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Indian Economy & Indian Financial System

JAIB • May 2023 • Shift 2 • 100 Questions

Q1. Which statement correctly describes the statutory maximum SLR and the statutory ceiling on CRR after amendment of the RBI Act?

SLR की वैधानिक अधिकतम सीमा और CRR की वैधानिक अधिकतम सीमा के बारे में कौन-सा कथन सही है?

- A. SLR 35%; CRR 18%
- B. SLR 28%; CRR 14%
- C. SLR 24%; CRR 12%
- D. SLR 40%; no prescribed statutory ceiling on CRR
- E. None of these

Correct answer: D. SLR 40%; no prescribed statutory ceiling on CRR

Explanation

1. The Banking Regulation Act provides for an SLR ceiling of 40% of relevant demand and time liabilities.
2. Following amendment of Section 42 of the RBI Act, the earlier statutory floor and ceiling for CRR were removed. Actual prescribed ratios are policy settings, not the same as statutory limits.

Q2. Which of the following sequences best represents the stages of a business cycle?

व्यापार चक्र के चरणों का सही क्रम क्या है?

- A. Expansion, peak, contraction, trough and recovery
- B. Inflation, deflation, stagflation and taxation
- C. Recovery, peak, expansion and trough
- D. Peak, expansion, trough and contraction
- E. None of these

Correct answer: A. Expansion, peak, contraction, trough and recovery

Explanation

1. A business cycle typically moves through expansion, peak, contraction and trough, followed by recovery into a new expansion.
2. The peak marks the turning point from growth to contraction; the trough marks the reverse. Inflation and deflation are price movements, not a complete cycle sequence.

Q3. Which of the following statements best captures the essence of microfinance?

सूक्ष्म वित्त का सबसे सही अर्थ क्या है?

- A. Granting significant loans to established enterprises
- B. Offering modest loans and financial aids to economically challenged individuals or those excluded from conventional banking channels
- C. Delivering financial solutions governmental bodies
- D. Furnishing financial services to banking entities and financial establishments
- E. None of these

Correct answer: B. Offering modest loans and financial aids to economically challenged individuals or those excluded from conventional banking channels

Explanation

1. Microfinance provides small-scale financial services, particularly credit, to low-income or financially excluded households and enterprises.
2. It can also involve savings, insurance and payment services. It differs from large corporate finance and is intended to improve access rather than simply maximise loan size.

Q4. What best describes the nature of funds in money markets?

मुद्रा बाजार में धन की अवधि कैसी होती है?

- A. Lengthy-term funds exceeding a one-year maturity
- B. Brief-term funds maturing within one year
- C. Intermediate-term funds with a maturity spanning from one to five years
- D. Extended-term funds with a maturity duration surpassing five years
- E. None of these

Correct answer: B. Brief-term funds maturing within one year

Explanation

1. Money markets deal primarily in short-term funds and instruments with maturity up to one year. They support liquidity and working-capital management.
2. Capital markets cater to longer-term finance. Treasury Bills, CP and CDs are important money-market instruments.

Q5. What is the main purpose of health insurance?

स्वास्थ्य बीमा का मुख्य उद्देश्य क्या है?

- A. Finance the expenses of extended care services
- B. Fund the treatment of life-endangering ailments
- C. Finance routine medical examinations
- D. Finance medical and surgical procedures
- E. None of these

Correct answer: D. Finance medical and surgical procedures

Explanation

1. Health insurance covers eligible medical, hospitalisation and surgical expenses under the policy. It reduces the financial impact of illness or injury.
2. Coverage, exclusions, deductibles and waiting periods depend on the contract. It does not automatically pay every medical or routine expense.

Q6. For what primary objective does the Reserve Bank of India (RBI) employ the Long-Term Repo Operation (LTRO)?

RBI के LTRO का प्रमुख उद्देश्य क्या था?

- A. Enhance long-term credit accessibility and reduce funding costs
- B. Regulate the money supply within the economic system
- C. Supervise and manage inflationary pressures
- D. Promote overall economic expansion
- E. None of these

Correct answer: A. Enhance long-term credit accessibility and reduce funding costs

Explanation

1. LTRO supplied longer-duration funds to banks at the policy repo rate to reduce funding costs and improve monetary transmission.
2. The operations encouraged banks to transmit lower costs to borrowers. Their direct mechanism was durable liquidity rather than direct lending by the RBI to every final borrower.

Q7. What primary purpose do Priority Sector Lending Certificates (PSLCs) serve for banks?

प्राथमिकता क्षेत्र ऋण प्रमाणपत्र बैंकों की किस आवश्यकता में मदद करते हैं?

- A. Fulfilling the mandated capital benchmarks
- B. Attaining the priority sector lending objectives
- C. Meeting the statutory liquidity ratio standards
- D. Meeting the statutory liquidity ratio standards
- E. None of these

Correct answer: B. Attaining the priority sector lending objectives

Explanation

1. PSLCs allow a bank to purchase priority-sector achievement from another bank to meet prescribed PSL targets or sub-targets.
2. The underlying loans and their credit risk do not transfer through a PSLC transaction. The certificate transfers eligible achievement, not ownership of the loan asset.

Q8. By investment structure, what are the main types of REITs?

निवेश संरचना के आधार पर REIT के मुख्य प्रकार कौन-से हैं?

- A. Equity REITs, mortgage REITs and hybrid REITs
- B. Open-ended REITs, closed-ended REITs and collective REITs
- C. State REITs, personal REITs and business REITs
- D. Housing REITs, business REITs and manufacturing REITs
- E. None of these

Correct answer: A. Equity REITs, mortgage REITs and hybrid REITs

Explanation

1. Equity REITs own or operate income-generating properties; mortgage REITs invest in property debt; hybrid REITs combine the two approaches.
2. This is different from classification by property sector, such as residential, office or healthcare. The answer depends on the stated classification basis.

Q9. Why is the year 1969 noteworthy in the context of India's banking industry?

भारतीय बैंकिंग इतिहास में 1969 क्यों महत्वपूर्ण है?

- A. The inception of the Reserve Bank of India
- B. The state ownership of prominent private banking entities
- C. The advent of electronic banking platforms
- D. The foundation of Small Finance Banking institutions
- E. None of these

Correct answer: B. The state ownership of prominent private banking entities

Explanation

1. Fourteen major commercial banks were nationalised on 19 July 1969. This expanded public ownership in banking.
2. The RBI was established in 1935, while six additional banks were nationalised in 1980. These events should not be confused.

Q10. What is the primary function of the Marginal Standing Facility (MSF)?

सीमांत स्थायी सुविधा का मुख्य कार्य क्या है?

- A. Banks have the provision to secure funds from the Reserve Bank of India during exigencies using government bonds as collateral
- B. Banks have the provision to extend loans to the Reserve Bank of India
- C. Banks have the provision to obtain loans from peer banking institutions
- D. None of these
- E. None of these

Correct answer: A. Banks have the provision to secure funds from the Reserve Bank of India during exigencies using government bonds as collateral

Explanation

1. MSF permits eligible banks to obtain overnight funds from the RBI against eligible government securities within prescribed conditions and limits.
2. It serves as a standing liquidity backstop and forms the upper bound of the policy corridor. It is a borrowing facility for banks, not a scheme for banks to lend to the RBI.

Q11. Which of the following activities are predominantly associated with Non-Banking Financial Companies (NBFCs)?

NBFC की प्रमुख वित्तीय गतिविधियों में से कौन-सी गतिविधि सूचीबद्ध है?

- A. Receiving deposits
- B. Engaging in market securities trading
- C. Granting loans and advances
- D. Undertaking foreign exchange dealings
- E. None of these

Correct answer: C. Granting loans and advances

Explanation

1. Providing loans and advances is a core activity undertaken by many NBFCs. Other NBFC categories undertake investment, leasing or similar financial business.
2. Not every NBFC may accept public deposits. Deposit acceptance requires specific eligibility and regulatory permission, so it is not a universal characteristic.

Q12. What is the principal subject of Section 17 of the RBI Act, 1934?

RBI अधिनियम की धारा 17 मुख्यतः किस विषय से संबंधित है?

- A. Only bank-rate announcements
- B. Licensing banking companies
- C. Formation of State Governments
- D. Business that the RBI may transact
- E. None of these

Correct answer: D. Business that the RBI may transact

Explanation

1. Section 17 specifies the business that the Reserve Bank may transact, including eligible purchases, rediscounting, loans and advances.
2. Section 18 concerns emergency powers and Section 19 lists business the RBI may not transact. Banking-company licensing is governed by a different Act.

Q13. Which of the following statements correctly captures a fundamental assumption of a typical supply-demand curve in economics?

सामान्य मांग और आपूर्ति वक्र में, अन्य बातें समान रहने पर कीमत बढ़ने से क्या होता है?

- A. With ascending prices, quantity demanded diminishes while quantity supplied augments.
- B. With ascending prices, quantity demanded augments while quantity supplied diminishes.
- C. With ascending prices, both quantity demanded and quantity supplied augment.
- D. With ascending prices, both quantity demanded and quantity supplied diminish.
- E. None of these

Correct answer: A. With ascending prices, quantity demanded diminishes while quantity supplied augments.

Explanation

1. Under the ordinary laws of demand and supply, a higher price reduces quantity demanded and increases quantity supplied, other things unchanged.
2. This is a movement along the existing curves. Changes in income, technology or other determinants can instead shift the curves.

