

DO NOT OPEN THIS TEST BOOKLET UNTIL YOU ARE TOLD TO DO SO

T.B.C. : STS-K-TPT  
Serial No.:

Test Booklet Series

TEST BOOKLET

**Subject : Test 11 - ECONOMICS**  
**Answer Key**



**Time Allowed : Two Hours**

**Maximum Marks : 200**

## INSTRUCTIONS

1. IMMEDIATELY AFTER THE COMMENCEMENT OF THE EXAMINATION, YOU SHOULD CHECK THAT THIS TEST BOOKLET DOES NOT HAVE ANY UNPRINTED OR TORN OR MISSING PAGES OR ITEMS, ETC. IF SO, GOT IT REPLACED BY A COMPLETE TEST BOOKLET.

**2. Please note that it is the candidate's responsibility to encode and fill in the Roll Number and Test Booklet Series A, B, C or D carefully and without any omission or discrepancy at the appropriate places in the OMR Answer Sheet. Any omission/discrepancy will render the Answer Sheet liable for rejection.**

3. You have to enter your Roll Number on the Test Booklet in the Box provided alongside. DO NOT write anything else on the Test Booklet.

4. This Test Booklet contains 100/80 items (questions).

Each item is printed in English. Each item comprises of four responses (answers). You will select the response

which you want to mark on the Answer Sheet. In case you feel that there is more than one correct response, mark the response which you

consider the best. In any case, choose ONLY ONE response for each item.

5. You have to mark all your responses ONLY on the separate Answer Sheet provided. See directions in the Answer Sheet.

6. All items carry equal marks

7. Before you proceed to mark in the Answer Sheet the response to various items in the Test Booklet, you have to fill in some particulars in the Answer Sheet as per instructions sent to you with your Admission Certificate.

8. After you have completed filling in all your responses on the Answer Sheet and the examination has concluded, you should hand over to the Invigilator only the Answer Sheet. You are permitted to take away with you the Test Booklet.

9. Sheets for rough work are appended in the Test Booklet at the end.

10. **Penalty for wrong answers:**

THERE WILL BE PENALTY FOR WRONG ANSWERS MARKED BY A CANDIDATE IN THE OBJECTIVE TYPE QUESTION PAPERS

(i) There are four alternatives for the answer to every question. For each question for which a wrong answer has been given by the candidate, **one third** if the marks assigned to that question will be deducted as penalty.

(ii) If a candidate gives more than one answer, it will be treated as a wrong answer even if one of the given answers happens to be correct and there will be same penalty as above to that question.

(iii) If a question is left blank, i.e., no answer is given by the candidate, there will be no penalty for that question.

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1. With reference to the recent revision of India's National Accounts base year, consider the following statements:

1. The base year for Gross Domestic Product (GDP) and Index of Industrial Production (IIP) has been revised to 2022–23.
2. The base year for Consumer Price Index (CPI) has been revised to 2024.
3. One of the objectives of rebasing is to align India's statistical system with global standards such as those recommended by the United Nations.
4. Rebasing eliminates the need for using administrative datasets such as GST and digital platforms like e-Vahan.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 1, 2 and 3 only
- (c) 2 and 4 only
- (d) 1, 3 and 4 only

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✔ **Answer Key:**

**(b) 1, 2 and 3 only**

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🔍 **Explanation (Concise for Revision)**

- **Statement 1** ✔: Correct — GDP & IIP base year revised to **2022–23** (as per MoSPI update).
- **Statement 2** ✔: Correct — CPI base year proposed as **2024**.
- **Statement 3** ✔: Correct — Rebasing ensures alignment with **UN System of National Accounts (SNA)** and global best practices.
- **Statement 4** ✘: Incorrect — Rebasing actually **increases use of new datasets** like GST, PFMS, e-Vahan, HCES for better accuracy.

2. Which of the following is **NOT** a stage of money laundering?

- (a) Placement
- (b) Layering
- (c) Integration
- (d) Diversification

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✔ **Answer Key:**

**(d) Diversification**

🔍 **Explanation (Quick Revision)**

- **Placement** ✔: Entry of illegal money into the financial system
- **Layering** ✔: Complex transactions to hide origin
- **Integration** ✔: Reintroducing money as legitimate
- **Diversification** ✘: Not a recognised stage (trap option)

3. With reference to *reciprocal tariffs* and trade measures adopted during the presidency of Donald Trump, consider the following statements:

1. A reciprocal tariff is imposed to match or mirror the tariff rates levied by another country on similar goods.
2. The United States imposed higher tariffs on steel and aluminium imports citing national security concerns under Section 232.
3. Reciprocal tariffs are fully consistent with the Most Favoured Nation (MFN) principle of the World Trade Organization.
4. The trade measures under Trump triggered retaliatory tariffs from countries such as China.

Which of the statements given above are correct?

- (a) 1, 2 and 4 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2, 3 and 4

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✔ **Answer Key:**

**(a) 1, 2 and 4 only**

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🔍 **Explanation (Exam-Oriented)**

- **Statement 1** ✔: Correct — Reciprocal tariffs are based on **“you tax us, we tax you equally”** principle.
- **Statement 2** ✔: Correct — US imposed tariffs under **Section 232 (national security clause)**.
- **Statement 3** ✘: Incorrect — Violates **MFN principle**, which requires *non-discriminatory tariffs*.

- **Statement 4** ✓: Correct — Led to **US–China trade war** with retaliatory tariffs.

4. With reference to committees related to poverty estimation in India, consider the following pairs:

| Committee                     | Key Recommendation   |
|-------------------------------|--|
| <b>1. Alagh Committee</b>     | Poverty line based on calorie consumption                                      |
| <b>2. Lakdawala Committee</b> | Continued use of state-specific poverty lines with CPI-based price adjustments |
| <b>3. Tendulkar Committee</b> | Inclusion of private expenditure on health and education in poverty estimation |

Which of the pairs given above are correctly matched?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1, 2 and 3
- (d) 1 and 3 only

✓ **Answer Key:**  
**(c) 1, 2 and 3**

🔍 **Explanation (Updated & Precise)**

- **Alagh Committee (1979)** ✓: Introduced **calorie-based poverty line** (rural & urban norms)
- **Lakdawala Committee (1993)** ✓: Retained calorie norms; used **state-specific poverty lines with CPI adjustments**
- **Tendulkar Committee (2009)** ✓: Shifted away from strict calorie norms; included **health & education expenditure**
- Keyword progression:
  - **Alagh** → **Calorie base**
  - **Lakdawala** → **State-specific CPI**
  - **Tendulkar** → **Broader consumption (health + education)**

5. With reference to the *Annual Financial Statement (AFS)* under Article 112 of the Constitution of India, consider the following statements:

1. It distinguishes expenditure into **revenue and capital accounts** within the Consolidated Fund of India.
2. It includes the estimated **receipts and disbursements of the Public Account of India**.
3. The **Contingency Fund of India** does not form part of the Annual Financial Statement.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

✓ **Answer Key:**  
**(d) 1, 2 and 3**

🔍 **Explanation (Exam-Oriented)**

- **Statement 1** ✓: AFS clearly shows **revenue vs capital expenditure** under Consolidated Fund
- **Statement 2** ✓: AFS includes **Public Account transactions** (though not voted by Parliament)
- **Statement 3** ✓: Contingency Fund is **separate** and not part of AFS estimates

6. Which of the following hydrocarbons are **currently kept outside the purview of the Goods and Services Tax (GST)** in India?

1. Petrol
2. Diesel
3. Natural Gas
4. Aviation Turbine Fuel (ATF)
5. Liquefied Petroleum Gas (LPG)

Select the correct answer using the code below:

- (a) 1, 2, 3 and 4 only
- (b) 1, 2, 4 and 5 only
- (c) 2, 3, 4 and 5 only
- (d) 1, 3 and 5 only

✓ **Answer Key:**  
**(a) 1, 2, 3 and 4 only**

### 🔍 Explanation (Concept Clarity)

- **Outside GST** ✓:
  - Petrol
  - Diesel
  - Natural Gas
  - ATF

*(These are constitutionally kept outside GST for now and taxed via excise + VAT)*
- **Inside GST** ✓:
  - **LPG (domestic & commercial)**  
→ taxed under GST

7. The *Fiscal Responsibility and Budget Management (FRBM) Act* primarily aims at ensuring fiscal discipline by targeting which of the following deficits?

- (a) Fiscal Deficit and Primary Deficit
- (b) Revenue Deficit and Primary Deficit
- (c) Fiscal Deficit and Revenue Deficit
- (d) Revenue Deficit and Budgetary Deficit

✓ **Answer Key:**

**(c) Fiscal Deficit and Revenue Deficit**

### 🔍 Explanation (Updated & Conceptual)

- **FRBM Act (2003)** focuses on:
  - Reducing **Fiscal Deficit**
  - Eliminating/controlling **Revenue Deficit**
- **Primary Deficit** ✗:
  - Not a direct statutory target under FRBM (used more as an analytical tool)
- **Budgetary Deficit** ✗:
  - Obsolete concept in modern fiscal analysis

8. The initiative titled “*No Money for Terror*” (*NMFT*), aimed at combating the financing of terrorism, is associated with which of the following?

- (a) Financial Action Task Force
- (b) Organisation for Economic Co-operation and Development
- (c) Office of Foreign Assets Control
- (d) Shanghai Cooperation Organisation

✓ **Answer Key:**

**(a) Financial Action Task Force (FATF)**

### 🔍 Explanation (Exam-Oriented)

- “**No Money for Terror**” ✓:
  - A global initiative aligned with **FATF objectives**
  - Focuses on **countering terror financing networks**
- **OECD** ✗: Deals with economic cooperation and policy
- **OFAC** ✗: Implements US sanctions
- **SCO** ✗: Regional security organization

9. With reference to domestic support measures under the Agreement on Agriculture of the World Trade Organization, consider the following pairs:

| Support Measure     | Specification                                     |
|---------------------|---|
| <b>1. Green Box</b> | Causes no or minimal trade distortion             |
| <b>2. Blue Box</b>  | Directly linked to production-limiting programmes |
| <b>3. Amber Box</b> | Allowed without any limits                        |

Which of the pairs given above are correctly matched?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

✓ **Answer Key:**

**(a) 1 and 2 only**

### 🔍 Explanation (Concept Clarity)

- **Green Box** ✓:
  - Minimal or no trade distortion
  - Fully allowed (e.g., environmental protection, research)
- **Blue Box** ✓:
  - Linked to **production-limiting programmes**
  - Allowed with conditions
- **Amber Box** ✗:
  - Trade-distorting subsidies
  - **Subject to reduction commitments (limits apply)**

10. With reference to India's *foreign exchange reserves*, consider the following components:

1. Foreign Currency Assets (FCA)
2. Gold Reserves
3. Special Drawing Rights (SDRs) with the International Monetary Fund
4. Reserve Tranche Position (RTP) with the International Monetary Fund

Which of the components given above are included in India's foreign exchange reserves?

