WBCS (Main) Exam. Paper – V Practice Set

Answers with Explanation

1. (a) Statement 3 is incorrect: Both StCBs/DCCBs are registered under the provisions of State Cooperative Societies Act of the State concerned and are regulated by the Reserve Bank through Banking Regulation Act, 1949
2. (a) Statement 3 is incorrect: C. Nachiket Mor recommended that each Indian resident, above the age of 18 years would have an individual, safe and secure electronic bank account.
3. (c) Both Statements are correct.
4. (c) Statement 2 is incorrect: The maturity period of Certificates of Deposits can be more than a year if it is issued by All-India Financial Institutions.

5. (a) Option (a) is correct.
6. (b) Statement 2 is incorrect: In contrast to cryptocurrencies, a central bank digital currency would be centrally controlled (even if it was on a distributed database), and therefore, a blockchain or other distributed ledger would likely not be required or useful.

   Statement 3 is incorrect: e-RUPI comes close to Central Bank Digital Currencies as they are paid for by the government but is not a CBDC as it is a digital token based on blockchain technology.
7. (c) Statement 3 is incorrect: Housing Finance Companies, Merchant Banking Companies, Stock Exchanges, Companies engaged in the business of stock-broking/sub-broking, Venture Capital Fund Companies, Nidhi Companies, Insurance companies and Chit Fund Companies are NBFCs but they have been exempted from the requirement of registration under Section 45-IA of the RBI Act, 1934 subject to certain conditions.

8. (d) All statements are correct.
9. (c) Statement 2 is incorrect: Bankers deposits to RBI are RBI's liabilities.
10. (a) Option (c) is correct: If the RBI fails to keep inflation within 2-6 per cent for three consecutive quarters, it has to write to the government to justify the reasons for it.
11. (d) • Statement 1 is incorrect: It is the rate at which only short term funds are borrowed and lent in the money market.

    • Statement 2 is incorrect: A tight liquidity condition leads to a rise in call money rate.
12. (a) Statement 3 is incorrect: The requirement of CAR in India is more than the Basel III norms.
13. (c) Both statements are correct.
14. (d) Option (d) is correct.

15. (d) All statements are correct.
16. (c) Option (c) is correct: Repayment of loan is a capital expenditure.
17. (d) Statement 4 is incorrect: N K Singh Committee recommended that to use 'debt' as the primary target for fiscal policy and that the target must be achieved by 2023.
18. (a) Statement 2 is incorrect: The MPC is required to meet at least four times in a year.
19. (d) Option (d) is correct.
20. (a) Statement 2 is incorrect : Monetary policy was subservient to the fiscal policy in that era.
21. (b) Option (b) is correct.
22. (a) Option (a) is correct.

23. (c) Both statements are correct.
24. (c) Option (c) is correct.
25. (b) Statement 2 is incorrect: The GoCA includes the Government of India grants forwarded to the states & UTs for the implementation of the centrally sponsored programmes.
26. (b) Statement 3 is incorrect: The Paris Collaborative on Green Budgeting was launched in 2017 by Organisation for Economic Co-operation and Development (OECD).
27. (b) Option (b) is correct.
28. (d) Option (d) is correct.
29. (c) Both statements are correct.
30. (c) Pairs 3 is incorrectly matched:Liabilities of the Government-Capital Receipts.

31. (b) Option (b) is correct.
32. (d) Statement 1 is incorrect: Discretionary fiscal stimulus' refers to an increase in the fiscal deficit caused by government policy as distinct from an increase caused by slowing growth. The government's focus thus so far has been on reassuring the financial markets that the

fiscal will not spin out of control. It has kept the 'discretionary fiscal stimuli down to 1% of GDP, a figure that is most modest about that of many other economies especially developed economies.

Statement 2 is incorrect: Discretionary fiscal policies are different from automatic fiscal stabilizers. Automatic stabilizers occur wherein in a recession a government automatically spends more because there are more claiming unemployment benefits. However, the government may feel these automatic stabilizers are insufficient and so they decide to increase public work spending schemes too.