Q14. To which of the following areas is the SFURTI scheme primarily linked?

SFURTI योजना मुख्यतः किस क्षेत्र से संबंधित है?

- A. Development of infrastructure
- B. Development of Micro, Small, and Medium Enterprises
- C. Benefits for the unemployed
- D. Advancement in agricultural technology
- E. None of these

Correct answer: B. Development of Micro, Small, and Medium Enterprises

Explanation

1. SFURTI means Scheme of Fund for Regeneration of Traditional Industries. It supports clusters of traditional industries under the MSME ecosystem.
2. Common facilities, improved skills, technology and market access help artisans and traditional enterprises. It is not primarily an unemployment allowance scheme.

Q15. In aviation, which two lease forms are distinguished by whether the aircraft is supplied with or without crew?

विमानन में चालक दल शामिल होने या न होने के आधार पर पट्टे के दो प्रमुख रूप कौन-से हैं?

- A. Wet lease and dry lease
- B. Operating lease and finance lease
- C. Direct lease and sale and leaseback
- D. Singular lease and sublease
- E. None of these

Correct answer: A. Wet lease and dry lease

Explanation

1. A wet lease supplies the aircraft together with crew and associated services, while a dry lease supplies the aircraft without crew.
2. The wet/dry distinction concerns what is included in the lease. It differs from the operating/finance distinction, which focuses on the financing and ownership-risk structure.

Q16. Which organization was superseded by the establishment of the NITI Aayog?

नीति आयोग ने किस संस्था का स्थान लिया था?

- A. Reserve Bank of India
- B. Finance Commission of India
- C. Planning Commission of India
- D. Securities and Exchange Board of India
- E. None of these

Correct answer: C. Planning Commission of India

Explanation

1. NITI Aayog was established on 1 January 2015 in place of the Planning Commission. Its role emphasises policy advice and cooperative federalism.
2. It is not the same as the Finance Commission, which deals with constitutionally mandated fiscal transfers. The RBI remains India's central bank.

Q17. In which year did the United Nations adopt the Sustainable Development Goals (SDGs)?

संयुक्त राष्ट्र ने सतत विकास लक्ष्यों को किस वर्ष अपनाया था?

- A. 2000
- B. 2010
- C. 2015
- D. 2020
- E. None of these

Correct answer: C. 2015

Explanation

1. The SDGs were adopted in 2015 as part of the 2030 Agenda. They comprise 17 goals covering economic, social and environmental objectives.
2. They succeeded the Millennium Development Goals. The target horizon is 2030, not the year of adoption.

Q18. Which of the following statements accurately describes a Brownfield investment in the context of Foreign Direct Investment (FDI)?

प्रत्यक्ष विदेशी निवेश में ब्राउनफील्ड निवेश का क्या अर्थ है?

- A. Injects capital into a nascent business entity in an overseas nation
- B. Initiates the construction of new functional establishments from scratch in a foreign land
- C. Allocates funds to an extant enterprise to mark its foothold in a foreign nation
- D. None of the aforementioned options
- E. None of these

Correct answer: C. Allocates funds to an extant enterprise to mark its foothold in a foreign nation

Explanation

1. Brownfield investment uses, acquires or expands an existing business or operating facility in the host country.
2. Greenfield investment establishes new facilities from the ground up. Existing operations are the key distinguishing feature.

Q19. What does the term 'GDP deflation' primarily refer to in the context of economics?

GDP अपस्फीतिकरण का मुख्य अर्थ क्या है?

- A. Modifies GDP from its nominal value to its real value
- B. Decelerates the rate at which GDP grows
- C. Lowers the aggregate GDP of a nation
- D. Amplifies the GDP on a per capita basis
- E. None of these

Correct answer: A. Modifies GDP from its nominal value to its real value

Explanation

1. GDP deflation adjusts nominal GDP for changes in prices to obtain real GDP. The GDP deflator equals nominal GDP divided by real GDP, multiplied by 100.
2. $\text{Real GDP} = \text{nominal GDP} / \text{deflator} \times 100$. This is a price adjustment, not necessarily a fall in actual production.

Q20. What was the primary focus of the Malegam Committee set up by the Reserve Bank of India?

RBI की मालेगाम समिति का प्रमुख विषय क्या था?

- A. Non-performing assets of public sector banks
- B. Issuance of licenses for new banking entities
- C. Microfinance institutions and their regulations
- D. Initiatives related to financial inclusion
- E. None of these

Correct answer: C. Microfinance institutions and their regulations

Explanation

1. The Malegam committee examined issues in the microfinance sector and recommended a framework for NBFC-MFIs.
2. Its recommendations addressed borrower protection, pricing, lending practices and regulatory structure. It was not mainly a committee for issuing ordinary bank licences.

Q21. Which among the listed options does not qualify as an instrument of monetary policy?

निम्नलिखित में से कौन मौद्रिक नीति का साधन नहीं है?

- A. Open market operations
- B. Reserve ratios (CRR and SLR)
- C. Repo rate and reverse repo rate
- D. Income tax rates
- E. None of these

Correct answer: D. Income tax rates

Explanation

1. Open market operations, reserve requirements and policy interest rates are monetary tools. They influence liquidity, credit conditions and interest rates.
2. Income-tax rates are fiscal-policy tools decided through the government's tax framework. This separates monetary policy from fiscal policy.

Q22. Which category best describes Treasury Bills, Commercial Papers, and Certificates of Deposit?

ट्रेजरी बिल, वाणिज्यिक पत्र और जमा प्रमाणपत्र किस बाजार के साधन हैं?

- A. Equity Instruments
- B. Debt Instruments
- C. Money Market Instruments
- D. Derivative Instruments
- E. None of these

Correct answer: C. Money Market Instruments

Explanation

1. T-Bills, CP and CDs are money-market instruments used for short-term government, corporate or bank funding.
2. They are also debt instruments, but money-market instruments is the most specific common classification among the options. They are not equity or derivative instruments.

Q23. In the field of economics, what does the term 'money multiplier' represent?

मुद्रा गुणक क्या दर्शाता है?

- A. The prevailing rate of interest on money
- B. The volume of money produced by the banking system for every unit of reserves
- C. The proportion between the aggregate money in the economy and the sum of cash
- D. The proportion of cash reserves relative to deposit liabilities
- E. None of these

Correct answer: B. The volume of money produced by the banking system for every unit of reserves

Explanation

1. The monetary multiplier relates the money stock to reserve or base money; in a simple banking model, deposits can expand through repeated lending and redepositing.
2. The simplest deposit multiplier is $1 / \text{reserve ratio}$ under restrictive assumptions. Currency leakage, excess reserves and behaviour affect the actual multiplier.

Q24. What does the credit scoring process primarily aim to achieve?

ऋण स्कोरिंग का मुख्य उद्देश्य क्या है?

- A. Assisting lenders in determining the interest rate for a borrower
- B. Evaluating a country's eligibility for an IMF loan based on creditworthiness
- C. Evaluating an individual's creditworthiness for lending purposes
- D. Evaluating a company's creditworthiness for bond issuance
- E. None of these

Correct answer: C. Evaluating an individual's creditworthiness for lending purposes

Explanation

1. Credit scoring summarises information about an individual's repayment history and credit behaviour to help evaluate creditworthiness.
2. It supports lending decisions but does not guarantee repayment or automatic approval. Corporate bond ratings and sovereign assessments are different applications.

Q25. What does the Banking Regulation Act of 1949 primarily encompass?

बैंकिंग विनियमन अधिनियम, 1949 का मुख्य क्षेत्र क्या है?

- A. Only establishing new banks
- B. Only regulating foreign banks
- C. Regulation and supervision of banking business in India
- D. Only regulating stock exchanges
- E. None of these

Correct answer: C. Regulation and supervision of banking business in India

Explanation

1. The Act provides the legal framework for regulating banking business, including licensing, prudential requirements, management and supervision.
2. Its provisions apply according to the relevant statutory scope and adaptations. It is distinct from the RBI Act, which establishes and empowers the central bank.

Q26. In financial markets, to whom does the term 'market makers' primarily pertain?

वित्तीय बाजार में बाजार निर्माता कौन होते हैं?

- A. Investors executing the purchase of shares in voluminous amounts
- B. Entities ensuring consistent buying and selling of securities to uphold market liquidity
- C. Stock brokers orchestrating substantial trade activities
- D. Regulatory entities overseeing the proper functioning of markets
- E. None of these

Correct answer: B. Entities ensuring consistent buying and selling of securities to uphold market liquidity

Explanation

1. Market makers quote buying and selling prices and stand ready to transact, supporting liquidity and continuous trading.
2. Their bid-ask spread compensates for costs and inventory risk. They are not simply any investor making a large purchase.

Q27. What is the maximum guaranteed pension offered under the Atal Pension Yojana (APY) scheme?

APY के अंतर्गत अधिकतम गारंटीकृत मासिक पेंशन कितनी है?

- A. Rs. 1000 per month
- B. Rs. 2000 per month
- C. Rs. 3000 per month
- D. Rs. 5000 per month
- E. None of these

Correct answer: D. Rs. 5000 per month

Explanation

1. APY offers guaranteed minimum monthly pension options from Rs.1,000 to Rs.5,000 after age 60, depending on the selected plan and contributions.
2. The highest listed monthly pension is Rs.5,000. Entry age and contribution duration affect the payment required to secure that pension.

