

## All India Mock For JAIIB IE & IFS 2023

**Q1.** Which of the following statements is incorrect regarding GDP Deflator-

(1/2 Mark)

- (a) GDP deflator is a measure of the level of prices of all new, domestically produced, final goods and services in an economy.
- (b) The GDP deflator, also called the implicit price deflator, is a measure of inflation.
- (c) The GDP deflator is based on a fixed basket of goods and services.
- (d) GDP Price Deflator =  $(\text{Nominal GDP} \div \text{Real GDP}) \times 100$

**Direction Q2:** The Union Budget is also known as the Annual Financial Statement. Article 112 of the Constitution of India lays down that it is a statement of the estimated expenditure and receipts of the Government for a particular year. The Budget keeps the account of the finances of the government for the fiscal year (from 1st April to 31st March).

**Q2.** Mark the following statements as TRUE/FALSE regarding the Union Budget.

1. The annual budget of the country is called the Union Budget.
2. It is presented by the Union Finance Minister in Parliament.
3. It was presented on the last working day of February, till the year 2016. Now, it is presented on the first of February.
4. Another change that has been introduced from the year 2017 is that the Rail Budget, which was earlier presented separately by the Union Railways Minister, has now been merged with the Union Budget.

(2 Marks)

- (a) True, True, True, True
- (b) True, True, False, False
- (c) False, True, True, True
- (d) False, True, False, True

**Q3.** Consider the following table-

1. Net Tax Revenue	A. Total Non-Plan Expenditure + Total Plan Expenditure.
2. Total Revenue Receipts	B. Total Revenue Receipts + Capital Receipts + Draw-Down of Cash Balance.
3. Total Receipts	C. Net Tax Revenue + Total Non-Tax Revenue.
4. Total Expenditure	D. Gross tax revenue (-) NCCD transferred to the National Calamity Contingency Fund (-) States' Share.

Identify the correct pairs from the options given below-

(1 Mark)

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

**Q4.** The CPI reflects the change in the level of prices of a basket of goods and services purchased/consumed by the households. It measures the prices at the retail level. The current CPI has the base year-

(1/2 Mark)

- (a) 2008
- (b) 2010
- (c) 2012
- (d) 2015

**Q5.** Calculate the value of M1 from the data given below-  
Currency with the public- Rs. 50,00,000  
Demand deposits with the banking system- Rs. 1,02,000  
'Other' deposits with the RBI- Rs. 78,500

(1/2 Mark)


- (a) Rs. 51,80,500
- (b) Rs. 50,80,500
- (c) Rs. 51,80,700
- (d) Rs. 51,70,500

**Q6.** SDF allows the RBI to absorb excess cash from the economy, by sucking liquidity from commercial banks, without giving government securities in return to the lenders. In \_\_\_\_\_, the amended Section 17 of the RBI Act empowered the Reserve Bank to introduce the Standing Deposit Facility (SDF).

(1/2 Mark)

- (a) 2014
- (b) 2016
- (c) 2017
- (d) 2018

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**Q7.** “Extremely low aggregate demand in the economy causes activity to slow down” is a characteristic of-

(1/2 Mark)

- (a) Depression
- (b) Recession
- (c) Boom
- (d) None of the above

**Q8.** The 2006 amendment bill to the Reserve Bank of India Act for providing flexibility to the RBI, in fixing the CRR removed the cap and the range of CRR between \_\_\_\_\_ and \_\_\_\_\_ of a bank's NDTL.

(1/2 Mark)

- (a) 2%, 10%
- (b) 3%, 20%
- (c) 4%, 30%
- (d) 5%, 40%

**Q9.** In 1978, who among the following professors coined the phrase “Hindu rate of growth” to describe the slow growth of the Indian economy, the term refers to India's planned economy's low annual growth rate, which hovered around 3.5 percent from the 1950s to the 1980s, while per capita income growth averaged 1.3 percent?

(1/2 Mark)

- (a) Professor Nirpakh Tutej
- (b) Professor Arun Krishnan
- (c) Professor M.S. Swaminathan
- (d) Professor Raj Krishna

**Q10.** Read the following statements carefully and choose the correct option.

Statement 1: India was an agricultural economy, with a very low per capita income. After independence, agriculture's share of GDP fell during the development process, while industry and services increased. Agriculture was a dominant sector in the Indian economy in 1950, accounting for 53.1 percent of GDP.

Statement 2: Industry had a 30.3 percent share, while services had a 16.6 percent share. Following independence and the start of the planning process, agriculture's share decreased while industry and services increased.