33. (d) Statement 1 is incorrect : All grants given to state governments and Union territories are also treated as revenue expenditure, even if some of these grants may be used for the creation of capital assets.

34. (c) Both statements are correct.

35. (b) Statement 2 is incorrect : Standing deposit facility is a remunerated facility that will not require the provision of collateral for liquidity absorption.

36. (d) Option (d) is correct.

37. (d) Option (d) is correct

38. (c) Option (c) is correct.

39. (d) Option (d) is correct.

40. (d) • Statement 1 is incorrect: Where any law passed by the Parliament inconsistent is with the law passed in the state legislature, the Parliamentary law would prevail.

• Statement 2 is incorrect: Any state law after receiving the presidential assent the law can still be held void if the Parliament amend, verify and repeal any law in respect to the same matter.

41. (b) Option (b) is correct.

42. (a) • Option (a) is correct: Parliament cannot make any amendment to the Constitution that contravenes with the basic structure of the Constitution. If any such provision is made, judicial review power of the apex court can nullify it.

43. (d) • Option (d) is incorrect: The electoral franchise was still limited to about 10% of the population.

44. (c) Option (c) is correct.

45. (c) • Statement 1 is incorrect: Company's monopoly over trade with China and tea was ended by Charter Act of 1833.

• Statement 3 is incorrect: Charter Act of 1833 made East India Company a purely administrative body.

46. (b) • Statement 1 is incorrect : Establishment of inter-state council is provided in the Constitution while Zonal councils are statutory in nature.

• Statement 3 is incorrect : The Parliament can appoint an appropriate authority to carry out Constitutional provisions of interstate trade.

47. (b) • Statement 1 is incorrect : The Chairman and members of State PSC can be removed only by the President of India.

48. (c) Both statements are correct.

49. (c) • 1 is incorrectly matched : Vohra committee had a mandate to look in Nexus between politicians and criminals.

• 2 is incorrectly matched : Rajamannar Committee was mandated to look into Centre-State relations.

50. (c) • Statement 1 is incorrect: DPSPs are nonbinding in nature hence UCC cannot be made mandatory to be implemented on the part of the Government.

• Statement 2 is incorrect: UCC is mentioned under Article 44 of Constitution of India, which is under Part IV.

51. (a) Statement 2 is incorrect: The framers of the Constitution borrowed this idea from the Irish Constitution of, which had copied it from the Spanish Constitution.

52. (d) Option (d) is correct.

53. (c) Statement 1 is incorrect : During an Emergency, the Central government becomes all-powerful and the states go into total control of the Centre. It converts the federal structure into a unitary one without a formal amendment of the Constitution.

54. (c) Both statements are correct.

55. (a) • Statement 2 is incorrect: The Parliament can limit the jurisdiction of the Supreme Court or any other court in respect of any such dispute or complaint.

56. (b) • Statement 1 is incorrect : The Parliament can make laws for the whole or any part of the territory of India. The territory of India includes the states, the union territories, and any other area for the time being included in the territory of India.

57. (b) Option (b) is correct.

58. (c) Option (c) is correct.

59. (c) Option (c) is correct : Fundamental rights are fundamental since they are guaranteed by the constitution and also fundamental in sense that they are essential for all round development of individual.

60. (c) Statement 2 is incorrect: Mandal judgment rejected reservation in promotion.

61. (a) Option (a) is correct.

62. (a) • Statement 3 is incorrect: The modified version of the objective resolution forms the Preamble of the present Constitution.

63. (a) • Statement 2 is incorrect: The right to acquire, own and administer property by religious institutions is subject to the regulatory power of the State.

64. (d) Option (d) is correct.

65. (b) • Statement 1 is incorrect: The term untouchability is not defined in Constitution.

66. (c) • Both statement are correct.

67. (d) • All statements are correct.

68. (d) • Both statements are correct.