Q28. Which among the following is a significant contributor to groundwater contamination in India?

भारत में भूजल प्रदूषण के प्रमुख कारणों में सूचीबद्ध कौन-सा कारण शामिल है?

- A. Drainage system
- B. Untreated sewage waste
- C. Irrigation system
- D. None of the above
- E. None of these

Correct answer: B. Untreated sewage waste

Explanation

1. Untreated sewage can introduce pathogens, nutrients and other contaminants into groundwater. Leakage and improper disposal can degrade water quality.
2. Industrial effluent and agricultural chemicals can also be important sources. The question asks for the listed contaminant source, not an exhaustive list.

Q29. In which year was the concept of Globalization prominently introduced in India?

भारत में व्यापक उदारीकरण और वैश्वीकरण सुधारों का प्रमुख वर्ष कौन-सा था?

- A. 1989
- B. 1980
- C. 1996
- D. 1991
- E. None of these

Correct answer: D. 1991

Explanation

1. The 1991 reforms are associated with liberalisation, privatisation and globalisation, following a severe balance-of-payments crisis.
2. They reduced several controls, increased external openness and changed industrial and financial policies. Global trade existed earlier, but 1991 marks the major policy shift tested here.

Q30. In which year was India's Act East policy announced?

भारत की 'एक्ट ईस्ट' नीति किस वर्ष घोषित की गई थी?

- A. 2012
- B. 2014
- C. 2015
- D. 2013
- E. None of these

Correct answer: B. 2014

Explanation

1. India announced the Act East policy in 2014, building on the earlier Look East approach. It strengthened engagement with Southeast Asia and the wider Indo-Pacific.
2. The change emphasised economic, strategic and connectivity cooperation. The question asks for the year rather than an uncertain exact day.

Q31. What is the broad purpose shared by international economic institutions?

अंतरराष्ट्रीय आर्थिक संस्थाओं का व्यापक उद्देश्य क्या है?

- A. Promoting only petroleum production
- B. Replacing every national government
- C. Promoting international economic cooperation and development
- D. Financing infrastructure alone
- E. None of these

Correct answer: C. Promoting international economic cooperation and development

Explanation

1. International economic institutions promote cooperation, development, trade, financial stability or poverty reduction according to their mandates.
2. Their common purpose is broader economic cooperation and development. Infrastructure alone is too narrow, and individual institutions have distinct functions.

Q32. In which location was the WTO conference for the year 2015 conducted?

2015 में WTO का दसवाँ मंत्रिस्तरीय सम्मेलन कहाँ हुआ था?

- A. Buenos Aires
- B. Marrakech
- C. Doha
- D. Nairobi
- E. None of these

Correct answer: D. Nairobi

Explanation

1. The WTO's Tenth Ministerial Conference was held in Nairobi, Kenya, in December 2015.
2. Ministerial conferences are high-level decision-making meetings of WTO members. Doha, Buenos Aires and Marrakech are associated with other major trade events.

Q33. For what primary purpose was the FAME scheme introduced by the Government of India?

FAME योजना क्यों शुरू की गई थी?

- A. Boost the petroleum industry
- B. Reduce the initial cost of electric and hybrid vehicles for consumers
- C. Increase taxes on non-electric vehicles
- D. Regulate the automobile manufacturing sector
- E. None of these

Correct answer: B. Reduce the initial cost of electric and hybrid vehicles for consumers

Explanation

1. FAME supports faster adoption and manufacturing of hybrid and electric vehicles in India, including eligible demand incentives and supporting infrastructure.
2. Reducing upfront cost barriers helps adoption. The scheme is not designed to raise petroleum demand or impose a general tax on conventional vehicles.

Q34. Which factors should be meticulously examined when considering underwriting as a segment of merchant banking activity?

व्यापारी बैंकिंग में हमीदारी करते समय किन कारकों का परीक्षण करना चाहिए?

- A. The feasibility of the project
- B. The geographical location of the project
- C. Prevailing government regulations and policies
- D. All of the above
- E. None of these

Correct answer: D. All of the above

Explanation

1. Underwriting requires assessing project viability, market demand, financial capacity, risk and applicable government rules. Location can also affect costs and feasibility.
2. All listed factors can influence underwriting risk. An underwriter may have to subscribe to securities not taken up by the public under the agreement.

Q35. Which is an established channel for deal origination in venture-capital finance?

उद्यम पूंजी में निवेश अवसरों की पहचान का एक प्रमुख तरीका क्या है?

- A. Only stock-exchange price matching
- B. Referral networks
- C. Automatic acceptance of every business plan
- D. Only loan recovery proceedings
- E. None of these

Correct answer: B. Referral networks

Explanation

1. A referral network can introduce venture-capital firms to prospective investee companies through entrepreneurs, advisers and industry contacts.
2. Deal origination also uses direct outreach and intermediaries. A referral system is an important established channel, not a guarantee that the proposal will be accepted.

Q36. Which institution manages a mutual fund's corpus and investment operations under the oversight of trustees?

ट्रस्टियों की निगरानी में म्यूचुअल फंड की निधि का प्रबंधन कौन-सी संस्था करती है?

- A. The stock exchange
- B. Asset Management Company (AMC)
- C. A registrar acting as the sole investment manager
- D. A credit-rating agency
- E. None of these

Correct answer: B. Asset Management Company (AMC)

Explanation

1. The Asset Management Company manages the mutual fund's investments and operations under the scheme documents and trustees' oversight.
2. Individual fund managers work within the AMC and make portfolio decisions. The institutional responsibility asked here rests with the AMC.

Q37. Under simplified RBI norms, whose CDD is sufficient when opening an SHG savings bank account?

स्वयं सहायता समूह का बचत खाता खोलते समय किसकी ग्राहक पहचान जांच पर्याप्त है?

- A. Every member individually
- B. Only the president
- C. All office bearers
- D. No person requires CDD
- E. None of these

Correct answer: C. All office bearers

Explanation

1. For opening an SHG savings account, customer due diligence of all office bearers is sufficient under simplified RBI norms. CDD of every member is not required at that stage.
2. This simplification does not eliminate KYC altogether. The office-bearer requirement should not be reduced to only the president.

Q38. According to an IFC report, which of the following asset classes are eligible for leasing?

निम्नलिखित में से कौन-कौन सी संपत्तियाँ पट्टे पर वित्तपोषित की जा सकती हैं?

- A. Only Construction equipment and IT equipment
- B. A range including Medical equipment, solar equipment, ATMs, business jets, plant machinery, IT equipment, and construction equipment
- C. Only IT equipment
- D. Only Construction equipment
- E. None of these

Correct answer: B. A range including Medical equipment, solar equipment, ATMs, business jets, plant machinery, IT equipment, and construction equipment

Explanation

1. Leasing can finance a wide range of usable assets, including medical and IT equipment, construction machinery, solar equipment, ATMs and aircraft.
2. The eligible asset and lease structure depend on commercial and regulatory conditions. Leasing is not limited to only one or two equipment categories.

Q39. What is the name of the company established in 1850 in Calcutta, that marked the beginning of general insurance in India?

1850 में कलकत्ता में स्थापित किस कंपनी ने भारत में सामान्य बीमा की शुरुआत को चिह्नित किया था?

- A. Bengal Insurance Company Ltd.
- B. Triton Insurance Company Ltd.
- C. Indian Life Assurance Company
- D. Life Insurance Corporation of India
- E. None of these

Correct answer: B. Triton Insurance Company Ltd.

Explanation

1. Triton Insurance Company Ltd. was established in Calcutta in 1850 and is associated with the beginning of general insurance in India.
2. LIC is a life-insurance institution created much later, in 1956. Life-insurance history and general-insurance history have different milestones.

Q40. Which statement best describes the Indian reinsurance market around May 2023?

मई 2023 के आसपास भारतीय पुनर्बीमा बाजार की संरचना का सबसे सही वर्णन क्या है?

- A. An exclusive monopoly of GIC Re without foreign participation
- B. A domestic reinsurer, GIC Re, together with foreign reinsurance branches
- C. Only international reinsurers without any Indian reinsurer
- D. Only direct insurers, with no reinsurance entities
- E. None of these

Correct answer: B. A domestic reinsurer, GIC Re, together with foreign reinsurance branches

Explanation

1. India's reinsurance market included the domestic reinsurer GIC Re and foreign reinsurance branches. It was not an exclusive domestic monopoly.
2. Reinsurance transfers part of an insurer's risk to another insurer. The question concerns market structure rather than a changing exact branch count.

Q41. What was a principal purpose of converting IFCI from a statutory corporation into a company in 1993?

IFCI को 1993 में कंपनी में बदलने का प्रमुख उद्देश्य क्या था?

- A. To augment the authorized share capital of the company
- B. To facilitate the raising of funds directly from capital markets
- C. To optimize the management structure of the company
- D. To diminish the company's reliance on governmental funding
- E. None of these

Correct answer: B. To facilitate the raising of funds directly from capital markets

Explanation

1. IFCI was converted from a statutory corporation into a company in 1993, enabling access to capital-market funding and greater operational flexibility.
2. Raising funds directly from capital markets helped broaden its financing base. The conversion year should not be confused with the 1991 economic-reform year.

Q42. What was the principal shortcoming identified by the Sub-Group on Housing Finance during the Seventh Five Year Plan?