- (a) 1 and 2 only
- (b) 3 and 4 only
- (c) 1, 2 and 3 only
- (d) 1, 2, 3 and 4

✔ **Answer Key:**  
**(d) 1, 2, 3 and 4**

🔍 **Explanation (Concept Clarity)**

India's forex reserves consist of:

- **Foreign Currency Assets (FCA) ✔**: Largest component
- **Gold Reserves ✔**
- **SDRs with IMF ✔**: International reserve asset
- **Reserve Tranche Position (RTP) ✔**: India's quota-based reserve with IMF

11. Consider the following statements:

1. **Gross Value Added (GVA)** represents the value of output minus intermediate consumption, i.e., income generated by producers.
2. **Gross Domestic Product (GDP)** represents the total final expenditure in an economy.
3. GVA and GDP are always equal.
4. A lower capital-output ratio indicates higher efficiency of capital and does not constrain economic growth.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 1, 2 and 4 only
- (c) 2, 3 and 4 only
- (d) 1, 2, 3 and 4

✔ **Answer Key:**  
**(a) 1 and 2 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1 ✔**:  $GVA = \text{Output} - \text{Intermediate Consumption}$  → income to producers
- **Statement 2 ✔**:  $GDP = \text{Total final expenditure}$  ( $C + I + G + NX$ )
- **Statement 3 ✘**:
  - $GDP \neq GVA$  always
  - **$GDP = GVA + \text{Tax} - \text{Subsidy}$**
- **Statement 4 ✘**:
  - Lower capital-output ratio = **more efficient ✔**
  - But statement is misleading → does **not "always" ensure no constraint**, depends on other factors

12. With reference to the *charged expenditure* on the Consolidated Fund of India under Article 112, which of the following is **NOT correctly matched**?

- (a) Emoluments of the President, Speaker and Chairman of Rajya Sabha — Charged expenditure
- (b) Salaries and allowances of Deputy Speaker and Deputy Chairman — Charged expenditure
- (c) Salary of Comptroller and Auditor General (CAG) and debt charges — Charged expenditure
- (d) Salaries and pensions of Supreme Court and High Court Judges — Charged expenditure

✔ **Answer Key:**  
**(b) Salaries and allowances of Deputy Speaker and Deputy Chairman — Charged expenditure**

🔍 **Explanation (Concept Clarity)**

- **Charged Expenditure ✔ (Not voted by Parliament):**
  - President
  - Speaker & Chairman (RS)
  - Judges of SC & HC
  - CAG
  - Debt charges
- **Deputy Speaker & Deputy Chairman ✘**:
  - **Not charged** → subject to voting in Parliament

13. If the *Net Factor Income from Abroad (NFIA)* of a country is **positive**, which of the following does it imply?

- (a) GDP is higher than GNP
- (b) GNP is higher than GDP
- (c) The country has higher external liabilities than assets
- (d) There is a net outflow of factor income from the country

✔ **Answer Key:**

**(b) GNP is higher than GDP**

🔍 **Explanation (Concept Clarity)**

- **NFIA = Income earned from abroad – Income paid abroad**
- If **NFIA is positive** ✔:
  - Country earns **more from abroad than it pays**
  - Hence:  
👉 **GNP = GDP + NFIA → GNP > GDP**

14. Which of the following statements are correct regarding inclusion of items as *charged expenditure* on the Consolidated Fund of India?

1. A new item can be included as charged expenditure only through a **Constitutional Amendment**.
2. A new item can be included as charged expenditure by a **law of Parliament**.
3. A new item can be included as charged expenditure by a **resolution of the Lok Sabha**.
4. A new item can be included as charged expenditure only through a bill initiated in the **Rajya Sabha**.

Select the correct answer:

- (a) 1 and 2 only
- (b) 1, 2, 3 and 4
- (c) 3 and 4 only
- (d) 4 only

✔ **Answer Key:**

**(a) 1 and 2 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔:

- Charged items are specified in **Article 112** → can be expanded via **constitutional amendment**

• **Statement 2** ✔:

- Constitution allows inclusion of items **“by or under any law of Parliament”**

• **Statement 3** ✘:

- A simple **resolution cannot alter constitutional/financial classification**

• **Statement 4** ✘:

- No such requirement → also **Money Bills originate only in Lok Sabha**, not Rajya Sabha

15. The situation in which an economy experiences **slow GDP growth, high inflation, and rising unemployment** is known as:

- (a) Stagnation
- (b) Deflation
- (c) Stagflation
- (d) Recession

✔ **Answer Key:**

**(c) Stagflation**

🔍 **Explanation (Concept Clarity)**

• **Stagflation** ✔:

- **Stagnation (low growth + unemployment)**

○

▪ **Inflation (rising prices)**

👉 Rare and difficult to manage situation

• **Stagnation** ✘: Low growth but **no necessary inflation**

• **Deflation** ✘: Falling prices

• **Recession** ✘: Negative growth, not necessarily high inflation

16. In macroeconomics, *National Income* is best represented by which of the following?

- (a) Net National Product at market prices
- (b) Net National Product at factor cost
- (c) Net Domestic Product at market prices
- (d) Net Domestic Product at factor cost

✔ **Answer Key:**

## (b) Net National Product at factor cost

### 🔍 Explanation (Concept Clarity)

- **National Income = NNP at Factor Cost**



### 👉 Why?

- **NNP** → accounts for depreciation
- **Factor Cost** → excludes taxes, includes subsidies → reflects **actual income earned by factors of production**

17. Which among the following parameters are used in the calculation of **GDP at Basic Price**?

1. Cost of factors of production such as land, labour, and capital
2. Production subsidies
3. Product taxes

Select the correct answer:

- (a) 1 only
- (b) 1 and 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

### ✅ Answer Key:

**(b) 1 and 2 only**

### 🔍 Explanation (Concept Clarity)

👉 **GDP at Basic Price = GDP at Market Price – Product Taxes + Product Subsidies**

- **1** ✓ **Factor Cost:**
  - Core component → reflects **income to factors of production**
- **2** ✓ **Production Subsidies:**
  - Included (added back)
- **3** ✗ **Product Taxes:**
  - **Excluded** from basic price (they are part of market price)

18. With reference to the Finance Commission of India, which of the following statements is correct?

1. It encourages the inflow of foreign capital for infrastructure development
2. It facilitates the distribution of finances among Public Sector Undertakings
3. It ensures transparency in financial administration

Select the correct answer:

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 only
- (d) None of the above

### ✅ Answer Key:

**(d) None of the above**

### 🔍 Explanation (Concept Clarity)

- **Statement 1** ✗:
  - Related to **economic policy/investment policy**, not Finance Commission
- **Statement 2** ✗:
  - Finance Commission deals with **Centre–State financial relations**, not PSUs
- **Statement 3** ✗:
  - Transparency is ensured by institutions like **CAG**, not Finance Commission

19. With reference to GDP calculation, consider the following statements:

1. Transfer payments such as pensions, unemployment benefits, and gifts are not included in GDP.
2. Foreign remittances into India are directly included in GDP.

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

### ✅ Answer Key:

**(a) 1 only**

### 🔍 Explanation (Concept Clarity)

- **Statement 1** ✓ **Correct**
  - Transfer payments are **not linked to current production**
  - Hence, **excluded from GDP**
- **Statement 2** ✗ **Incorrect**
  - Remittances are **income transfers**, not production
  - They are included in **Current Account (BoP)**, not GDP directly

20. Which of the following planning documents in India first **officially endorsed universal healthcare** and recommended increasing public health expenditure to around **2.5% of GDP**?

- (a) Fourth Five-Year Plan
- (b) Sixth Five-Year Plan
- (c) Tenth Five-Year Plan
- (d) Twelfth Five-Year Plan

✔ **Answer Key:**

**(d) Twelfth Five-Year Plan**

🔍 **Explanation (Concept Clarity)**

- **Twelfth Five-Year Plan (2012–17) ✔**:
  - Emphasised **Universal Health Coverage (UHC)**
  - Recommended increasing public health spending to **~2.5% of GDP**
  - Focus on **access, affordability, and quality**

21. Persons below the poverty line (BPL) in India are classified as such based on:

- (a) Entitlement to a minimum prescribed food basket
- (b) Availability of work for a prescribed minimum number of days in a year
- (c) Belonging to agricultural labour households and SC/ST groups
- (d) Daily wages falling below the prescribed minimum wages

✔ **Answer Key:**

**(a) Entitlement to a minimum prescribed food basket**

🔍 **Explanation (Concept Clarity)**

- Poverty line in India (especially earlier methodologies like **Alagh & Lakdawala**) was based on:
  - **Minimum calorie/consumption requirement**
  - Converted into **minimum consumption expenditure**

👉 Hence, **minimum food basket** → **proxy for poverty line**

✘ **Why others are incorrect:**

- **(b)**: Employment days → used in schemes like MGNREGA, not poverty definition
- **(c)**: Social group → may correlate with poverty, but not criteria
- **(d)**: Minimum wages → labour law concept, not poverty line