69. (d) • Statement 1 is incorrect: The procedure for Amendment of the Constitution and election of members of Rajya Sabha is borrowed from the South African Constitution.

• Statement 2 is incorrect: The features of freedom of Trade, commerce and intercourse and joint sitting of the two houses of Parliament is borrowed from the Australian Constitution.

70. (c) • Both statements are correct.

71. (b) • Option (b) is correct.

72. (a) • Statement 2 is incorrect: The Supreme Court of India is also considered as the 'Custodian of the Constitution' of India, so the power of judicial review bestowed in the courts is not to establish the 'supremacy' of the courts themselves but to ensure the supremacy of the Constitution.

73. (b) • Option (b) is correct.

74. (b) Statements 2 and 3 are incorrect : The income tax appellate tribunal was the first tribunal to be established in India in 1941.

75. (c) Option (c) is correct.

76. (b) Option (b) is correct.

77. (a) Option (a) is correct.

78. (c) Both statements are correct.

79. (b) • Statement 1 is incorrect : According to the rule of locus standi, only that person whose rights are infringed alone can move the court for the remedies, whereas, the PIL is an exception to this traditional rule. Under the PIL, any public-spirited citizen or a social organisation can move the court for the enforcement of the rights of any person or group of persons who because of their poverty or ignorance or socially or economically disadvantaged position are themselves unable to approach the court for the remedies.

80. (a) • Statement 2 is incorrect : In addition to the Ministries and Departments of Central Government, the Government of India has notified about 214 organizations under section 14 (2) of the Administrative Tribunals Act, 1985 to bring them within the jurisdiction of the Central Administrative Tribunal, from time to time. In addition, the Central Administrative Tribunal, Principal Bench is dealing with the matters of Govt. of National Capital Territory of Delhi.

• Statement 3 is incorrect : There are 17 Benches and 21 Circuit Benches in the Central Administrative Tribunal all over India.

81. (c) Both statements are correct.

82. (a) • Statement 2 is incorrect : Supreme Court held that subordinate judicial officers cannot apply or compete for direct appointment as District Judge even if they have a previous experience of seven years as an advocate.

83. (c) Both statements are correct.

84. (a) • Statement 2 is incorrect: Before the Chief Minister enters his office, the Governor administers to him the oaths of office and secrecy.

85. (b) • Statement 2 is incorrect: The nominated members of both of Houses of Parliament, the nominated members of the state (and UTs, if) legislative assemblies, the members (both elected and nominated) of the state legislative councils (in case of the bicameral legislature) do not participate in the election of the President.

• Statement 3 is incorrect: The voting is done by secret ballot.

86. (b) Statement 3 is incorrect: The President may either give or withhold assent to a Money Bill.

87. (b) • Statement 1 is incorrect: Under Article 169, Parliament may by law create or abolish the second chamber in a State if the Legislative Assembly of that State passes a resolution to that effect by a special majority.

• Statement 3 is incorrect: The members of the Legislative Councils cannot take part in the election of the President.

88. (c) Option (c) is correct.

89. (c) Understanding the Standing Deposit Facility (SDF): The SDF was introduced through an amendment to the RBI Act, 1934. The SDF works similar to the Reverse Repo. However, the SDF would be different from the Reverse Repo in the following ways:

1. Under the SDF route, the RBI would not be required to provide the G-Secs as collateral to the banks. Hence, it would enable the RBI to absorb huge amount of liquidity from the economy without the G-Secs acting as collateral.

2. The SDF would be available for parking the funds with the RBI on an overnight basis. But, the duration of the Reverse Repo could be longer.

3. Presently, the Reverse Repo is 3.35%, while the SDF rate has been fixed higher at 3.75%.

90. (d) The small savings instruments are the major source of household savings in India. Broadly, the small savings schemes basket comprises 12 instruments and can be classified under 3 heads. These are:

• Postal deposits;

• Savings certificates [(National Small Savings Certificate VIII (NSC) and Kisan Vikas Patra (KVP)]; and

• Social Security Schemes [(Public Provident Fund (PPF) and Senior Citizens' Savings Scheme (SCSS)].