सातवीं पंचवर्षीय योजना के आवास वित्त उपसमूह ने कौन-सी प्रमुख कमी पहचानी थी?

- A. Inadequate infrastructure facilities for housing
- B. Unavailability of short-term finance for individual households
- C. Unavailability of long-term finance for individual households
- D. Limited government subsidies for housing
- E. None of these

Correct answer: C. Unavailability of long-term finance for individual households

Explanation

1. The housing-finance system faced a shortage of institutional long-term finance for individual households. This constrained access to housing.
2. Housing requires a long repayment horizon because purchase costs are large relative to annual household income. Short-term finance does not adequately address this need.

Q43. Under the earlier NBFC-MFI framework, what was the minimum net owned fund outside the North-Eastern Region?

पुराने NBFC-MFI ढाँचे में पूर्वोत्तर क्षेत्र से बाहर न्यूनतम शुद्ध स्वामित्व निधि कितनी थी?

- A. Rs 2 crore
- B. Rs 3 crore
- C. Rs 5 crore
- D. Rs 10 crore
- E. None of these

Correct answer: C. Rs 5 crore

Explanation

1. The earlier NBFC-MFI framework required Rs.5 crore in net owned funds outside the North-Eastern Region, where a lower threshold applied.
2. The later scale-based framework introduced a Rs. 10 crore standard and a transition path for existing entities. The question expressly asks about the earlier framework.

Q44. Which types of transactions predominantly constitute the Forex market

विदेशी मुद्रा बाजार के प्रमुख लेनदेन किस प्रकार होते हैं?

- A. Exchange traded
- B. Over-the-counter
- C. Fixed exchange rate
- D. Both A and B
- E. None of these

Correct answer: B. Over-the-counter

Explanation

1. Most foreign-exchange trading is over the counter, with transactions negotiated through dealers, electronic platforms or directly between counterparties.
2. Exchange-traded currency derivatives also exist. Their presence does not change the predominant OTC character of the wider forex market.

Q45. What best defines an American Depositary Receipt (ADR)?

अमेरिकी जमा रसीद का सही अर्थ क्या है?

- A. A financial certificate listed exclusively on Asian stock exchanges
- B. A certificate issued by a US financial institution representing shares in a foreign stock
- C. A US-based receipt representing ownership of shares in an Indian corporation
- D. A global depository receipt used for European companies
- E. None of these

Correct answer: B. A certificate issued by a US financial institution representing shares in a foreign stock

Explanation

1. An ADR is issued by a US depository bank and represents an interest in shares of a foreign company. It facilitates investment and trading in the US market.
2. The underlying foreign shares are generally held by a custodian. ADRs are not restricted only to Indian companies.

Q46. Which best describes the type of credit information reports Experian prepares in India?

भारत में एक्सपीरियन किस प्रकार की ऋण सूचना रिपोर्ट तैयार करता है?

- A. Reports for individuals
- B. Reports for individuals and corporations
- C. Reports for corporations
- D. None of the above
- E. None of these

Correct answer: B. Reports for individuals and corporations

Explanation

1. Experian provides credit-information services for consumers as well as commercial borrowers. Reports help lenders assess past repayment behaviour and credit exposure.
2. It is a credit-information company, not a lender guaranteeing approval. Both individual and corporate information are relevant.

Q47. Assuming the credit spread is unchanged, do yields on comparable corporate and government bonds generally have a positive relationship?

ऋण जोखिम अंतर स्थिर रहने पर समान अवधि वाले कॉर्पोरेट और सरकारी बॉन्ड के प्रतिफल सामान्यतः किस दिशा में चलते हैं?

- A. No
- B. Only for bonds with zero maturity
- C. Yes
- D. The government-bond benchmark is always irrelevant
- E. None of these

Correct answer: C. Yes

Explanation

1. A corporate-bond yield is commonly analysed as a government-bond benchmark yield plus a credit and liquidity spread.
2. If that spread is unchanged, both yields tend to move in the same direction, giving a positive relationship. Credit-risk changes can cause corporate yields to diverge, so the relationship is conditional.

Q48. Which of the following statements most accurately differentiates between bills discounting and factoring?

बिल डिस्काउंटिंग और फैक्ट्रिंग में मुख्य अंतर क्या है?

- A. Factoring requires strong balance sheet and collaterals, while bill discounting does not
- B. Bills discounting is only a mode of financing, while factoring involves complete receivables management
- C. Bills discounting is done without recourse, while factoring can be done with recourse
- D. Bills discounting is the job of the importer, while collection is the job of the factor.
- E. None of these

Correct answer: B. Bills discounting is only a mode of financing, while factoring involves complete receivables management

Explanation

1. Bill discounting mainly provides finance against a bill before its maturity. Factoring can combine finance with collection, sales-ledger administration and receivables management.
2. Recourse or non-recourse terms vary by arrangement. Neither collateral nor recourse alone defines the difference in every case.

Q49. What percentage of the salary is the EDLI (Employees' Deposit Linked Insurance) contribution made by the employer?

EDLI में नियोक्ता का योगदान लागू वेतन का कितना प्रतिशत होता है?

- A. 0.5% of salary
- B. 1% of salary
- C. 2% of salary
- D. 0% of salary
- E. None of these

Correct answer: A. 0.5% of salary

Explanation

1. The employer contributes 0.5% of wages for EDLI, subject to the statutory wage ceiling and applicable rules. The employee does not make a separate EDLI contribution.
2. EDLI provides insurance benefits linked to an EPF member's death while in service. It is separate from EPF savings and EPS pension contributions.

Q50. Which statement correctly describes the Aadhaar requirement at initial APY enrolment?

APY में शामिल होते समय आधार के बारे में सही कथन क्या है?

- A. If Aadhaar is unavailable at enrolment, Aadhaar or enrolment details must be furnished in due course
- B. Aadhaar is permanently irrelevant to APY
- C. Only persons already holding Aadhaar can ever submit an application
- D. The requirement depends only on the contribution amount
- E. None of these

Correct answer: A. If Aadhaar is unavailable at enrolment, Aadhaar or enrolment details must be furnished in due course

Explanation

1. The APY framework requires proof of Aadhaar or enrolment for Aadhaar authentication under the relevant notification. If Aadhaar is unavailable at initial enrolment, it is to be supplied in due course.
2. Thus Aadhaar need not already be available on the enrolment date, but it is not permanently irrelevant to the account. The distinction is initial enrolment versus later compliance.

Q51. What does Securities Transaction Tax (STT) refer to?

प्रतिभूति लेनदेन कर किस प्रकार का कर है?

- A. A tax on specified taxable securities transactions
- B. A tax only on settled cash payments outside the securities market
- C. A tax only on intraday trading
- D. A tax only on derivatives
- E. None of these

Correct answer: A. A tax on specified taxable securities transactions

Explanation

1. STT is levied on specified taxable securities transactions, subject to the type of security, transaction and applicable statutory rate.
2. It is not a tax on every possible stock-exchange activity, nor is it limited only to derivatives or intraday trades. The word specified is essential.

Q52. When did exchange-traded equity derivatives begin in India?

भारत में एक्सचेंज पर इक्विटी व्युत्पन्न कारोबार किस महीने और वर्ष शुरू हुआ था?

- A. July 2002
- B. June 2000
- C. June 2001
- D. July 2001
- E. None of these

Correct answer: B. June 2000

Explanation

1. Exchange-traded equity derivatives began in India in June 2000 with index futures. Other products followed later.
2. The timing should be distinguished from the 1999 legal amendment that recognised derivatives as securities and from subsequent stock-futures launches.

Q53. Which description best explains the ISDA Schedule attached to a Master Agreement?

ISDA मास्टर समझौते से जुड़ी अनुसूची का मुख्य कार्य क्या है?

- A. A paper detailing the modifications, selections, and inclusions to the main agreement.
- B. A document highlighting the business conditions of a distinct derivative deal.
- C. A standard format document that allows modifications.
- D. A paper solely utilized by banking and monetary establishments.
- E. None of these

Correct answer: A. A paper detailing the modifications, selections, and inclusions to the main agreement.

Explanation

1. The Schedule records the parties' elections, amendments and additions to the standard ISDA Master Agreement. It tailors the general agreement.
2. A transaction confirmation records the economic terms of an individual derivative deal. The Schedule and confirmation serve different purposes.

Q54. Which of the following best describes the primary purpose of SEBI?

SEBI का प्रमुख वैधानिक उद्देश्य क्या है?

- A. To advocate for the benefits of stock markets.
- B. To oversee the operations of banks within the securities sector.
- C. To safeguard the rights and interests of securities investors.
- D. To manage and regulate the activities of self-regulating bodies.
- E. None of these

Correct answer: C. To safeguard the rights and interests of securities investors.

Explanation

1. SEBI protects the interests of investors in securities and promotes the development of, and regulates, the securities market.
2. Investor protection is part of its statutory mandate. It is not the general banking regulator or an organisation created merely to advertise stock trading.

Q55. Which of the following is the exclusive right of the RBI as per Section 22 of the RBI Act?

RBI अधिनियम की धारा 22 के अनुसार RBI का विशेष अधिकार क्या है?

- A. To oversee the public debt of the Union.
- B. To conduct all monetary, remittance, exchange, and banking operations for the Central Government in India.
- C. To be the sole issuer of banknotes in India on behalf of the Central Government.
- D. To extend loans and advances to banks and other institutions.
- E. None of these

Correct answer: C. To be the sole issuer of banknotes in India on behalf of the Central Government.