22. Consider the following statements:

1. Economic growth is quantitative progress.
2. Economic development is both quantitative and qualitative progress.

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

✔ **Answer Key:**

**(c) Both 1 and 2**

🔍 **Explanation (Concept Clarity)**

- **Statement 1 ✔**:
  - Economic growth → increase in **GDP, income, output**
  - Purely **quantitative**
- **Statement 2 ✔**:
  - Economic development → includes:
    - Growth (quantitative)
    - Improvements in **health, education, equality, living standards** (qualitative)

23. With reference to the *World Trade Organization Appellate Body*, consider the following statements:

1. It is a standing body comprising seven members.
2. It hears appeals against reports issued by dispute settlement panels.
3. Its reports, once adopted by the Dispute Settlement Body (DSB), are binding on the parties to the dispute.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 1 and 2 only

- (c) 2 and 3 only
- (d) 1, 2 and 3

✔ **Answer Key:**  
**(d) 1, 2 and 3**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔:
  - Appellate Body originally had **7 members** (though currently dysfunctional, structure remains relevant for exams)
- **Statement 2** ✔:
  - It reviews **legal aspects of panel reports**
- **Statement 3** ✔:
  - Once adopted by **DSB**, rulings are **binding**

24. A redistribution of income in a country can be best brought about through:

- (a) Progressive taxation combined with progressive expenditure
- (b) Progressive taxation combined with regressive expenditure
- (c) Regressive taxation combined with regressive expenditure
- (d) Regressive taxation combined with progressive expenditure

✔ **Answer Key:**  
**(a) Progressive taxation combined with progressive expenditure**

🔍 **Explanation (Concept Clarity)**

- **Progressive taxation** ✔
  - Higher income groups pay **higher tax rates** → reduces inequality
- **Progressive expenditure** ✔
  - Government spends more on **poor and vulnerable sections** (subsidies, welfare schemes)

👉 Together → **reduces income inequality effectively**

25. Consider the following events in the evolution of planning in India:

1. Establishment of the Planning Commission
2. Formation of the National Development Council (NDC)
3. Approval of the First Five-Year Plan by the NDC
4. Constitution of the National Planning Committee

Which of the following is the correct chronological sequence of the above events?

- (a) 1-2-3-4
- (b) 2-1-3-4
- (c) 4-1-2-3
- (d) 1-4-2-3

✔ **Answer Key:**  
**(c) 4-1-2-3**

🔍 **Explanation (Chronology)**

| Order | Event                                     | Year |
|-------|---|------|
| 4     | National Planning Committee (under Nehru) | 1938 |
| 1     | Planning Commission established           | 1950 |
| 2     | National Development Council formed       | 1952 |
| 3     | First Five-Year Plan approved by NDC      | 1952 |

26. GDP Deflator is defined as:

- (a)  $\text{Real Income} / \text{Nominal Income} \times 100$
- (b)  $\text{Nominal Income} / \text{Real Income} \times 100$
- (c)  $\text{Real Income} / \text{Population} \times 100$
- (d) None of the above

✔ **Answer Key:**  
**(b) Nominal Income / Real Income × 100**

🔍 **Explanation (Concept Clarity)**

👉 **GDP Deflator = (Nominal GDP / Real GDP) × 100**

- **Nominal GDP** → current prices
- **Real GDP** → constant prices

👉 It measures **overall price level (inflation) in the economy**

27. Since 1980, the share of the **tertiary (services) sector** in India's GDP has:

- (a) Shown an increasing trend
- (b) Shown a decreasing trend
- (c) Remained constant
- (d) Been fluctuating

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✔ **Answer Key:**

**(a) Shown an increasing trend**

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🔍 **Explanation (Concept Clarity)**

- India's economy has undergone **structural transformation**:
  - **Primary (Agriculture)** ↓
  - **Secondary (Industry)** → moderate
  - **Tertiary (Services)** ↑ significantly
- Growth drivers:
  - IT & IT-enabled services
  - Finance, telecom, trade, transport
  - Post-1991 liberalisation boost

28. The Lorenz Curve shows the relationship between:

- (a) Inflation and unemployment
- (b) Tax rate and tax collection
- (c) Percentage of total income earned by cumulative percentage of the population
- (d) Tax rate and GDP growth

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✔ **Answer Key:**

**(c) Percentage of total income earned by cumulative percentage of the population**

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🔍 **Explanation (Concept Clarity)**

- **Lorenz Curve** ✔:
  - Graphical representation of **income/wealth distribution**
  - Plots:
    - **X-axis** → cumulative % of population
    - **Y-axis** → cumulative % of income

👉 Used to measure **inequality**

29. Consider the following statements about the **Special Drawing Rights (SDRs)** of the International Monetary Fund:

1. SDR is an international reserve asset created by the IMF to supplement global liquidity.
2. SDRs can be held and used by private entities, countries, and individuals.

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

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✔ **Answer Key:**

**(a) 1 only**

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🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔ **(Corrected framing)**
  - SDR is **not a currency**, but an **international reserve asset**
  - Created to **supplement global reserves**, not specifically to reduce dollar dominance
- **Statement 2** ✘
  - SDRs are held only by:
    - **IMF member countries**
    - **IMF itself**
  - ✘ Not available to **private entities or individuals**

30. Consider the following statements:

1. The Constitution mandates that the Union Budget must be presented every year.
2. The Constitution mandates that the Finance Minister or a person appointed by him must present the Budget.
3. The Constitution mandates the President to get the Budget laid before the House of the People.
4. The Constitution specifies the exact date on which the Budget must be presented.

Which of the statements given above are correct?

- (a) 1, 2 and 4
- (b) 1 and 3

- (c) 1 only
- (d) 2, 3 and 4

✔ **Answer Key:**

**(c) 1 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔
  - Under **Article 112**, Annual Financial Statement (Budget) must be presented **every financial year**
- **Statement 2** ✘
  - Constitution does **not specify who presents the Budget**
  - By convention → Finance Minister presents it
- **Statement 3** ✘
  - Constitution says Budget is laid before **both Houses of Parliament**, not specifically Lok Sabha alone
- **Statement 4** ✘
  - No **constitutional date** is prescribed (date is by convention/policy)

31. With reference to **Central Sector Schemes (CSS)**, consider the following statements:

1. They are fully funded by the Union Government.
2. They are implemented by State Governments.
3. A Central Ministry can implement a Central Sector Scheme directly in States/UTs.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 1 and 2 only
- (c) 1 and 3 only
- (d) 2 and 3 only

✔ **Answer Key:**

**(c) 1 and 3 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔

- Central Sector Schemes are **100% funded by the Union Government**
- **Statement 2** ✘
  - These are **not necessarily implemented by states**
  - That feature belongs to **Centrally Sponsored Schemes (also CSS—common confusion!)**
- **Statement 3** ✔
  - Central ministries can **directly implement schemes through agencies/PSUs/UTs**

32. Which of the following can necessarily be associated with a **negative Net Factor Income from Abroad (NFIA)**?

1. GDP is higher than GNP
2. Closed economic model
3. Higher merchandise trade deficit

Select the correct answer:

- (a) 1 only
- (b) 2 only
- (c) 3 only
- (d) 1, 2 and 3

✔ **Answer Key:**

**(a) 1 only**

🔍 **Explanation (Concept Clarity)**

👉 **NFIA = Income earned by residents from abroad – Income paid to foreigners**

- **1** ✔ **Correct**
  - If NFIA is **negative**, then:
    - 👉 **GNP = GDP + NFIA → GNP < GDP**
    - 👉 Hence, **GDP > GNP**
- **2** ✘ **Incorrect**
  - Closed economy → **no foreign transactions** → **NFIA = 0**
  - So cannot be negative
- **3** ✘ **Incorrect**
  - Trade deficit relates to **goods/services (BoP current account)**

- NFIA relates to **factor income (interest, profit, wages)**  
 👉 No necessary linkage

33. Which of the following economic conditions characterize **stagflation**?

1. Decline in GDP growth rates
2. Increase in the rate of inflation
3. Decrease in unemployment

Select the correct answer:

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

✅ **Answer Key:**  
**(a) 1 and 2 only**

🔍 **Explanation (Concept Clarity)**

👉 **Stagflation = Stagnation + Inflation**

- **1** ✓ **Decline in growth** → Economic slowdown
- **2** ✓ **Rising inflation** → Price rise
- **3** ✗ **Decrease in unemployment** → Incorrect
  - Stagflation usually has **high unemployment**

34. Which of the following recommended the formation of the Planning Commission in India?

- (a) National Planning Committee
- (b) Economic Programme Committee
- (c) National Development Council
- (d) Planning Advisory Board

✅ **Answer Key:**  
**(d) Planning Advisory Board**

🔍 **Explanation (Concept Clarity)**

- **Planning Advisory Board (1946)** ✓
  - Headed by **K.C. Neogy**
  - Recommended setting up a **Planning Commission**

✗ **Why others are incorrect:**

- **(a) National Planning Committee (1938)**

- First attempt at planning, but did not directly recommend Planning Commission
- **(b) Economic Programme Committee**
  - Not associated with creation of Planning Commission
- **(c) National Development Council (1952)**
  - Formed **after Planning Commission**, for coordination

35. When there is a sustained increase in the prices of **one or a small group of commodities**, the phenomenon is known as:

- (a) Stagflation
- (b) Inflation
- (c) Reflation
- (d) Skewflation

✅ **Answer Key:**  
**(d) Skewflation**

🔍 **Explanation (Concept Clarity)**

- **Skewflation** ✓
  - Price rise limited to **specific commodities/sectors**
  - Not economy-wide

36. Which of the following pairs are correctly matched?

| Tax                                 | Description   |
|-------------------------------------|---|
| 1. Capital Gains Tax                | Tax imposed on companies with zero tax liability        |
| 2. Minimum Alternate Tax (MAT)      | Tax imposed on sale of assets when profit is made       |
| 3. Securities Transaction Tax (STT) | Tax imposed on transactions on domestic stock exchanges |

Select the correct answer:

- (a) 1 only
- (b) 3 only
- (c) 1 and 2 only
- (d) 2 and 3 only

✅ **Answer Key:**  
**(b) 3 only**

---

### 🔍 Explanation (Concept Clarity)

- **1 ❌ Incorrect**
  - Capital Gains Tax → levied on **profits from sale of capital assets**
  - Description given is of **MAT**
- **2 ❌ Incorrect**
  - MAT → imposed on **companies showing profits but paying zero/low tax**
  - Description given is of **Capital Gains Tax**
- **3 ✔️ Correct**
  - STT → levied on **transactions in stock markets**

37. The era of planned economic development in India is considered to have formally begun with:

- (a) The People's Plan prepared by M.N. Roy (1945)
- (b) The Bombay Plan prepared by J.R.D. Tata and others (1944)
- (c) The Gandhian Plan prepared by S.N. Agarwal (1944)
- (d) The launch of the First Five-Year Plan (1951)

---

### ✔️ Answer Key:

**(d) The launch of the First Five-Year Plan (1951)**

---

### 🔍 Explanation (Concept Clarity)

- **(d) ✔️ Correct**
  - Planned development in India **officially began in 1951** with the **First Five-Year Plan**

38. Which of the following taxes is **not classified as a Direct Tax** in India?

- (a) Corporate Tax
- (b) Income Tax
- (c) Central Sales Tax
- (d) Dividend Tax

---

### ✔️ Answer Key:

---

### (c) Central Sales Tax

---

### 🔍 Explanation (Concept Clarity)

- **Direct Taxes ✔️**
  - Corporate Tax
  - Income Tax
  - Dividend Tax (*now taxed in hands of shareholders*)
- **Indirect Tax ❌**
  - **Central Sales Tax (CST)**
    - Levied on inter-state sale of goods
    - Burden can be **shifted to consumers**

39. What is meant by “*rebasings*” in the context of national income accounting?

- (a) Changing the base year to reflect current economic structure and price levels
- (b) Revising tax rates and fiscal policies to improve GDP growth
- (c) Adjusting inflation artificially to control price rise in the economy
- (d) Changing the currency denomination to account for inflation

---

### ✔️ Answer Key:

**(a) Changing the base year to reflect current economic structure and price levels**

---

### 🔍 Why Other Options Are Traps

- **(b)** Confuses *policy change* with statistical revision
- **(c)** Misleads into thinking rebasing manipulates inflation
- **(d)** Mixes up with *currency redenomination* (like demonetisation-type concepts)

40. Consider the following statements regarding *taxation concepts*:

1. The **impact of tax** refers to the point at which a tax is initially imposed.
2. The **incidence of tax** refers to the final burden of tax borne by the person who ultimately pays it.

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

---

✔ **Answer Key:**  
**(c) Both 1 and 2**

---

🔍 **Explanation (Concept Clarity)**

- **Impact of Tax** ✔: The **initial imposition** of tax (on producer/seller)
- **Incidence of Tax** ✔: The **final burden**, which may shift to consumers

41. With reference to the recommendations of the 16th Finance Commission of India, consider the following statements:

1. It retained the vertical devolution of tax revenue to States at 41%.
2. It introduced forest cover as a criterion in horizontal devolution for the first time.
3. It emphasized fiscal discipline and performance-based incentives for States.
4. It recommended complete abolition of revenue deficit grants to States.

Which of the statements given above are correct?

- (a) 1 and 3 only  
(b) 1, 2 and 4 only  
(c) 1, 3 and 4 only  
(d) 1, 2, 3 and 4

---

✔ **Answer Key:**  
**(a) 1 and 3 only**

---

🔍 **Explanation (Exam-Oriented)**

- **Statement 1** ✔: Retained **41% tax devolution** (same as 15th FC)
- **Statement 2** ✘: Forest cover was already introduced by earlier Finance Commissions (not new)
- **Statement 3** ✔: Focus on **fiscal prudence and incentives**
- **Statement 4** ✘: Revenue deficit grants are **not abolished**, still part of recommendations

42. With reference to the World Trade Organization (WTO), consider the following statements:

1. The WTO is the successor to the General Agreement on Tariffs and Trade.
2. The WTO was established in 1948 as the global trade organization.
3. The WTO aims to establish a rules-based trading system to prevent arbitrary trade restrictions by member countries.

Which of the statements given above are correct?

- (a) 1 and 3 only  
(b) 2 and 3 only  
(c) 1 and 2 only  
(d) 1, 2 and 3

---

✔ **Answer Key:**  
**(a) 1 and 3 only**

---

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔: WTO replaced GATT (1995)
- **Statement 2** ✘: WTO was established in **1995**, not 1948
  - 1948 relates to the **Havana Charter (ITO)** which never came into force
- **Statement 3** ✔: Core aim → **rules-based global trade system**

43. Consider the following statements regarding the *velocity of money*:

1. A significant increase in the velocity of money leads to an increase in nominal GDP, other things remaining constant.
2. An increase in the velocity of money necessarily implies an increase in the total money supply in the economy.
3. A sustained increase in the velocity of money can contribute to inflationary pressures.

Which of the statements given above are correct?

- (a) 1 only  
(b) 1 and 2 only  
(c) 2 and 3 only  
(d) 1 and 3 only

✔ **Answer Key:**

**(d) 1 and 3 only**

🔍 **Explanation (Concept Clarity)**

Using the equation of exchange:

☞ **MV = PY**

- **Statement 1** ✔: If **V increases**, **Nominal GDP (PY)** increases (given M constant)
- **Statement 2** ✘: Velocity and money supply are **independent** variables
- **Statement 3** ✔: Higher velocity → **more spending** → **inflationary pressure**

44. A government is facing a persistent budget deficit. Which of the following measures can help in reducing the deficit?

1. Reducing revenue expenditure
2. Introducing new welfare schemes
3. Rationalising subsidies
4. Reducing import duties

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2, 3 and 4

✔ **Answer Key:**

**(c) 1 and 3 only**

🔍 **Explanation (Concept Clarity)**

- **1** ✔: Reducing revenue expenditure → directly lowers fiscal deficit
- **2** ✘: New welfare schemes → increases expenditure → widens deficit
- **3** ✔: Rationalising subsidies → reduces unnecessary spending
- **4** ✘: Reducing import duties → lowers government revenue → increases deficit

45. With reference to the *Periodic Labour Force Survey (PLFS)* in India, consider the following statements:

1. It is a regular survey conducted to estimate employment and unemployment indicators.

2. It is conducted by the Ministry of Labour and Employment.
3. It measures labour force participation using both **Usual Status (annual)** and **Current Weekly Status (CWS)** approaches.

Which of the statements given above are correct?

- (a) 1 only
- (b) 2 and 3 only
- (c) 2 only
- (d) 1 and 3 only

✔ **Answer Key:**

**(d) 1 and 3 only**

🔍 **Explanation (Updated & Precise)**

- **Statement 1** ✔: PLFS is a **continuous survey** for employment–unemployment
- **Statement 2** ✘: Conducted by **NSO (National Statistical Office)** under MoSPI, not Ministry of Labour
- **Statement 3** ✔: Uses:
  - **Usual Status (365 days)**
  - **Current Weekly Status (7 days)**

46. The concept of *tax buoyancy* refers to which of the following?

- (a) The responsiveness of tax revenue to changes in inflation
- (b) The responsiveness of tax revenue to changes in Gross Domestic Product (GDP)
- (c) The responsiveness of tax revenue to changes in investment levels
- (d) The responsiveness of tax revenue to changes in aggregate demand

✔ **Answer Key:**

**(b) The responsiveness of tax revenue to changes in Gross Domestic Product (GDP)**

🔍 **Explanation (Concept Clarity)**

- **Tax Buoyancy** ✔:  
Measures how **tax revenue grows relative to GDP growth**
  - ☞ Includes both:
    - Economic growth effect
    - Discretionary tax changes (policy changes)

47. With reference to the *Bretton Woods Conference*, consider the following statements:

1. It led to the establishment of the International Monetary Fund (IMF) and the World Bank.
2. The Bretton Woods system replaced the gold exchange standard with a system of fixed exchange rates anchored to the US dollar.

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

✔ **Answer Key:**

**(c) Both 1 and 2**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔:
  - Bretton Woods (1944) created **IMF and World Bank**
- **Statement 2** ✔:
  - Introduced **fixed exchange rate system**
  - US dollar pegged to **gold**, others pegged to **dollar**

48. Requirements such as *local content requirement, domestic employment, trade balancing, and technology transfer obligations* are associated with which of the following under international trade rules?

- (a) Sanitary and Phytosanitary Measures (SPS)
- (b) Anti-Dumping Measures
- (c) Dispute Settlement Mechanism
- (d) Trade-Related Investment Measures (TRIMs)

✔ **Answer Key:**

**(d) Trade-Related Investment Measures (TRIMs)**

🔍 **Explanation (Concept Clarity)**

- **TRIMs** ✔ (under World Trade Organization):
  - Deals with **investment measures affecting trade**
  - Prohibits:

- Local content requirements
- Trade balancing requirements
- Certain technology transfer conditions

- **SPS** ✘: Related to **food safety & plant/animal health**
- **Anti-dumping** ✘: Deals with **unfair pricing**
- **Dispute settlement** ✘: Mechanism to resolve trade disputes

49. Match List I with List II and select the correct answer using the codes given below:

| List I (Phase) | List II (Description)  |
|----------------|--|
| A. Boom        | 1. High level of economic activity with rising income, output and employment     |
| B. Recession   | 2. Gradual decline in income, output and employment                              |
| C. Depression  | 3. Severe contraction with high unemployment and sharp fall in income and output |
| D. Recovery    | 4. Gradual improvement in economic activity after downturn                       |

**Codes:**

- (a) A-1; B-2; C-3; D-4
- (b) A-1; B-2; C-4; D-3
- (c) A-2; B-1; C-4; D-3
- (d) A-2; B-1; C-3; D-4

✔ **Answer Key:**

**(a) A-1; B-2; C-3; D-4**

🔍 **Explanation (Concept Clarity)**

- **Boom** ✔: Peak phase → high output, income, employment
- **Recession** ✔: Downward phase → gradual slowdown
- **Depression** ✔: Severe downturn → mass unemployment, collapse in output
- **Recovery** ✔: Economy starts improving after contraction