All small savings collections are credited to the National Small Savings Fund (NSSF) in the Public Account of India. The interest rates are reset every quarter, based on the G-Sec yields of the previous 3 months.

A certain amount of NSSF is invested in the Central and State Government securities. The Fund is administered by the Department of Economic Affairs, the Ministry of Finance.

91. (a) The Special Purpose Acquisition Companies (SPACs) are the listed shell companies created with the sole purpose to acquire the unlisted private companies. The SPACs do not have any business operations or revenues of their own, but are created to raise capital through the IPO (The Initial Public Offering). The money raised is then used to acquire the private companies.

They are also called as the "Blank Cheques", as the investors would have no idea as to where their money will be invested.

Global: The SPACs are currently regulated and recognised across multiple jurisdictions, such as the UK, the USA, Canada, Singapore and Malaysia. The SPACs have raised more than 50% of the capital in the stock market in the USA in 2020.

India – The International Financial Services Centre (IFSC): The GIFT city, located in Gujarat, enables raising of capital through the SPACs. The International Financial Services Centres Authority (IFSCA) has already provided regulatory clarity on listing the SPACs in the International Financial Services Centre.

Domestic Market: The capital market regulator, i.e., SEBI (The Securities and Exchange Board of India) has so far not enabled the raising of capital through the SPACs. Hence, the current regulatory framework of India is not supportive of the SPAC structure.

92. (a) About the MUDRA Scheme:

Launched in: 2015

Implemented by: The Ministry of Finance.

Objective: To provide loans of up to Rs. 10 lakhs to Non-Corporate Small Business Sector (NCSBS), which includes small manufacturing units, shopkeepers, fruits/vegetable vendors, truck & taxi operators, food-service units, repair shops, machine operators, small industries, artisans, food processors, street vendors and many others.

Who can provide loans?

The loans are provided by the last mile financers, such as the Public Sector Banks, Regional Rural Banks, Co-operative Banks, Private and Foreign Banks, Small Finance Banks, Non-banking financial companies (NBFCs) and Micro-Finance Institutions.

Benefits for the last mile financers: The loans provided by the last mile financers get refinanced by the Micro Units Development and Refinance Agency Ltd. (MUDRA). Hence, MUDRA does not directly lend to the individuals/ microenterprises. MUDRA is a refinancing institution.

Rate of interest on the MUDRA loans: The interest rates are deregulated and the banks have been advised to charge reasonable interest rates.

Need for collateral: The banks have been mandated by the RBI not to insist for collateral for the loans given under the MUDRA Scheme. Hence, MUDRA loans are collateral free.

93. (d) 'The Economic Cost of Food Grains' refers to the cost incurred by the Food Corporation of India (FCI) for the procurement of food grains. It comprises 3 components:

• Pooled cost of grains [weighted MSP (Minimum Support Price) of the stock of food grains];

• Procurement incidentals (Labour charges, transport charges, storage cost etc.); and

• Cost of distribution.

94. (b) As per the latest data, the Tax-to-GDP ratio in 2021-22 has increased to its highest level of 11.7%. Share of the Direct and the Indirect Taxes: The share of the Direct Taxes is 6.1% and the share of the Indirect Taxes is 5.6%.

Contribution of different taxes in the descending order: The GST (including CGST, UTGST and GST Compensation Cess), Corporate Tax, Income Tax, Union Excise Duty and Customs Duty. Amongst the Direct Taxes, Corporate Tax accounts for the highest share.

95. (c) The India Post Payments Bank (IPPB) has recently announced the launch of 'Fincluvation' to promote financial inclusion.

Phygital Banking: Combination of two words, i.e., 'Physical' and 'Digital'. It is a form of banking that combines the advantages of digitalization with the comfort of a physical bank branch.