Explanation

1. Section 22 gives the RBI the sole right to issue banknotes in India. Currency management operates within the statutory framework.
2. The Government of India issues one-rupee notes and coins. Banknote issuance should be distinguished from managing public debt or extending bank credit.

Q56. Which of the following accurately describes the nature of a joint venture?

संयुक्त उद्यम की प्रकृति का सबसे सही वर्णन कौन-सा है?

- A. Sole ownership and governance by a single firm
- B. Brief partnership that does not result in the formation of a new business entity
- C. A collaborative business agreement where multiple parties decide to combine their assets for a particular endeavor
- D. A protracted alliance where every participant retains control over its individual resources
- E. None of these

Correct answer: C. A collaborative business agreement where multiple parties decide to combine their assets for a particular endeavor

Explanation

1. A joint venture is a collaborative arrangement in which two or more parties combine resources for a defined business undertaking, sharing risks and returns.
2. This question tests the nature of the arrangement. A venture may use a separate legal entity or a contractual structure; it does not necessarily mean sole ownership or a temporary informal partnership.

Q57. Which option correctly lists the CAMELS components used in the Indian bank-supervision framework?

भारतीय बैंक पर्यवेक्षण में प्रयुक्त CAMELS प्रणाली के घटकों का सही क्रम कौन-सा है?

- A. Capital adequacy, Asset quality, Management, Earnings, Liquidity, Systems and controls
- B. Credit, Asset quality, Management, Equity, Liquidity, Systems and controls
- C. Capital adequacy, Asset quality, Market risk, Earnings, Liability, Systems and controls
- D. Credit, Asset quality, Market risk, Equity, Liability, Systems and controls
- E. None of these

Correct answer: A. Capital adequacy, Asset quality, Management, Earnings, Liquidity, Systems and controls

Explanation

1. In the Indian supervisory framework, CAMELS denotes Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Systems and controls.
2. The framework assesses several dimensions of a bank rather than profitability alone. Management differs from market risk, and earnings differs from equity.

Q58. Who is the primary proponent of the Keynesian theory of economics?

कीन्सीय अर्थशास्त्र के प्रमुख प्रवर्तक कौन थे?

- A. Adam Smith
- B. John Maynard Keynes
- C. Karl Marx
- D. Milton Friedman
- E. None of these

Correct answer: B. John Maynard Keynes

Explanation

1. John Maynard Keynes developed Keynesian economics, with emphasis on aggregate demand and its effects on output and employment.
2. His analysis explains why an economy can remain below full employment and why fiscal policy may help stabilise demand during a downturn.

Q59. Which statement best characterizes a Tri-Party Repo?

त्रिपक्षीय रेपो का सबसे सही वर्णन कौन-सा है?

- A. An arrangement to lend money against securities as collateral
- B. A mechanism where securities are traded on a daily basis
- C. A repurchase agreement involving a thirdparty custodian to facilitate the transaction
- D. A bilateral contract between two parties without any intermediaries
- E. None of these

Correct answer: C. A repurchase agreement involving a thirdparty custodian to facilitate the transaction

Explanation

1. A tri-party repo is a repurchase transaction in which a third-party agent assists the two trading counterparties with collateral and settlement services.
2. The third party can handle collateral selection, custody and management. Its participation distinguishes this structure from a purely bilateral repo.

Q60. In the four-theorem classification of bond pricing, which theorem states that longer maturity implies greater price sensitivity?

बॉन्ड मूल्य निर्धारण के चार-प्रमेय वाले वर्गीकरण में कौन-सा प्रमेय कहता है कि लंबी परिपक्वता वाले बॉन्ड की मूल्य संवेदनशीलता अधिक होती है?

- A. Theorem 1
- B. Theorem 2
- C. Theorem 3
- D. Theorem 4
- E. None of these

Correct answer: C. Theorem 3

Explanation

1. In the four-theorem ordering used here, Theorem 3 states that a longer term to maturity generally produces greater price sensitivity to changes in yield.
2. The comparison assumes other relevant bond features are comparable. The theorem numbers refer to this textbook ordering, while the underlying maturity-risk relationship is the key concept.

Q61. Which measures were recommended by the Narasimham Committees for reforming the banking sector?

बैंकिंग क्षेत्र के सुधार के लिए नरसिम्ह समितियों ने कौन-से उपाय सुझाए थे?

- A. Reform of lending practices
- B. Implementation of prudential standards in banking operations
- C. Strengthening of banking supervision
- D. All of A, B and C
- E. None of these

Correct answer: D. All of A, B and C

Explanation

1. The Narasimham banking-reform recommendations included stronger prudential norms, improved supervision and reforms to lending practices.
2. The measures aimed to improve efficiency, transparency and financial soundness. Since all three listed measures form part of this reform direction, the combined option is correct.

Q62. An economy has nominal GDP of Rs.1,500 crore and real GDP of Rs.1,250 crore. What is its GDP deflator?

एक अर्थव्यवस्था का मौद्रिक GDP 1,500 करोड़ रुपये और वास्तविक GDP 1,250 करोड़ रुपये है। उसका GDP अपस्फीतिकारक कितना होगा?

- A. 100
- B. 110
- C. 120
- D. 125
- E. None of these

Correct answer: C. 120

Explanation

1. GDP deflator = (Nominal GDP / Real GDP) x 100.
Here, (1,500 / 1,250) x 100 = 120.
2. A deflator of 120 means that the price level for the output represented by GDP is 20% above the base-year level of 100; it is not itself a 120% inflation rate.

Q63. GDP at market prices is Rs.1,500 crore, depreciation Rs.100 crore, net factor income from abroad Rs.20 crore, indirect taxes Rs.150 crore and subsidies Rs.30 crore. What is NNP at factor cost?

बाजार मूल्य पर GDP 1,500 करोड़ रुपये, मूल्यहास 100 करोड़ रुपये, विदेश से निवल कारक आय 20 करोड़ रुपये, अप्रत्यक्ष कर 150 करोड़ रुपये और सब्सिडी 30 करोड़ रुपये है। कारक लागत पर NNP कितना होगा?

- A. Rs.1,300 crore
- B. Rs.1,320 crore
- C. Rs.1,400 crore
- D. Rs.1,500 crore
- E. None of these

Correct answer: A. Rs.1,300 crore

Explanation

1. NNP at factor cost = GDP at market prices - depreciation + net factor income from abroad - indirect taxes + subsidies.
2. Substituting the values gives $1,500 - 100 + 20 - 150 + 30 = \text{Rs.}1,300$ crore. Net factor income converts domestic income to national income, while depreciation converts gross to net.

Q64. Nominal GDP grows by 10% and the GDP deflator rises by 5%. What is the approximate growth in real GDP, using the exact ratio?

मौद्रिक GDP में 10% वृद्धि होती है और GDP अपस्फीतिकारक 5% बढ़ता है। सटीक अनुपात का उपयोग करने पर वास्तविक GDP की वृद्धि लगभग कितनी होगी?

- A. 15.00%
- B. 5.00%
- C. 9.52%
- D. 4.76%
- E. None of these

Correct answer: D. 4.76%

Explanation

1. Real GDP growth = $[(1 + \text{nominal growth}) / (1 + \text{price growth}) - 1] \times 100$. Thus, $[(1.10 / 1.05) - 1] \times 100$ is approximately 4.76%.
2. Subtracting 5% from 10% gives a convenient approximation of 5%, but the question asks for the exact ratio. Nominal growth includes both output and price changes.

Q65. A manufacturer sells output worth Rs.400 lakh and uses intermediate inputs worth Rs.150 lakh. Ignoring product-tax adjustments, what is its gross value added?

एक निर्माता 400 लाख रुपये का उत्पादन बेचता है और 150 लाख रुपये के मध्यवर्ती आगतों का उपयोग करता है। उत्पाद कर संबंधी समायोजनों को छोड़कर उसकी सकल मूल्य वर्धित राशि कितनी होगी?

- A. Rs.550 lakh
- B. Rs.250 lakh
- C. Rs.150 lakh
- D. Rs.400 lakh
- E. None of these

Correct answer: B. Rs.250 lakh

Explanation

1. Gross value added equals the value of output less intermediate consumption. Therefore, $GVA = 400 - 150 = \text{Rs.}250$ lakh.
2. Subtracting intermediate inputs prevents double counting of goods and services already produced elsewhere. Gross value added is measured before deducting depreciation.

Q66. Government expenditure is Rs.1,200 crore, revenue receipts Rs.900 crore, non-debt capital receipts Rs.100 crore and interest payments Rs.80 crore. What is the primary deficit?

सरकारी व्यय 1,200 करोड़ रुपये, राजस्व प्राप्तियाँ 900 करोड़ रुपये, गैर-ऋण पूंजीगत प्राप्तियाँ 100 करोड़ रुपये और ब्याज भुगतान 80 करोड़ रुपये हैं। प्राथमिक घाटा कितना होगा?

- A. Rs.280 crore
- B. Rs.200 crore
- C. Rs.120 crore
- D. Rs.80 crore
- E. None of these

Correct answer: C. Rs.120 crore

Explanation

1. Fiscal deficit = total expenditure - revenue receipts - non-debt capital receipts = $1,200 - 900 - 100 = \text{Rs.}200$ crore.
2. Primary deficit = fiscal deficit - interest payments = $200 - 80 = \text{Rs.}120$ crore. It shows the borrowing gap after excluding interest on past debt.