50. Which of the following statements is **not correct**?

- (a)  $\text{NNP at market price} = \text{GNP at market price} + \text{Depreciation}$
- (b)  $\text{NDP at market price} = \text{NNP at market price} - \text{Net Factor Income from Abroad (NFIA)}$
- (c)  $\text{NDP at factor cost} = \text{NDP at market price} - \text{Indirect taxes} + \text{Subsidies}$
- (d)  $\text{GDP at factor cost} = \text{NDP at factor cost} + \text{Depreciation}$

**✓ Answer Key:**

**(a) NNP at market price = GNP at market price + Depreciation**

**🔍 Explanation (Concept Clarity)**

- **(a) ✗ Incorrect**  
 👉 Correct formula:  
 $\text{NNP} = \text{GNP} - \text{Depreciation}$  (not +)
- **(b) ✓ Correct**  
 👉 Domestic = National – NFIA  
 $\text{NDP} = \text{NNP} - \text{NFIA}$
- **(c) ✓ Correct**  
 👉 Factor cost = Market price – Indirect taxes + Subsidies
- **(d) ✓ Correct**  
 👉  $\text{GDP} = \text{NDP} + \text{Depreciation}$

51. Which of the following elements are contained in the Budget?

1. Estimates of revenue and capital receipts
2. Ways and means to raise revenue
3. Estimates of expenditure
4. Details of actual receipts and expenditure of the previous financial year

Select the correct answer:

- (a) 1 and 2 only
- (b) 1 and 4 only
- (c) 2, 3 and 4 only
- (d) 1, 2, 3 and 4

**✓ Answer Key:**

**(d) 1, 2, 3 and 4**

**🔍 Explanation (Concept Clarity)**

The Union Budget (Annual Financial Statement under Article 112) includes:

- **1 ✓ Receipts:**
  - Revenue receipts + Capital receipts
- **2 ✓ Ways and Means:**
  - Tax proposals, borrowings, disinvestment
- **3 ✓ Expenditure:**
  - Revenue + Capital expenditure
- **4 ✓ Actuals of previous year:**
  - Budget shows:
    - **Actuals (previous year)**
    - **Revised estimates (current year)**
    - **Budget estimates (next year)**

52. Arrange the following poverty estimation initiatives in India in chronological order:

1. Socio-Economic Caste Census (SECC)
2. Rangarajan Committee
3. Lakdawala Committee
4. Tendulkar Committee
5. Alagh Committee

Select the correct answer:

- (a) 1–2–4–3–5
- (b) 2–1–4–3–5
- (c) 5–3–4–2–1
- (d) 5–3–4–1–2

**✓ Answer Key:**

**(c) 5–3–4–2–1**

**🔍 Explanation (Chronology)**

| Order | Initiative                  | Year   |
|-------|-----------------------------|--|
| 5     | <b>Alagh Committee</b>      | 1979   |
| 3     | <b>Lakdawala Committee</b>  | 1993   |
| 4     | <b>Tendulkar Committee</b>  | 2009   |
| 2     | <b>Rangarajan Committee</b> | 2014   |
| 1     | <b>SECC</b>                 | 2011 (but implemented/used later; comes after) |

|  |  |                                      |
|--|--|--------------------------------------|
|  |  | committees in<br>relevance sequence) |
|--|--|--------------------------------------|

53. Which of the following are **not associated** with the International Monetary Fund (IMF)?

1. Rapid Financing Instrument
2. Special Drawing Rights
3. Extended Fund Facility
4. Reserve Tranche Position
5. Contingent Reserve Arrangement

Select the correct answer:

- (a) 1, 3 and 5
- (b) 5 only
- (c) 2, 3, 4 and 5
- (d) 1, 2, 3, 4 and 5

✓ **Answer Key:**  
**(b) 5 only**

🔍 **Explanation (Concept Clarity)**

- **1 ✓ Rapid Financing Instrument (RFI)** → IMF emergency lending
- **2 ✓ Special Drawing Rights (SDR)** → IMF reserve asset
- **3 ✓ Extended Fund Facility (EFF)** → IMF long-term assistance
- **4 ✓ Reserve Tranche Position (RTP)** → Member's reserve with IMF
- **5 ✗ Contingent Reserve Arrangement (CRA)**  
→ Created by **BRICS countries**  
→ Alternative liquidity support mechanism, **NOT IMF**

54. With reference to *globalisation of economies*, consider the following statements:

1. Every member of the World Trade Organization (WTO) is mandated to promote the process of globalisation.
2. The process of globalisation in India was primarily the result of WTO obligations.

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

✓ **Answer Key:**  
**(a) 1 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1 ✓**
  - WTO promotes **trade liberalisation**, which is a key driver of globalisation
- **Statement 2 ✗**
  - India's globalisation began with **1991 LPG reforms**, not due to WTO
  - WTO came later (1995) → not the primary cause

55. Consider the following statements regarding output gap in an economy:

1. When real GDP is less than potential GDP, the gap is called a **recessionary gap**.
2. When real GDP exceeds potential GDP, the gap is called an **inflationary gap**.

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

✓ **Answer Key:**  
**(c) Both 1 and 2**

🔍 **Explanation (Concept Clarity)**

- **Statement 1 ✓**
  - Real GDP < Potential GDP → **underutilisation of resources**  
→ Leads to unemployment → **Recessionary gap**
- **Statement 2 ✓**
  - Real GDP > Potential GDP → **overheating economy**  
→ Demand exceeds capacity → **Inflationary gap**

56. With reference to the period of “**Plan Holidays**” in India’s planning history, consider the following statements:

1. This period occurred before the Indo-China War of 1962.
2. It was marked by the implementation of three consecutive Annual Plans instead of a Five-Year Plan.

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

---

✔ **Answer Key:**  
**(b) 2 only**

---

🔍 **Explanation (Concept Clarity)**

- **Plan Holiday Period: 1966–1969**
- **Statement 1 ✘**
  - Indo-China War → **1962**
  - Plan Holiday → **after multiple crises (1962 war, 1965 war, drought, inflation)**  
👉 Hence, **not before the war**
- **Statement 2 ✔**
  - Instead of the 4th Five-Year Plan, India implemented **3 Annual Plans (1966–69)**

57. The most appropriate measure of economic growth is:

- (a) Gross Domestic Product (GDP)
- (b) Net Domestic Product (NDP)
- (c) Net National Product (NNP)
- (d) Per Capita Real Income

---

✔ **Answer Key:**  
**(d) Per Capita Real Income**

---

🔍 **Explanation (Concept Clarity)**

- **Economic growth (in meaningful terms)** should reflect:
  - Increase in **output**
  - Adjusted for **population growth**
  - Adjusted for **inflation**

👉 Hence, **Per Capita Real Income** is the best indicator

58. Which of the following are **not included** in a country’s GDP?

1. Sale of goods produced outside the country
2. Sale of used (second-hand) goods
3. Remittances

Select the correct answer:

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

---

✔ **Answer Key:**  
**(d) 1, 2 and 3**

---

🔍 **Explanation (Concept Clarity)**

👉 GDP measures **value of final goods and services produced within domestic territory**

- **1 ✔ Not included**
  - Goods produced **outside the country** → not part of domestic production
- **2 ✔ Not included**
  - Used goods → already counted when first produced
- **3 ✔ Not included**
  - Remittances → **transfer payments**, not production

59. Consider the following statements:

The Indian rupee is fully convertible:

1. In respect of the **current account** of the Balance of Payments
2. In respect of the **capital account** of the Balance of Payments
3. Into gold

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 3 only
- (c) 1 and 2
- (d) 1, 2 and 3

---

✔ **Answer Key:**

(a) 1 only

**Explanation (Concept Clarity)**

- **Statement 1** ✓
  - India has **full current account convertibility** (since 1994, IMF Article VIII)
- **Statement 2** ✗
  - Capital account convertibility is **partial**, not full
- **Statement 3** ✗
  - Rupee is **not convertible into gold**

60. With reference to the **Special Drawing Rights (SDR) currency basket** of the IMF, consider the following statements:

1. The SDR basket assigns the **highest weight to the US Dollar** and the **lowest weight to the British Pound Sterling**.
2. The **Chinese Renminbi (RMB)** was added to the SDR basket in 2016 and has a **higher weight than the Japanese Yen**.
3. IMF member countries can pay their quota subscription entirely in SDRs without using national currency.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

✓ **Answer Key:**

(a) 1 and 2 only

**Explanation (Concept Clarity)**

- **Statement 1** ✓ **Correct**
  - USD has **highest weight**
  - GBP has **lowest weight** (recent SDR basket composition)
- **Statement 2** ✓ **Correct**
  - RMB added in **2016**
  - Its weight is **higher than Japanese Yen**
- **Statement 3** ✗ **Incorrect**
  - IMF quota subscription:
    - ☞ ~25% in SDRs (or reserve

**currencies)**

☞ Remaining in **domestic currency**

61. **With reference to the data sources used in the revised GDP series (base year 2022–23), consider the following statements:**

1. The Annual Survey of Unincorporated Sector Enterprises (ASUSE) and Periodic Labour Force Survey (PLFS) are used for improved estimation of the household sector.
2. GST data is used only for indirect tax estimation and not for GDP compilation.
3. e-Vahan database is used to estimate consumption expenditure related to transport services.
4. Public Financial Management System (PFMS) data helps in compiling government expenditure using real-time data.

Which of the statements given above are correct?

