourage people to buy gold bonds instead of actual gold**.
- Gold Monetization Scheme and Sovereign Gold Bond scheme are introduced to **reduce imports of gold** and to increase productive use of gold. Gold imports are the second biggest commodity imports into India after oil. As such, reduction in gold imports will positively affect the larger economy by **reducing the Current Account Deficit. Hence statement 1 is correct**.
- Importing huge amounts of gold using foreign exchange reserves depreciates the value of the rupee which makes other essential imports costlier and thereby increases the country's Current Account Deficit (CAD). **Hence, statement 2 is incorrect**

### Value addition

### Features

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- The Bonds will be sold through Scheduled Commercial banks (except Small Finance Banks and Payment Banks), Stock Holding Corporation of India Limited (SHCIL), designated post offices, and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange Limited.
- The Bonds are denominated in **units of one gram of gold and multiples thereof.**
- **Minimum investment in the Bond shall be one gram with a maximum limit of subscription of 4 kg for individuals, 4 kg for Hindu Undivided Family (HUF) and 20 kg for trusts** and similar entities notified by the government from time to time per fiscal year.
- The Bonds will be repayable on the **expiration of eight years** from the date of issue.
- **Premature redemption** of the Bond is allowed from the **fifth year** of the date of issue on the interest payment dates.
- The investment in the Bonds will be eligible for **Statutory Liquidity Ratio (SLR)** compliance by banks.
- These bonds can also be used as **collateral** for loans.
- The interest on Gold Bonds shall be **taxable as per the provision of Income Tax Act, 1961.** The **capital gains tax** arising on redemption of SGB to an individual has been **exempted.**

### Advantages and disadvantages

#### To the Investor

- The advantages to the investor in investing in SGB instead of gold are the following:
  - **Interest earnings** on an otherwise dead asset;
  - Ease of storage and handling gold, while preserving its advantage of earnings in terms of appreciation of its prices in future;
  - An **alternate instrument for investment;**
- The only possible disadvantage to the investor is that, while in the event of appreciation of the price of gold, the investor gains, however, in the event of a **fall in gold prices, the loss too will be borne by the investor.**

#### To the Economy

- The advantages to the Government and the economy are the following:
  - **Reduction in the cost of Government's borrowings-** the current borrowing cost from the domestic market is around 7-8 per cent. Thus, an interest payment below this level is a yearly saving for the Government on account of its borrowing cost. This difference can be used by the Government to cover the appreciation of gold prices payable to the investors at the time of redemption.
  - A decrease in the price of the gold will be a gain for the Government.
  - It will **reduce the demand for physical gold** to some extent and thus helps in **reducing the annual demand for import of gold.**
- The possible disadvantage to the Government will be in the event of a **substantial increase in gold prices.**
- For this, the scheme proposes the creation of a **Gold Reserve Fund** which will absorb the price fluctuations and the fund will be continuously monitored for sustainability. Further, the issuance of the SGBs will be in tranches to enable the Government to maintain its issuance within its yearly borrowing limits.