Statement 3: In 1990–81, the services sector (38 percent of GDP) surpassed agriculture (36.1 percent) to become the largest contributor to India's GDP. The industry remained third with a 25.9 percent share. There was a clear and significant compositional shift in favor of the services sector after 1980.

(1 Mark)

- (a) Statements 1&2 are incorrect and Statement 3 is correct
- (b) Statements 1&3 are correct and Statement 2 is incorrect
- (c) All the Statements are correct
- (d) All the Statements are incorrect

**Q11.** The PM-Ayushman Bharat Health Infrastructure Mission (PM-ABHIM) was designed to improve primary, secondary, and tertiary care health systems and to establish new institutions to address the diagnosis and treatment of new and emerging illnesses. It has evolved to become the largest pan-India public health infrastructure initiative. It was launched in which of the following years?

(1/2 Mark)

- (a) 2001
- (b) 2002
- (c) 2004
- (d) 2005

**Q12.** \_\_\_\_\_ was conceived with the idea that regulations imposed on trade agreements must be relaxed, in Favor of trade to thrive. It enabled the opening of economic frontiers, for international investors and multinationals. Several economic reforms enforced by Liberalisation, include enhanced production capacity, abolition of government industrial licensing, and the liberty to import goods.

(1/2 Mark)

- (a) Liberalisation
- (b) Privatisation
- (c) Globalisation
- (d) None of the above

**Q13.** Globalization is defined as a rise in \_\_\_\_\_ among nations.

(1/2 Mark)

- (a) Economic integration
- (b) Political integration
- (c) Spiritual integration
- (d) Wealth integration

**Q14.** Fill in the blanks-

The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum, founded in \_\_\_\_\_, to capitalize on the Asia-Pacific region's growing interconnectedness. The \_\_\_\_\_ members of APEC want to increase regional prosperity by fostering balanced, inclusive, sustainable, creative, and secure growth and by speeding up regional economic integration.

(1/2 Mark)

- (a) 1991, 19
- (b) 1989, 21
- (c) 1990, 20
- (d) 1987, 22

**Q15.** This is an intergovernmental economic organization, with roughly 36 member nations that were founded in 1961, to promote economic advancement and global commerce. Its headquarters are in Paris.

Identify the name of the organization from the information given above-

(1/2 Mark)

- (a) RCEP
- (b) APEC
- (c) OECD
- (d) NAFTA

**Q16.** Which of the following statements is incorrect in the context of PM Gati Shakti- a National Master Plan for Multi-modal Connectivity?

(1/2 Mark)

- (a) National Highways Network to be expanded by 25000 Km in 2022-23.
- (b) Rs 20000 Crore to be mobilized for National Highways Network expansion.
- (c) 300 new generation Vande Bharat Trains to be manufactured during the next three years.
- (d) 100 PM GatiShakti Cargo terminals for multimodal logistics to be developed during the next three years.

**Q17.** The National Institution for Transforming India, known as NITI Aayog, was established on January 1, 2015, by a resolution of the Union Cabinet. NITI Aayog is the Government of India's top policy "Think Tank," offering both directional and policy suggestions. NITI Aayog is chaired by

(1/2 Mark)

- (a) President
- (b) Prime Minister
- (c) Finance Minister
- (d) None of the above

**Q18.** Which is not one of the pillars of the Make in India Programme?

(1/2 Mark)

- (a) New Processes
- (b) New Infrastructure
- (c) New Objectives
- (d) New Sectors

**Q19.** What was the period of the 9th five-year plan?

(1/2 Mark)

- (a) 1961-1965
- (b) 1985-1990
- (c) 1997-2002
- (d) 2002-2007

**Q20.** A micro enterprise is an enterprise where the investment in plant and machinery or equipment does not exceed \_\_\_\_\_ and turnover does not exceed \_\_\_\_\_.

(1 Mark)

- (a) Rs. 1 crore, Rs. 2 crore
- (b) Rs. 2 crores, Rs. 10 crores
- (c) Rs. 2 crores, Rs. 5 crores
- (d) Rs. 1 crore, Rs. 5 crore

**Q21.** The National Education Policy-2022 is built on four pillars, which is not among them.

(1/2 Mark)

- (a) Accessibility
- (b) Equity
- (c) Creativity
- (d) Quality

**Q22.** According to H. D. Dickinson, how is economic planning defined?

(1/2 Mark)

- (a) Economic planning is the making of major economic decisions by a determinate authority based on a comprehensive survey of the economic system as a whole.
- (b) Economic planning is the technical coordination of consumption, production, investment, trade, and income distribution by disinterested experts.
- (c) Economic planning is the skill of reaching any sort of objective utilizing the resources at hand.
- (d) Economic planning is the raising of the standard of living while including cultural and spiritual values and the human side of life.