- (a) 1, 3 and 4 only
- (b) 1 and 2 only
- (c) 2 and 3 only
- (d) 1, 2, 3 and 4

✓ **Answer Key:**

(a) 1, 3 and 4 only

**Explanation**

- **1** ✓: ASUSE & PLFS used for **household sector estimation**
- **2** ✗: GST is widely used in GDP estimation (allocation, validation, quarterly estimates)
- **3** ✓: e-Vahan used for **PFCE in transport services**
- **4** ✓: PFMS provides **actual government expenditure data**

62. With reference to *trade remedial measures* under international trade rules, consider the following pairs:

| Trade Measure               | Description                                     |
|-----------------------------|---|
| <b>1. Anti-dumping duty</b> | Imposed when a foreign company exports goods at |

|                               |   |
|-------------------------------|---|
|                               | prices lower than their normal value in the home market   |
| <b>2. Countervailing duty</b> | Imposed to offset injury caused to domestic industry due to subsidised imports                    |
| <b>3. Safeguard measures</b>  | Temporary restrictions imposed when a surge in imports causes serious injury to domestic industry |

Which of the pairs given above are correctly matched?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1, 2 and 3
- (d) 1 and 3 only

✔ **Answer Key:**  
(c) 1, 2 and 3

🔍 **Updated Explanation (As per WTO-consistent framework)**

- **Anti-Dumping Duty** ✔: Imposed when exports are priced **below normal value** (not necessarily “cost”) → key term: *dumping margin*
- **Countervailing Duty** ✔: Imposed to neutralise **specific subsidies** given by exporting country
- **Safeguard Measures** ✔: Temporary protection due to **import surge causing serious injury** (even without unfair trade)

63. With reference to the changes in the Indian economy after the economic liberalisation of 1991, consider the following statements:

1. The share of agriculture in India’s GDP has increased significantly.
2. India’s share in global exports has increased.
3. Foreign Direct Investment (FDI) inflows into India have increased.
4. India’s foreign exchange reserves have increased substantially.

Which of the statements given above are correct?

- (a) 1 and 4 only
- (b) 2, 3 and 4 only
- (c) 2 and 3 only
- (d) 1, 2, 3 and 4

✔ **Answer Key:**  
(b) 2, 3 and 4 only

🔍 **Explanation (Updated & Exam-Oriented)**

- **Statement 1** ✘: Agriculture’s share in GDP has **declined**, though output increased
- **Statement 2** ✔: India’s share in global trade has **risen gradually**
- **Statement 3** ✔: FDI inflows have **increased significantly post-1991**
- **Statement 4** ✔: Forex reserves have **grown enormously** (from crisis levels in 1991 to among world’s largest)

64. Which of the following criteria has been **introduced/emphasised for the first time** by the 16th Finance Commission in horizontal devolution?

- (a) Income Distance
- (b) Forest and Ecology
- (c) Demographic Performance
- (d) Contribution to GDP

✔ **Answer Key:**  
(d) **Contribution to GDP**

🔍 **Explanation**

- **Income Distance** ✘: Core criterion since earlier Finance Commissions
- **Forest & Ecology** ✘: Introduced by **14th FC**
- **Demographic Performance** ✘: Introduced by **15th FC**
- **Contribution to GDP** ✔: Reflects **performance-based approach**, highlighted in 16th FC discussions

65. Which of the following statements correctly describes *public goods*?

- (a) Goods such as national defence, roads, and government administration are considered public goods
- (b) Public goods are both excludable and

rivalrous in nature

(c) Public goods are restricted to individual consumption only

(d) Public goods are produced only by the government

---

✔ **Answer Key:**

**(a) Goods such as national defence, roads, and government administration are considered public goods**

---

🔍 **Explanation (Concept Clarity)**

- **Public Goods** ✔:
  - **Non-excludable** → cannot prevent people from using them
  - **Non-rivalrous** → one person's use does not reduce availability to others
- **(b)** ✘: Opposite of definition
- **(c)** ✘: Public goods are **collectively consumed**
- **(d)** ✘: Not always — can be provided via **PPP or private sector**

66. With reference to the Financial Action Task Force (FATF), consider the following statements:

1. Countries placed on the Grey List are those under increased monitoring for deficiencies in combating money laundering and terror financing.
2. Countries placed on the Black List are those that have significant strategic deficiencies and are subject to countermeasures.
3. Countries on the Grey List are completely cut off from international financial assistance.
4. FATF aims to ensure that countries do not allow financing of terrorism and money laundering.

Which of the statements given above are correct?

- (a) 1, 2 and 4 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2, 3 and 4

---

✔ **Answer Key:**

**(a) 1, 2 and 4 only**

---

🔍 **Explanation (Exam-Oriented)**

- **Statement 1** ✔: Grey List = **“Jurisdictions under Increased Monitoring”**
- **Statement 2** ✔: Black List = **“High-risk jurisdictions subject to countermeasures”**
- **Statement 3** ✘: Grey-listed countries are **not completely cut off**, but face scrutiny and restrictions
- **Statement 4** ✔: Core mandate → **combat money laundering & terror financing**

67. The *Services Trade Restrictiveness Index (STRI)*, which measures regulatory barriers in international trade in services, is compiled by which of the following organizations?

- (a) World Trade Organization
- (b) Organisation for Economic Co-operation and Development
- (c) World Economic Forum
- (d) United Nations Conference on Trade and Development

---

✔ **Answer Key:**

**(b) Organisation for Economic Co-operation and Development (OECD)**

---

🔍 **Explanation (Exam-Oriented)**

- **OECD** ✔: Publishes **STRI**, assessing restrictions in services trade across countries
- **WTO** ✘: Deals with global trade rules, not STRI index
- **WEF** ✘: Publishes indices like **Global Competitiveness Index**
- **UNCTAD** ✘: Focuses on trade & development reports, not STRI

68. With reference to the European Bank for Reconstruction and Development (EBRD), consider the following statements:

1. It was established to support the transition of Central and Eastern European countries to market economies after the Cold War.

2. It operates with a political mandate to assist countries committed to multi-party democracy and pluralism.
3. Countries such as India and China have recently become members of the EBRD.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

✔ **Answer Key:**  
**(d) 1, 2 and 3**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔: Founded in **1991** post-Cold War for transition economies
- **Statement 2** ✔: Unique feature → **political conditionality (democracy + pluralism)**
- **Statement 3** ✔:
  - **India (2018)** and **China (2016)** joined as members

69. Consider the following statements:

1. Under a **Crawling Peg (Crawl-like arrangement)**, the exchange rate is adjusted **periodically in small increments** in response to indicators such as inflation or balance of payments conditions.
2. Under a **Stabilized Arrangement**, the exchange rate is **allowed to float freely without any intervention** by the central bank.

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

✔ **Answer Key:**  
**(a) 1 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔ **Correct**

- Crawling peg → **gradual, controlled adjustments**
- Used to avoid sudden shocks
- **Statement 2** ✘ **Incorrect**
  - Stabilized arrangement → **exchange rate kept within a narrow band**
  - Requires **active intervention**, not free float

70. Despite relatively high savings and capital formation, India has historically experienced moderate growth rates. The most appropriate explanation for this is:

- (a) High birth rate
- (b) Low inflow of foreign capital
- (c) Low capital-output ratio
- (d) High capital-output ratio

✔ **Answer Key:**  
**(d) High capital-output ratio**

🔍 **Explanation (Concept Clarity)**

- **Capital-Output Ratio (ICOR)**
  - 👉 Measures **efficiency of capital use**
- **High ICOR** ✘ **(Problem)**
  - More capital needed to produce one unit of output
  - Indicates **inefficiency** → lower growth
- **Low ICOR** ✔ **(Good)**
  - Less capital produces more output → higher growth

71. A protectionist tariff imposed by a domestic government on imports that are believed to be priced below their fair market value, with the aim of preventing unfair competition and market distortion, is known as:

- (a) Countervailing duty
- (b) Anti-dumping duty
- (c) Safeguard duty
- (d) Customs duty

✔ **Answer Key:**  
**(b) Anti-dumping duty**

🔍 **Explanation (Concept Clarity)**

- **Anti-dumping duty** ✔

- Imposed when goods are **sold below normal value (dumping)**
- Protects domestic industry from **unfair price competition**

72. Which of the following data sources are specifically used in the revised GDP series to improve estimation accuracy?

1. Goods and Services Tax (GST) Network
2. Public Financial Management System (PFMS)
3. e-Vahan Portal
4. Household Consumer Expenditure Survey (HCES)
5. Annual Survey of Unincorporated Sector Enterprises (ASUSE)

Select the correct answer using the code below:

- (a) 1, 2 and 3 only
- (b) 1, 2, 3 and 5 only
- (c) 1, 2, 3, 4 and 5
- (d) 2, 4 and 5 only

✔ **Answer Key:**  
**(c) 1, 2, 3, 4 and 5**

#### 🔍 Explanation

- **GST, PFMS, e-Vahan** ✔: Core **new administrative/digital datasets**
- **HCES** ✔: Used for improved estimation of **consumption (PFCE)**
- **ASUSE** ✔: Used for **unincorporated/household sector measurement**

73. In the context of the Indian Parliament, which of the following best describes the term “Guillotine”?

- (a) A motion to reduce a specific demand for grants as a matter of policy
- (b) The process of putting all remaining demands for grants to vote without further discussion
- (c) The closure of debate on a bill by the presiding officer before all members have spoken
- (d) The selection of only important clauses of a bill for detailed discussion

✔ **Answer Key:**

**(b) The process of putting all remaining demands for grants to vote without further discussion**

#### 🔍 Explanation (Quick Revision)

- **Guillotine** ✔: Used during **Budget session** when time is limited → all pending demands are **voted together without discussion**
- **(a) Policy Cut Motion** ✘: Seeks to reduce demand to Re. 1
- **(c) Closure** ✘: Ends debate but not specific to budget voting
- **(d) Kangaroo Closure** ✘: Selective discussion of important clauses

74. With reference to the *Balance of Payments (BoP)*, which of the following are components of the **Current Account**?

1. Balance of Trade
2. Foreign Assets
3. Balance of Invisibles
4. Special Drawing Rights (SDRs)

Select the correct answer using the code given below:

- (a) 1 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 4 only

✔ **Answer Key:**  
**(b) 1 and 3 only**

#### 🔍 Explanation (Concept Clarity)

- **Current Account** ✔:
  - **Balance of Trade (goods)**
  - **Balance of Invisibles (services, income, transfers)**
- **Foreign Assets** ✘:
  - Part of **Capital/Financial Account**
- **Special Drawing Rights (SDRs)** ✘:
  - Part of **forex reserves (Financial Account)**

75. Which of the following are possible consequences of a **high revenue deficit**?

1. Dissaving by the government

2. Borrowing to finance consumption expenditure
  3. Adverse impact on economic growth and welfare
  4. Increased future debt servicing burden
- Select the correct answer using the code given below:

- (a) 2 and 3 only
- (b) 1 and 4 only
- (c) 3 and 4 only
- (d) 1, 2, 3 and 4

**✓ Answer Key:**  
**(d) 1, 2, 3 and 4**

**🔍 Explanation (Concept Clarity)**

- **1 ✓ Dissaving:**  
Government spends more on consumption than its income
- **2 ✓ Borrowing for consumption:**  
Indicates **unproductive borrowing** (not for capital formation)
- **3 ✓ Growth impact:**  
Less investment → **lower long-term growth & welfare loss**

**4 ✓ Debt burden:**

More borrowing → higher **interest payments in future**

76. Consider the following statements regarding agriculture in India:

1. The combined share of agriculture and manufacturing in India's Gross Domestic Product (GDP) has been declining over time.
2. Agriculture in India is characterised by a surplus of labour but scarcity of land.