Q67. The revenue deficit is Rs.300 crore and grants for creation of capital assets are Rs.75 crore. What is the effective revenue deficit?

राजस्व घाटा 300 करोड़ रुपये और पूंजीगत परिसंपत्तियों के सृजन के लिए अनुदान 75 करोड़ रुपये हैं। प्रभावी राजस्व घाटा कितना होगा?

- A. Rs.225 crore
- B. Rs.375 crore
- C. Rs.300 crore
- D. Rs.75 crore
- E. None of these

Correct answer: A. Rs.225 crore

Explanation

1. Effective revenue deficit = revenue deficit - grants for creation of capital assets. Therefore, $300 - 75 = \text{Rs.225 crore}$.
2. Such grants are recorded as revenue expenditure by the granting government but finance capital assets at the recipient level. The measure adjusts for this distinction.

Q68. Revenue expenditure is Rs.700 crore and revenue receipts are Rs.600 crore. What is the revenue deficit?

राजस्व व्यय 700 करोड़ रुपये और राजस्व प्राप्तियाँ 600 करोड़ रुपये हैं। राजस्व घाटा कितना होगा?

- A. Rs.1,300 crore
- B. Rs.700 crore
- C. Rs.600 crore
- D. Rs.100 crore
- E. None of these

Correct answer: D. Rs.100 crore

Explanation

1. Revenue deficit = revenue expenditure - revenue receipts = $700 - 600 = \text{Rs.100 crore}$.
2. A revenue deficit indicates that revenue receipts are insufficient to meet revenue expenditure. It is distinct from fiscal deficit, which also includes capital transactions.

Q69. Which transaction belongs to the current account of the balance of payments?

निम्नलिखित में से कौन-सा लेन-देन भुगतान संतुलन के चालू खाते में शामिल होता है?

- A. A foreign investor purchases equity in an Indian company
- B. An Indian company pays a foreign firm for consultancy services
- C. An Indian bank borrows from an overseas bank
- D. A foreign lender provides a long-term project loan
- E. None of these

Correct answer: B. An Indian company pays a foreign firm for consultancy services

Explanation

1. Payments for consultancy services are imports of services and belong to the current account. That account covers goods, services, primary income and secondary income.
2. Cross-border equity purchases and borrowing are financial-account transactions. A payment need not involve physical goods to be part of the current account.

Q70. Which investment most clearly represents foreign direct investment rather than a passive portfolio holding?

निष्क्रिय पोर्टफोलियो निवेश की तुलना में कौन-सा निवेश प्रत्यक्ष विदेशी निवेश का सबसे स्पष्ट उदाहरण है?

- A. A foreign individual buys a small quantity of listed shares for short-term trading
- B. A foreign fund buys government bonds
- C. A foreign company establishes and controls a manufacturing subsidiary in India
- D. An overseas investor buys a Treasury Bill
- E. None of these

Correct answer: C. A foreign company establishes and controls a manufacturing subsidiary in India

Explanation

1. Establishing and controlling a manufacturing subsidiary creates a lasting business interest and a direct-investment relationship.
2. Portfolio investment generally involves securities holdings without such a controlling business relationship. Short-term trading and debt-security purchases do not by themselves establish a subsidiary.

Q71. Under a fixed exchange-rate system, the authorities officially change the rate from Rs.70 per US dollar to Rs.75 per US dollar. What is this change called?

स्थिर विनिमय दर प्रणाली में प्राधिकरण आधिकारिक दर को 70 रुपये प्रति अमेरिकी डॉलर से बदलकर 75 रुपये प्रति अमेरिकी डॉलर कर देते हैं। इस परिवर्तन को क्या कहा जाता है?

- A. Devaluation of the rupee
- B. Revaluation of the rupee
- C. Appreciation of the rupee
- D. Dollarisation of the economy
- E. None of these

Correct answer: A. Devaluation of the rupee

Explanation

1. The rupee has been officially reduced in value because more rupees are required to buy one dollar. Under a fixed-rate arrangement, this official downward adjustment is called devaluation.
2. Depreciation normally describes a market-driven fall under a floating exchange-rate system. Revaluation is the official upward adjustment in a fixed-rate system.

Q72. Country A can produce one unit of wheat by giving up two units of cloth; Country B must give up four units of cloth. Which statement is correct?

देश A को एक इकाई गेहूँ बनाने के लिए दो इकाई कपड़े छोड़ने पड़ते हैं, जबकि देश B को चार इकाई कपड़े छोड़ने पड़ते हैं। कौन-सा कथन सही है?

- A. Country B has a comparative advantage in wheat
- B. Both have the same opportunity cost of wheat
- C. Neither country can benefit from trade
- D. Country A has a comparative advantage in wheat
- E. None of these

Correct answer: D. Country A has a comparative advantage in wheat

Explanation

1. Comparative advantage depends on the lower opportunity cost, not simply on total production. Country A sacrifices two units of cloth for wheat, compared with four in Country B.
2. Country A therefore has a comparative advantage in wheat. Specialisation based on relative opportunity costs can support mutually beneficial trade.

Q73. A market has one seller, no close substitutes and substantial barriers to entry. Which market structure does it represent?

एक बाजार में केवल एक विक्रेता है, निकट विकल्प उपलब्ध नहीं हैं और प्रवेश में बड़ी बाधाएँ हैं। यह कौन-सी बाजार संरचना है?

- A. Perfect competition
- B. Monopoly
- C. Monopolistic competition
- D. Oligopoly
- E. None of these

Correct answer: B. Monopoly

Explanation

1. A monopoly has a single seller supplying a product without close substitutes, with barriers restricting entry by competitors.
2. An oligopoly has a small number of major sellers, while perfect competition has many sellers of a homogeneous product. Monopolistic competition combines many sellers with differentiated products.

Q74. A 10% fall in price causes a 20% rise in quantity demanded. Using the percentage-change method and the absolute value, what is price elasticity of demand?

कीमत में 10% कमी से मांग की मात्रा 20% बढ़ती है। प्रतिशत परिवर्तन विधि और निरपेक्ष मान का उपयोग करने पर मांग की कीमत लोच कितनी होगी?

- A. 0.5
- B. 1.0
- C. 2.0
- D. 10.0
- E. None of these

Correct answer: C. 2.0

Explanation

1. The absolute price elasticity of demand = percentage change in quantity demanded / percentage change in price = $20 / 10 = 2$.
2. Demand is elastic because the absolute value exceeds 1. The signed elasticity is negative for an ordinary downward-sloping demand relationship, but the question asks for its absolute value.

Q75. For a normal good, what is the usual effect of a rise in consumer income, with other factors unchanged?

एक सामान्य वस्तु के लिए उपभोक्ता आय बढ़ने पर, अन्य कारक अपरिवर्तित रहने की स्थिति में, सामान्यतः क्या प्रभाव पड़ता है?

- A. The demand curve shifts to the right
- B. The demand curve shifts to the left
- C. There is only movement along the same demand curve
- D. The supply curve necessarily shifts to the left
- E. None of these

Correct answer: A. The demand curve shifts to the right

Explanation

1. Demand for a normal good rises as consumer income rises. At each price, consumers are willing to buy more, shifting the demand curve to the right.
2. A change in the good's own price causes movement along a demand curve. A change in income is a non-price determinant and therefore shifts the curve.

Q76. A worker's money income remains unchanged while the general price level rises. What happens to the worker's real income?

एक कर्मचारी की मौद्रिक आय अपरिवर्तित रहती है, जबकि सामान्य कीमत स्तर बढ़ जाता है। उसकी वास्तविक आय पर क्या प्रभाव पड़ेगा?

- A. It necessarily rises
- B. It remains unchanged
- C. It becomes equal to the inflation rate
- D. It falls
- E. None of these

Correct answer: D. It falls

Explanation

1. Real income measures purchasing power. If the same money income must buy goods at higher prices, the quantity that can be purchased falls.
2. A rise in nominal income does not always mean a rise in real income either. Nominal income must grow faster than the relevant price level for purchasing power to increase.

Q77. A sharp rise in crude-oil prices increases transport and production costs throughout the economy. Which type of inflation does this most directly illustrate?

कच्चे तेल की कीमतों में तेज वृद्धि से अर्थव्यवस्था में परिवहन और उत्पादन लागत बढ़ जाती है। यह सबसे सीधे किस प्रकार की मुद्रास्फीति का उदाहरण है?

- A. Demand-pull inflation
- B. Cost-push inflation
- C. Deflation
- D. Disinflation caused by lower costs
- E. None of these

Correct answer: B. Cost-push inflation

Explanation

1. Higher oil prices raise input costs, which can cause firms to increase selling prices. This supply-side pressure is cost-push inflation.
2. Demand-pull inflation arises when aggregate demand grows relative to available output. Deflation means falling prices, while disinflation means a slower rate of price increase.

Q78. Which combination represents contractionary fiscal policy?

कौन-सा संयोजन संकुचनकारी राजकोषीय नीति को दर्शाता है?