Details about Fincluvation: Under this initiative, the start-ups are invited to build technology-led solutions for:

• Instant paperless micro credit, using alternate data sources.

• Integration of digital payments with the money order services of India Post.

• Innovative solutions for the promotion of financial inclusion.

96. (a) Presently, both the Central and the State Governments impose taxes on petrol and diesel. The Central Taxes on petrol and diesel include: Basic Excise Duty; Special Additional Excise Duty; Road and Infrastructure Cess; and Agriculture Infrastructure and Development Cess. Only the Basic Excise Duty imposed on the petroleum products is distributable among the Centre and the States.

97. (d) The Society for Worldwide Interbank Financial Telecommunication (SWIFT) provides a network that enables the financial institutions worldwide to send and receive information about the financial transactions in a secure, standardized and reliable environment.

Hence, SWIFT is not a payment network. Rather, it is a messaging network that enables the banks and the financial institutions to send and receive messages about financial transactions.

It is a global member-owned cooperative that is headquartered in Brussels (Belgium). It was founded in 1973 by a group of 239 banks from 15 countries, which formed a cooperative utility to develop a secure electronic messaging service and common standards to facilitate cross-border payments.

Can SWIFT impose sanctions?: As a utility with a systemic global character, SWIFT has no authority to make sanctions decisions. Any decision to impose or to lift sanctions on the countries or individual entities rests solely with the competent government bodies and legislators. Whilst sanctions are imposed independently in different jurisdictions around the world, SWIFT cannot arbitrarily choose which jurisdiction's sanction regime to follow. Being incorporated under the Belgian law, it must instead comply with the related EU regulation, as confirmed by the Belgian Government.

98. (a) The e-RUPI prepaid digital voucher is a person-specific and purpose-specific cashless voucher, developed by the NPCI (The National Payments Corporation of India). It can be used by the individuals, corporates or governments. e-RUPI runs on the UPI platform. e-RUPI vouchers are presently being used largely for COVID-19 vaccination purposes.

New Announcement: The RBI has proposed to increase the cap on amount for e-RUPI vouchers, issued by the Government, from Rs. 10,000 to Rs. 1 lakh per voucher and allow the use of the eRUPI voucher multiple times (until the amount of the voucher is completely redeemed).

99. (d) The Voluntary Retention Route (VRR): Introduced by the RBI in March, 2019, to enable the FPIs to invest in debt markets in India. Broadly, the investments through the Route are free from the macro-prudential and other regulatory norms applicable to the FPI investments in debt markets.

However, for availing such a benefit, the FPIs should voluntarily commit to retain a required minimum percentage of their investments in India for a period.

RBI's Regulations on VRR:

• Any FPI registered with SEBI is eligible to participate through this Route. Participation through this Route shall be voluntary.

• The FPIs are eligible to invest in any Government Securities, i.e., the Central Government dated Securities (G-Secs), Treasury Bills (T-Bills), as well as the State Development Loans (SDLs). They can also investment in the Corporate Bonds.

• The RBI imposes a limit on investment under this Route. Presently, it is Rs. 1.5 lakh crores.

• Minimum retention period for the investment is 3 years.

• Minimum percentage of investment, which has to retained, is 75%.

• The FPIs that wish to liquidate their investments under the Route, prior to the end of the retention period, may do so by selling their investments to another FPIs. However, the FPI buying such investment shall abide by all the terms and conditions applicable under the Route.

New Announcement: The RBI has decided to increase the investment limit under VRR from Rs. 1.5 lakh crores to Rs. 2.5 lakh crores.

100. (c) Details about the Chief Economic Advisor:

• Heads the Economic Division of the Department of Economic Affairs in the Ministry of Finance. Equivalent to the rank of Secretary to the Government of India.

• Mainly advisory role to advice the Government on important economic policies.

• Cadre controlling authority of the Indian Economic Service (IES) and deals with examination, recruitment and training of the IES officers.

• Most important role is to prepare the Economic Survey, which is presented one day before the presentation of the Union Budget.

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