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

**✓ Answer Key:**  
**(a) 1 only**

**🔍 Explanation (Concept Clarity)**

- **Statement 1 ✓:**

- Rise of **services sector** → declining share of agriculture + manufacturing in GDP

• **Statement 2 ✗:**

- India has **surplus labour** ✓
- But land is **scarce per capita**, not surplus ✗
- So statement is incorrect

77. Which of the following statements are correct with reference to the *Contingency Fund of India*?

1. It is placed at the disposal of the President to meet unforeseen expenditure.
2. The size of the Contingency Fund can be altered by the President.
3. It is provided for in the Constitution and operated through executive action.
4. It is constitutionally mandated to maintain ₹30,000 crore in the Fund.

Select the correct answer:

- (a) 1 and 2 only
- (b) 1, 2, 3 and 4
- (c) 3 and 4 only
- (d) 1 and 3 only

**✓ Answer Key:**  
**(d) 1 and 3 only**

**🔍 Explanation (Concept Clarity)**

- **Statement 1 ✓:**
  - Under **Article 267**, the fund is under the **imprest of the President**
- **Statement 2 ✗:**
  - Size is determined by **Parliament through law**, not President
- **Statement 3 ✓:**
  - Constitutional provision ✓
  - Operated via **executive (through Finance Secretary)**
- **Statement 4 ✗:**
  - ₹30,000 crore is **statutory (via amendment)**, not a constitutional mandate

78. Fiscal policy in India is formulated by which of the following?

- (a) The Reserve Bank of India
- (b) NITI Aayog
- (c) Ministry of Finance
- (d) Finance Commission

✔ **Answer Key:**

**(c) Ministry of Finance**

🔍 **Explanation (Concept Clarity)**

- **Ministry of Finance** ✔:
  - Designs **taxation, expenditure, budget, fiscal deficit targets**
  - Implements fiscal policy through **Union Budget**
- **RBI** ✘:
  - Handles **monetary policy** (interest rates, money supply)
- **NITI Aayog** ✘:
  - Advisory body, **no direct fiscal authority**
- **Finance Commission** ✘:
  - Recommends **tax devolution & grants**, not policy formulation

79. The idea of planning in India was drawn from:

1. The Bombay Plan
2. Experiences of Soviet bloc countries
3. Gandhian vision of society
4. Demand by peasant organisations

Select the correct answer:

- (a) 2 and 4 only
- (b) 1 and 2 only
- (c) 2 only
- (d) All the above

✔ **Answer Key:**

**(d) All the above**

🔍 **Explanation (Concept Clarity)**

- **1** ✔ **Bombay Plan (1944):**
  - Proposed by industrialists → supported **state-led planning**
- **2** ✔ **Soviet Experience:**

- Inspired **centralised planning model (Five-Year Plans)**
- **3** ✔ **Gandhian Vision:**
  - Emphasised **decentralisation, village economy, self-reliance**
- **4** ✔ **Peasant Demand:**
  - Demand for **land reforms, redistribution, state intervention**

80. With reference to GDP measured at **Factor Cost, Basic Price, and Market Price**, consider the following statements:

1.  $\text{GDP at Market Price} = \text{GDP at Factor Cost} + \text{Product Taxes} - \text{Product Subsidies}$
2.  $\text{GDP at Basic Price} = \text{GDP at Factor Cost} + \text{Production Taxes} - \text{Production Subsidies}$
3.  $\text{GDP at Market Price} = \text{GDP at Basic Price} + \text{Product Taxes} - \text{Product Subsidies}$

Which of the statements given above are correct?

- (a) 1 only
- (b) 1 and 2 only
- (c) 3 only
- (d) 2 and 3 only

✔ **Answer Key:**

**(d) 2 and 3 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✘ **Incorrect**
  - Missing distinction between **product taxes vs production taxes**
  - Correct transformation involves **both types**, not only product taxes
- **Statement 2** ✔ **Correct**
  - 👉  $\text{Basic Price} = \text{Factor Cost} + \text{Production Taxes} - \text{Production Subsidies}$
- **Statement 3** ✔ **Correct**
  - 👉  $\text{Market Price} = \text{Basic Price} + \text{Product Taxes} - \text{Product Subsidies}$

81. Which of the following are **accounted for** in the calculation of **Gross National Product (GNP)**?

- (a) Private remittances
- (b) Interest received on external loans
- (c) External grants
- (d) Income of foreign residents

---

✔ **Answer Key:**

**(b) Interest received on external loans**

---

🔍 **Explanation (Concept Clarity)**

👉 **GNP = GDP + Net Factor Income from Abroad (NFIA)**

👉 Includes only **factor income of nationals**

82. Which of the following sources form part of the **Revenue Receipts** of the government?

- 1. Interest received by the government on loans
- 2. Interest paid by the government on loans
- 3. Penalties and fines received by the government
- 4. Borrowings by the government

Select the correct answer:

- (a) 1, 3 and 4 only
- (b) 1 and 3 only
- (c) 1, 2 and 3
- (d) 1 only

---

✔ **Answer Key:**

**(b) 1 and 3 only**

---

🔍 **Explanation (Concept Clarity)**

👉 **Revenue Receipts = Non-debt receipts that do not create liabilities**

- **1 ✔ Interest received**  
→ Non-tax revenue → included
- **2 ✘ Interest paid**  
→ Expenditure, not receipt
- **3 ✔ Penalties & fines**  
→ Non-tax revenue → included
- **4 ✘ Borrowings**  
→ Capital receipt → creates liability

83. Consider the following statements regarding the Union Budget in India:

- 1. The Budget distinguishes between **charged expenditure** and **voted expenditure**.
- 2. The Budget separately presents **revenue expenditure** and **capital expenditure**.
- 3. Items charged on the Consolidated Fund of India are specified in the Constitution.
- 4. The President can reduce the amount of expenditure under the charged category in **exceptional situations**.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 1, 2 and 3 only
- (c) 3 and 4 only
- (d) 1, 2, 3 and 4

---

✔ **Answer Key:**

**(d) 1, 2, 3 and 4**

---

🔍 **Explanation (Refined Conceptual Clarity)**

- **Statement 1 ✔**
  - Budget distinguishes **charged vs voted expenditure**
- **Statement 2 ✔**
  - Revenue vs capital classification is standard
- **Statement 3 ✔**
  - Charged items are listed under **Article 112**
- **Statement 4 ✔ (Now Correct due to wording)**
  - Phrase “**exceptional situations**” covers **Financial Emergency (Article 360)**
  - During such situations, **President can direct reduction in salaries**, including charged expenditure

84. To fully harness the benefits of the **demographic dividend**, what should India prioritise?

- (a) Promoting skill development
- (b) Expanding social security schemes
- (c) Reducing infant mortality rate
- (d) Privatization of higher education

✔ **Answer Key:**

**(a) Promoting skill development**

🔍 **Explanation (Concept Clarity)**

👉 **Demographic dividend = Large working-age population**

To convert it into growth:

- Workforce must be **skilled, employable, and productive**

85. Consider the following statements:

- 1. A negative GDP growth rate for at least two consecutive quarters is considered an economic recession.
- 2. India has recently experienced an economic recession for the first time in its history.

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

✔ **Answer Key:**

**(c) Both 1 and 2**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔
  - Common rule of thumb: **2 consecutive quarters of negative growth = recession**
- **Statement 2** ✔
  - India experienced its **first technical recession during COVID-19 (2020)**
  - GDP contracted for **two successive quarters**

86. Given the identity **GDP = C + I + G + NX**, arrange the following components in **descending order of their contribution** to India's GDP:

- 1. Private Final Consumption Expenditure (C)
- 2. Gross Fixed Capital Formation (I)
- 3. Government Final Consumption Expenditure (G)
- 4. Net Exports (NX)

Select the correct answer:

- (a) 4 – 3 – 2 – 1
- (b) 1 – 2 – 3 – 4
- (c) 4 – 2 – 3 – 1
- (d) 1 – 3 – 2 – 4

✔ **Answer Key:**

**(b) 1 – 2 – 3 – 4**

🔍 **Explanation (India-specific trend)**

Typical contribution pattern in India:

- **Consumption (C)** ✔ → Largest (~55–60%)
- **Investment (I)** ✔ → Second (~30%)
- **Government (G)** ✔ → Third (~10–12%)
- **Net Exports (NX)** ✘ → Small/negative

87. Which of the following statements is **incorrect** with respect to **Angel Investors**?

- (a) They provide financial backing to entrepreneurs for starting their business
- (b) They are primarily focused on making substantial profits rather than helping the business succeed
- (c) They may provide technical expertise and mentorship to startups
- (d) In India, they can be recognized under Category I Alternative Investment Funds (AIFs)

✔ **Answer Key:**

**(b)**

🔍 **Explanation (Concept Clarity)**

- **(a)** ✔
  - Angel investors fund **early-stage startups**
- **(b)** ✘ **(Incorrect statement)**
  - Angels are typically:

- **Mentors + early risk-takers**
- Not purely profit-maximizing like later-stage investors

- (c) ✓
  - Provide **guidance, networks, expertise**
- (d) ✓
  - Angel funds fall under **SEBI Category I AIF**

88. Consider the following statements:

1. Nominal GDP is referred to as inflation-adjusted GDP.
2. A higher Nominal GDP compared to Real GDP indicates inflation in the economy.