- A. Lower taxes and higher government spending
- B. Lower taxes and unchanged government spending
- C. Higher taxes and lower government spending
- D. Lower policy interest rates and purchases of securities
- E. None of these

Correct answer: C. Higher taxes and lower government spending

Explanation

1. Higher taxes reduce private disposable income, while lower government spending reduces a component of aggregate demand. Together they represent contractionary fiscal policy.
2. Interest-rate changes and central-bank securities operations are monetary-policy measures. Fiscal policy works principally through government taxation and expenditure.

Q79. Which is an example of an automatic fiscal stabiliser?

कौन-सा विकल्प स्वचालित राजकोषीय स्थिरक का उदाहरण है?

- A. Income-tax collections fall automatically when taxable incomes decline
- B. The government announces a new discretionary spending package
- C. The central bank changes the repo rate
- D. Parliament approves a new tax rate for the first time
- E. None of these

Correct answer: A. Income-tax collections fall automatically when taxable incomes decline

Explanation

1. With an existing income-tax system, tax collections decline when taxable incomes decline. This cushions disposable income without requiring a new policy decision for each downturn.
2. A newly announced spending package or tax-rate change is discretionary. Automatic stabilisers operate through the existing structure of taxes and eligible transfers.

Q80. Under a repo, securities are sold for Rs.100 lakh and repurchased for Rs.102 lakh at the agreed date. Ignoring fees, what is the financing cost for the period?

एक रेपो में प्रतिभूतियाँ 100 लाख रुपये में बेची जाती हैं और तय तिथि पर 102 लाख रुपये में पुनः खरीदी जाती हैं। शुल्क छोड़कर उस अवधि की वित्त लागत कितनी है?

- A. Rs.100 lakh
- B. Rs.102 lakh
- C. Rs.202 lakh
- D. Rs.2 lakh
- E. None of these

Correct answer: D. Rs.2 lakh

Explanation

1. The financing cost for the period is the repurchase price less the initial sale price: $102 - 100 = \text{Rs.2 lakh}$.
2. The initial Rs.100 lakh is the principal funding received. Annualising the return would also require the number of days and an agreed day-count convention, which are not needed here.

Q81. Assume a bank has relevant deposit liabilities of Rs.1,000 crore and a prescribed CRR of 4%. How much cash reserve must it maintain with the central bank?

मान लीजिए किसी बैंक की संबंधित जमा देयताएँ 1,000 करोड़ रुपये हैं और निर्धारित CRR 4% है। उसे केंद्रीय बैंक के पास कितनी नकद आरक्षित राशि रखनी होगी?

- A. Rs.4 crore
- B. Rs.40 crore
- C. Rs.100 crore
- D. Rs.400 crore
- E. None of these

Correct answer: B. Rs.40 crore

Explanation

1. Required cash reserve = relevant liabilities x prescribed CRR = $1,000 \times 4\% = \text{Rs.40 crore}$.
2. The ratio is an assumption supplied in this numerical question. CRR is a cash-reserve requirement and should not be confused with the wider set of eligible assets used for SLR.

Q82. In a simplified deposit-multiplier model with no cash leakage or excess reserves, the required reserve ratio is 20%. What is the deposit multiplier?

एक सरल जमा गुणक मॉडल में नकद रिसाव और अतिरिक्त आरक्षित निधि नहीं है। अनिवार्य आरक्षित अनुपात 20% होने पर जमा गुणक कितना होगा?

- A. 0.2
- B. 2
- C. 5
- D. 20
- E. None of these

Correct answer: C. 5

Explanation

1. In the simplified model, the deposit multiplier equals $1 / \text{required reserve ratio}$. Since $20\% = 0.20$, the multiplier is $1 / 0.20 = 5$.
2. The result depends on the stated assumptions. Cash withdrawals, excess reserves and other constraints can reduce actual deposit expansion relative to this simple model.

Q83. What is the immediate liquidity effect when the central bank purchases government securities from banks in an open-market operation?

खुले बाजार परिचालन में केंद्रीय बैंक जब बैंकों से सरकारी प्रतिभूतियाँ खरीदता है, तो तरलता पर तत्काल क्या प्रभाव पड़ता है?

- A. Bank reserves and banking-system liquidity increase
- B. Bank reserves necessarily decrease
- C. There is no payment to the selling banks
- D. The transaction directly raises income-tax rates
- E. None of these

Correct answer: A. Bank reserves and banking-system liquidity increase

Explanation

1. The central bank pays the selling banks for the securities, increasing their reserve balances. An outright purchase therefore injects liquidity into the banking system.
2. An outright sale generally absorbs liquidity as banks pay the central bank. The operation affects reserve money rather than directly changing tax rates.

Q84. Which issuer-instrument pair is correctly matched?

कौन-सा जारीकर्ता और वित्तीय साधन का मिलान सही है?

- A. A household - Certificate of Deposit
- B. A mutual fund unit holder - Treasury Bill
- C. A State Government - Commercial Paper
- D. An eligible non-financial company - Commercial Paper
- E. None of these

Correct answer: D. An eligible non-financial company - Commercial Paper

Explanation

1. Commercial Paper is an unsecured short-term debt instrument that eligible companies and other permitted issuers can use to raise funds.
2. Treasury Bills are issued by the Government of India, while Certificates of Deposit are issued by eligible banks and permitted financial institutions. A household is not a CD issuer.

Q85. A 91-day Treasury Bill is bought for Rs.98,000 and redeemed for Rs.1,00,000. Using a 365-day year and a simple return on purchase price, what is its approximate annualised yield?

91 दिन का ट्रेजरी बिल 98,000 रुपये में खरीदा जाता है और 1,00,000 रुपये में भुनाया जाता है। 365 दिन का वर्ष तथा खरीद मूल्य पर सरल प्रतिफल मानकर वार्षिकीकृत प्रतिफल लगभग कितना होगा?

- A. 2.04%
- B. 8.19%
- C. 8.00%
- D. 10.20%
- E. None of these

Correct answer: B. 8.19%

Explanation

1. Holding-period return = $(1,00,000 - 98,000) / 98,000$. Annualised simple yield = $(2,000 / 98,000) \times (365 / 91) \times 100$, approximately 8.19%.
2. The question specifies a return on purchase price and a 365-day convention. A discount yield based on face value or a different day-count convention would produce a different figure.

Q86. A bond pays an annual coupon of Rs.80 and trades at Rs.800. What is its current yield?

एक बॉन्ड का वार्षिक कूपन 80 रुपये है और उसका बाजार मूल्य 800 रुपये है। उसका चालू प्रतिफल कितना होगा?

- A. 8%
- B. 12%
- C. 10%
- D. 80%
- E. None of these

Correct answer: C. 10%

Explanation

1. Current yield = $\text{annual coupon} / \text{current market price} \times 100 = 80 / 800 \times 100 = 10\%$.
2. Current yield measures coupon income relative to market price. It does not include the capital gain or loss at redemption and is therefore different from yield to maturity.

Q87. Which feature most clearly identifies a zero-coupon bond?

कौन-सी विशेषता शून्य-कूपन बॉन्ड को सबसे स्पष्ट रूप से पहचानती है?

- A. It makes no periodic coupon payments
- B. It always has a zero purchase price
- C. It can never have a maturity date
- D. It necessarily carries no credit risk
- E. None of these

Correct answer: A. It makes no periodic coupon payments

Explanation

1. A zero-coupon bond does not pay periodic interest coupons. It is commonly issued below redemption value, with the return arising from the difference.
2. Zero coupon does not mean zero risk or a free investment. Its market price can change with interest rates, and the issuer may still expose the investor to credit risk.

Q88. Which statement about a credit rating is correct?

क्रेडिट रेटिंग के बारे में कौन-सा कथन सही है?

- A. It guarantees repayment of every rated obligation
- B. It is a fixed promise of market return
- C. It eliminates all interest-rate risk
- D. It is an opinion on creditworthiness and is not a repayment guarantee
- E. None of these

Correct answer: D. It is an opinion on creditworthiness and is not a repayment guarantee

Explanation

1. A credit rating expresses an assessment of the issuer's or instrument's ability to meet financial obligations. It is an opinion, not a contractual guarantee of repayment.
2. Ratings may be revised as conditions change. Investors must still consider credit, market, liquidity and other relevant risks rather than relying on a rating alone.

Q89. Diversifying a portfolio across unrelated companies most directly reduces which risk?

असंबंधित कंपनियों में निवेश फैलाकर पोर्टफोलियो का विविधीकरण करने से सबसे सीधे कौन-सा जोखिम कम होता है?

- A. All economy-wide systematic risk
- B. Company-specific unsystematic risk
- C. Every form of inflation risk
- D. All interest-rate risk without exception
- E. None of these

Correct answer: B. Company-specific unsystematic risk

Explanation

1. Company-specific risk can be reduced by holding investments whose individual outcomes are not perfectly correlated. Poor performance by one firm may be offset elsewhere.
2. Economy-wide systematic risk, such as a broad recession or market shock, cannot generally be eliminated merely by adding more shares from the same market.

Q90. A mutual-fund scheme has assets of Rs.104 crore, liabilities of Rs.4 crore and 10 crore units outstanding. What is NAV per unit?

एक म्यूचुअल फंड योजना की परिसंपत्तियाँ 104 करोड़ रुपये, देयताएँ 4 करोड़ रुपये और जारी इकाइयाँ 10 करोड़ हैं। प्रति इकाई NAV कितना होगा?