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

✓ **Answer Key:**  
**(b) 2 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1 ✗ Incorrect**
  - **Real GDP** is inflation-adjusted
  - Nominal GDP is at **current prices**
- **Statement 2 ✓ Correct**
  - If **Nominal GDP > Real GDP** 🖱 Indicates **price rise (inflation)**

89. With reference to **Special Drawing Rights (SDRs)** of the IMF, consider the following statements:

1. SDR is an **international reserve asset** created by the IMF.
2. SDR is **neither a currency nor a claim on the IMF**.
3. SDR serves as a **unit of account for IMF quotas and transactions**.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

✓ **Answer Key:**  
**(c) 1 and 3 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1 ✓ Correct**
  - SDR = **International reserve asset** created by IMF
- **Statement 2 ✗ Incorrect**
  - SDR is **not a currency ✓**, but it **is a potential claim on freely usable currencies of IMF members**
  - Hence, saying “not a claim” is wrong
- **Statement 3 ✓ Correct**
  - SDR is used as a **unit of account** for IMF quotas and financial operations

90. With reference to the *sectoral coverage under the revised GDP framework (base year 2022–23)*, consider the following statements:

1. The revised framework improves sectoral estimates by incorporating more granular and sector-specific data sources.
2. Agriculture and allied sectors now use more detailed sub-sector data such as crops, livestock, and fisheries on a quarterly basis.
3. Manufacturing and services sectors continue to rely primarily on proxy indicators rather than actual data sources.
4. The revised framework enhances estimation in sectors such as financial services and public administration through updated methodologies.

Which of the statements given above are correct?

- (a) 1, 2 and 4 only
- (b) 1 and 3 only

- (c) 2 and 3 only  
(d) 1, 2, 3 and 4

✔ **Answer Key:**  
**(a) 1, 2 and 4 only**

🔍 **Explanation**

- **Statement 1** ✔: Revised framework improves **granularity and sectoral coverage**, reducing reliance on proxies
- **Statement 2** ✔: Agriculture now includes **detailed quarterly estimates of crops, livestock, fisheries**
- **Statement 3** ✘: Incorrect — shift is **away from proxy indicators toward actual datasets**
- **Statement 4** ✔: Methodology updated across sectors like **manufacturing, financial services, public administration & defence**

91. Consider the following statements regarding the relationship between Gross Domestic Product (GDP) and Gross Value Added (GVA):

1. GDP at market prices is equal to GVA at basic prices plus taxes on products minus subsidies on products.
2. In an economy without a government sector, GDP will be equal to GVA.

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

✔ **Answer Key:**  
**(c) Both 1 and 2**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔:  
**GDP (MP) = GVA (BP) + Taxes – Subsidies** → standard national income identity
- **Statement 2** ✔:  
In absence of government:
  - **No taxes, no subsidies**
  - Hence, **GDP = GVA**

92. With reference to the borrowing powers of the Union and the States in India, consider the following statements:

1. Parliament may regulate the borrowing of the Government of India both within India and abroad.
2. State governments can borrow both within India and outside India upon the security of the Consolidated Fund of the State.
3. State governments are required to obtain the consent of the Centre for every borrowing they undertake.

Which of the statements given above are **not correct**?

- (a) 1 only  
(b) 1, 2 and 3  
(c) 2 only  
(d) 2 and 3 only

✔ **Answer Key:**  
**(d) 2 and 3 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔ (**Correct**)
  - Under **Article 292**, Parliament regulates Union borrowing (internal & external)
- **Statement 2** ✘ (**Incorrect**)
  - States **cannot borrow externally** (only Centre can borrow abroad)
- **Statement 3** ✘ (**Incorrect**)
  - Centre's consent is needed **only if the State has outstanding loans from the Centre**

93. With reference to the *gig economy*, consider the following statements:

1. It is a labour market characterised by short-term, flexible contracts with independent workers.
2. India has enacted a comprehensive legislation exclusively regulating the gig economy.
3. India is witnessing a rapid increase in the number of gig and platform workers.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 2 only
- (c) 3 only
- (d) 1 and 3 only

**✓ Answer Key:**  
**(d) 1 and 3 only**

**🔍 Explanation (Concept Clarity)**

- **Statement 1 ✓**: Gig economy = **short-term, flexible work arrangements**
- **Statement 2 ✗**:
  - No **exclusive comprehensive law** yet
  - However, **Code on Social Security, 2020** provides limited recognition
- **Statement 3 ✓**:
  - Rapid growth due to **platform-based work (Uber, Swiggy, etc.)**

94. Consider the following statements:

1. The World Trade Organization (WTO) and the World Bank are collectively known as Bretton Woods Institutions.
2. The WTO aims to establish a rules-based trading system to prevent arbitrary trade restrictions.
3. The International Monetary Fund (IMF) provides loans and grants to governments as well as private organizations.

Which of the statements given above are correct?

- (a) 1 only
- (b) 2 only
- (c) 1 and 2 only
- (d) 1, 2 and 3

**✓ Answer Key:**  
**(b) 2 only**

**🔍 Explanation (Concept Clarity)**

- **Statement 1 ✗**:
  - Bretton Woods Institutions = **IMF + World Bank**

- WTO is **NOT** a Bretton Woods institution

- **Statement 2 ✓**:
  - Core objective of WTO → **rules-based global trade system**
- **Statement 3 ✗**:
  - IMF provides **loans to governments only**, not private entities
  - Also, IMF does **not provide grants**

95. With reference to methods of taxation, consider the following pairs:

| Type of Taxation         | Description  |
|--------------------------|--|
| 1. Progressive taxation  | Tax rate increases with increase in income or wealth     |
| 2. Regressive taxation   | Tax rate decreases with increase in income or wealth     |
| 3. Proportional taxation | Same rate of tax for all, regardless of income or wealth |

Which of the pairs given above are correctly matched?

- (a) 1 only
- (b) 1 and 2 only
- (c) 1, 2 and 3
- (d) 1 and 3 only

**✓ Answer Key:**  
**(c) 1, 2 and 3**

**🔍 Explanation (Concept Clarity)**

- **Progressive ✓**: Higher income → **higher tax rate**
- **Regressive ✓**: Higher income → **lower effective tax rate**
- **Proportional ✓**: Same **tax rate for all**

96. With reference to GDP estimation in India, consider the following statements:

1. GDP is estimated at **market prices** rather than factor cost.
2. The base year for GDP calculation is **2011–12**.
3. GDP is estimated by the **National Statistical Office (NSO)**.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 1 and 3 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

✔ **Answer Key:**  
**(b) 1 and 3 only**

🔍 **Explanation (Updated & Exam-Relevant)**

- **Statement 1** ✔:
  - India shifted to **GDP at Market Prices (GDP-MP)** (since 2015 revision)
- **Statement 2** ✘ (**Outdated**):
  - Base year **2011–12 is being revised**
  - Latest update: **New base year → 2022–23 (proposed/revised series)**  
👉 UPSC prefers **latest update**
- **Statement 3** ✔:
  - GDP estimated by **NSO (under MoSPI)**

97. Which of the following are the most prudent ways to increase the **Tax–GDP ratio** in an economy?

1. Lowering the income tax exemption limit
2. Increasing excise duty on crude oil
3. Formalisation of the labour market
4. Introduction of a Direct Tax Code (DTC)

Select the correct answer:

- (a) 1 and 3 only
- (b) 1, 2 and 3 only
- (c) 1, 3 and 4 only
- (d) 3 and 4 only

✔ **Answer Key:**  
**(d) 3 and 4 only**

🔍 **Explanation (Concept Clarity)**

- **1** ✘:
  - Lowering exemption limit may increase revenue but **not a prudent or sustainable approach**
- **2** ✘:
  - Increasing excise on crude is **distortionary** and inflationary → not prudent
- **3** ✔:
  - Formalisation → expands **tax base sustainably**
- **4** ✔:
  - Direct Tax Code → improves **efficiency, compliance, and transparency**

98. Consider the following statements regarding the *Consolidated Fund of India (CFI)*:

1. All legally authorised payments on behalf of the Government of India are made out of this fund.
2. The President can make advances out of it to meet unforeseen expenditure.

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

✔ **Answer Key:**  
**(a) 1 only**

🔍 **Explanation (Concept Clarity)**

- **Statement 1** ✔ **Correct**
  - Under **Article 266**, all revenues, loans, and receipts go into CFI
  - All **government expenditure (after parliamentary approval)** is drawn from it
- **Statement 2** ✘ **Incorrect**
  - Advances for unforeseen expenditure come from the **Contingency Fund of India (Article 267)**, not CFI

99. The *Economic Survey of India* is officially published every year by which of the following?

- (a) Reserve Bank of India
- (b) Planning Commission of India
- (c) Ministry of Finance
- (d) Ministry of Industries, Government of India

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✔ **Answer Key:**

**(c) Ministry of Finance, Government of India**

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🔍 **Explanation (Concept Clarity)**

- Economic Survey is prepared by:
  - **Chief Economic Adviser (CEA)**
  - Under the **Department of Economic Affairs**, Ministry of Finance
- It is:
  - Presented **one day before the Union Budget**
  - A review of **economic performance + policy outlook**

100. The National Investment Fund (NIF) of India was constituted primarily for which of the following purposes?

- (a) Attracting new investments for infrastructure development
- (b) Creating an enabling environment for foreign direct investment (FDI)
- (c) Managing and utilizing proceeds from disinvestment of Public Sector Enterprises (PSEs)
- (d) Mobilizing small savings to provide credit to deficit sectors

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✔ **Answer Key:**

**(c) Managing and utilizing proceeds from disinvestment of Public Sector Enterprises (PSEs)**

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🔍 **Explanation (Concept Clarity)**

- **NIF (2005)** was created to:
  - 👉 **Park disinvestment proceeds of CPSEs**
  - 👉 Use funds for **social sector schemes / capital investment**