- A. Rs.10.40
- B. Rs.10.80
- C. Rs.10.00
- D. Rs.14.00
- E. None of these

Correct answer: C. Rs.10.00

Explanation

1. NAV per unit = (assets - liabilities) / units outstanding = (104 - 4) crore / 10 crore = Rs.10.
2. Liabilities must be deducted before dividing by outstanding units. NAV is a per-unit measure of the scheme's net assets; it is not simply its gross asset value.

Q91. A company offers new shares to its existing shareholders in proportion to their holdings, usually for a subscription payment. What is this issue called?

एक कंपनी अपने मौजूदा शेयरधारकों को उनकी हिस्सेदारी के अनुपात में नए शेयर देती है, जिनके लिए सामान्यतः सदस्यता राशि देनी होती है। इस निर्गम को क्या कहा जाता है?

- A. Rights issue
- B. Bonus issue
- C. Stock split
- D. Offer only to new foreign investors
- E. None of these

Correct answer: A. Rights issue

Explanation

1. A rights issue offers existing shareholders an opportunity to subscribe to additional shares, commonly in proportion to their current holdings.
2. Unlike a bonus issue, a rights issue generally requires payment and raises funds for the company. Subscription rights may be transferable, depending on the issue terms.

Q92. A company capitalises eligible reserves and issues additional shares to existing shareholders without a subscription payment. What is the immediate nature of this transaction?

एक कंपनी पात्र आरक्षित निधि को पूंजी में बदलकर मौजूदा शेयरधारकों को बिना सदस्यता भुगतान के अतिरिक्त शेयर जारी करती है। इस लेन-देन की तत्काल प्रकृति क्या है?

- A. It raises fresh cash from shareholders
- B. It always doubles total company value
- C. It creates a new bank loan
- D. It is a bonus issue that does not itself bring fresh cash into the company
- E. None of these

Correct answer: D. It is a bonus issue that does not itself bring fresh cash into the company

Explanation

1. A bonus issue converts eligible reserves into share capital and distributes additional shares. Shareholders do not pay a subscription amount for those bonus shares.
2. The transaction does not by itself raise fresh cash or create additional total net assets. More shares are outstanding, so a larger share count alone does not establish a gain in total investment value.

Q93. Which distinction between futures and forwards is generally correct?

फ्यूचर्स और फॉरवर्ड के बीच कौन-सा अंतर सामान्यतः सही है?

- A. Both must always be privately negotiated without an exchange
- B. Futures are generally standardised and exchange traded; forwards are generally customised and OTC
- C. Forwards can never have counterparty risk
- D. Futures never require any margin
- E. None of these

Correct answer: B. Futures are generally standardised and exchange traded; forwards are generally customised and OTC

Explanation

1. Futures contracts generally use standardised terms and trade on exchanges with clearing arrangements. Forwards are usually privately negotiated over the counter with customised terms.
2. Exchange-traded futures commonly involve margins and mark-to-market settlement. A forward can carry counterparty risk, and its terms depend on the negotiated agreement.

Q94. What does the buyer of an option acquire by paying the premium?

विकल्प का खरीदार प्रीमियम देकर क्या प्राप्त करता है?

- A. An obligation to exercise in every situation
- B. Ownership of the underlying asset in every case
- C. A contractual right, without an obligation, to buy or sell on the agreed terms
- D. A guaranteed profit regardless of market prices
- E. None of these

Correct answer: C. A contractual right, without an obligation, to buy or sell on the agreed terms

Explanation

1. An option buyer obtains a right to exercise according to the contract terms but can choose not to exercise. A call gives a right to buy; a put gives a right to sell.
2. The buyer pays a premium for this right. The writer has the corresponding obligation if the option is validly exercised, and the premium does not guarantee a profit for the buyer.

Q95. A call option has a strike price of Rs.100 and a premium of Rs.5 per unit. At expiry, the underlying price is Rs.120. What is the buyer's net profit per unit, ignoring transaction costs?

एक कॉल विकल्प की प्रयोग कीमत 100 रुपये और प्रति इकाई प्रीमियम 5 रुपये है। समाप्ति पर अंतर्निहित परिसंपत्ति का मूल्य 120 रुपये है। लेन-देन लागत छोड़कर खरीदार का प्रति इकाई निवल लाभ कितना होगा?

- A. Rs.15
- B. Rs.20
- C. Rs.25
- D. Rs.5
- E. None of these

Correct answer: A. Rs.15

Explanation

1. The call's expiry payoff is $\max(120 - 100, 0) = \text{Rs.}20$ per unit. Net profit deducts the premium: $20 - 5 = \text{Rs.}15$.
2. The distinction between payoff and profit matters. The call buyer benefits from a price above the strike, but the premium must be recovered before the position earns a net profit.

Q96. A company has a floating-rate loan and wants to hedge against rising interest rates using an interest-rate swap. Which swap position is most suitable?

एक कंपनी ने परिवर्तनीय ब्याज दर पर ऋण लिया है और ब्याज दर बढ़ने के जोखिम से बचने के लिए ब्याज दर स्वैप करना चाहती है। कौन-सी स्वैप स्थिति सबसे उपयुक्त है?

- A. Pay floating and receive fixed
- B. Pay both fixed and floating without receiving anything
- C. Receive only an equity dividend
- D. Pay fixed and receive floating
- E. None of these

Correct answer: D. Pay fixed and receive floating

Explanation

1. A pay-fixed, receive-floating swap allows the company to receive a floating payment that can offset the floating interest on its loan, leaving a fixed-rate payment under the swap.
2. The hedge is most effective when the loan and swap match in notional amount, reference rate and timing. Basis differences and counterparty exposure can still matter.

Q97. Under factoring with recourse, who generally bears the ultimate loss if an approved customer fails to pay solely because of credit default, subject to the contract?

पुनःदावे सहित फैक्ट्रिंग में, अनुबंध के अधीन, यदि स्वीकृत ग्राहक केवल ऋण चूक के कारण भुगतान नहीं करता है, तो अंतिम हानि सामान्यतः किस पर आती है?

- A. The seller has no liability in any circumstances
- B. The seller, because the factor can exercise recourse
- C. The central bank automatically pays the debt
- D. The stock exchange always guarantees the invoice
- E. None of these

Correct answer: B. The seller, because the factor can exercise recourse

Explanation

1. In recourse factoring, the factor can recover the unpaid amount from the seller under the agreed terms. The seller therefore generally retains the customer credit risk.
2. Non-recourse factoring can transfer approved debtor credit risk to the factor, subject to conditions and exclusions. Disputes, fraud and contractual breaches may be treated differently from pure credit default.

Q98. A lease transfers substantially all risks and rewards of ownership of an asset to the lessee, even though legal title may not immediately transfer. How is it classified?

एक पट्टा परिसंपत्ति के स्वामित्व से जुड़े लगभग सभी जोखिम और प्रतिफल पट्टेदार को हस्तांतरित करता है, भले ही कानूनी स्वामित्व तुरंत न बदले। इसका वर्गीकरण क्या होगा?

- A. Operating lease by definition
- B. A savings deposit
- C. Finance lease
- D. A spot foreign-exchange trade
- E. None of these

Correct answer: C. Finance lease

Explanation

1. A finance lease is characterised by transfer of substantially all risks and rewards incidental to ownership. Immediate transfer of legal title is not essential to this definition.
2. This question tests the nature of the lease arrangement. It should not be confused with a claim that every lessee can keep lease obligations off the balance sheet under current accounting standards.

Q99. Property worth Rs.80 lakh is insured for Rs.60 lakh. A covered partial loss of Rs.20 lakh occurs. Applying the average clause and ignoring deductibles, what claim is payable?

80 लाख रुपये की संपत्ति का बीमा 60 लाख रुपये के लिए कराया गया है। बीमित जोखिम से 20 लाख रुपये की आंशिक हानि होती है। औसत खंड लागू करने और कटौतियाँ छोड़ने पर देय दावा कितना होगा?

- A. Rs.15 lakh
- B. Rs.20 lakh
- C. Rs.60 lakh
- D. Rs.80 lakh
- E. None of these

Correct answer: A. Rs.15 lakh

Explanation

1. Under the average clause, claim = loss x (sum insured / value at risk). Thus, $20 \times (60 / 80) = \text{Rs.15 lakh}$.
2. The property is insured for only 75% of its value, so the insurer pays 75% of the covered partial loss under the stated assumptions. The remaining portion is borne by the policyholder.

Q100. An asset has a cash price of Rs.6,00,000. Under hire purchase, the down payment is Rs. 1,00,000 and total instalments are Rs.6,00,000. Ignoring fees, what is the total finance charge?

एक परिसंपत्ति का नकद मूल्य 6,00,000 रुपये है। किराया-खरीद में अग्रिम भुगतान 1,00,000 रुपये और कुल किस्तें 6,00,000 रुपये हैं। शुल्क छोड़कर कुल वित्त प्रभार कितना होगा?

- A. Rs.6,00,000
- B. Rs.7,00,000
- C. Rs.2,00,000
- D. Rs.1,00,000
- E. None of these

Correct answer: D. Rs.1,00,000

Explanation

1. Total hire-purchase payments = down payment + instalments = $1,00,000 + 6,00,000 = \text{Rs.7,00,000}$.
2. Total finance charge = total payments - cash price = $7,00,000 - 6,00,000 = \text{Rs.1,00,000}$. The cash-price component and financing component should be distinguished.