**Q23.** Consider the following statements regarding Foreign Institutional Investment (FII) and identify the incorrect statements-

1. FII refers to long-term capital invested in stocks or hedge funds.
2. It is generally volatile, and the possibility of capital flight is always there in the case of an economic slump, political turmoil, or herd behavior of short-term capital outflow.
3. Foreign institutional investors are companies, based inside India that offer investment proposals in India.
4. The portfolio investment program allows Foreign Institutional Investors, Non-Resident Indians, and Persons of Indian Origin to invest in India's primary and secondary capital markets.

(2 Marks)

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

**Directions Q24:** WTO was conceived during the eighth GATT cycle (1986-1994), which commenced in Uruguay and finished in Geneva (popularly called as Uruguay round). Essentially, the WTO is a forum where member countries' governments try to resolve trade disputes with one another. As of June 16, 2022, the WTO has 164 members. Geneva is the headquarters of the World Trade Organization. The WTO's top decision-making body, the Ministerial Conference of Trade/Commerce Ministers, meets roughly every two years. The World Trade Organization (WTO) is seen as a watchdog of international trade, facilitating the smooth and rapid movement of goods across borders and promoting multilateralism.

**Q24.** Which of the following is a function of WTO?

(1 Mark)

- (a) Providing a forum for trade negotiations
- (b) Handling trade disputes
- (c) Technical assistance and training for developing countries
- (d) All of the above

**Q25.** Fill in the blanks.

Interest is one of the four types of income, the others being rent, wages, and \_\_\_\_\_. Three elements can be distinguished in interest: (i) payment for the risk involved in making the \_\_\_\_\_; (ii) payment for the trouble involved; (iii) \_\_\_\_\_ interest, that is a payment for the use of the money.

(1 Mark)

- (a) Profit, Loan, Pure
- (b) Capital, Loan, Simple
- (c) Capital, Loan, Compound
- (d) None of the above

**Q26.** Fill in the blanks-

The \_\_\_\_\_ distance between the two IS curves is equal to the increase in government expenditure times the government expenditure multiplier. This will result in an/a \_\_\_\_\_ in both the interest rate and the level of revenue.

(1 Mark)

- (a) Vertical, decrease
- (b) Horizontal, increase
- (c) Vertical, increase
- (d) Horizontal, decrease

**Q27.** Mark the following statements as True/False-

1. Repo (Repurchase) rate is the rate at which the RBI lends short-term money to the banks.
2. When the repo rate increases borrowing from RBI becomes more expensive.

(1 Mark)

- (a) False, True
- (b) True, False
- (c) False, False
- (d) True, True

**Q28.** The \_\_\_\_\_ sector includes all economic activities that involve the processing of raw materials extracted from the primary sector also called the industrial sector.

(1/2 Mark)

- (a) Primary Sector
- (b) Secondary sector
- (c) Tertiary sector
- (d) Quinary sector

**Q29.** This infrastructure refers to institutions that are essential to keep the economy running, such as financial, educational, healthcare, and law-enforcement organizations. It is also segregated as physical and social infrastructure. Identify the name of the infrastructure-

(1/2 Mark)

- (a) Soft infrastructure
- (b) Hard infrastructure
- (c) Green infrastructure
- (d) None of the above

**Q30.** Which of the following statements are correct regarding "Prudential Reforms"-

1. Prudential reforms include the phased implementation of international best practices and rules, to lower the total risk of the banking system.
2. Adoption of measures such as risk-weighted capital adequacy requirements, appropriate accounting norms, recognition of different components of risk, assignment of risk-weights to various asset classes, application of the marked-to-market principle for investment portfolio and limits on fund deployment in sensitive activities, and migration to advanced methods under Basel II are examples of such steps.
3. The main focus of reforms was in three areas: (i) NPAs (ii) Capital adequacy (iii) Diversification of operations
4. To direct the resources of banks to the niche areas and to sustain efficiency in the banking system a graded approach of bank licensing was introduced and the creation of differentiated banks in India was announced in the Union Budget 2014.

(1 Mark)

- (a) (2), (3), and (4)
- (b) (1), (2), and (3)
- (c) (2) and (3)
- (d) All of the above

**Q31.** Match the following:

Terms	Explanation
1. Liberalization	A. It enabled the opening of economic frontiers, for international investors and multinationals.
2. Privatization	B. Privatisation introduced in India as a part of reform, invited more and more foreign participation and FDI flow, providing healthy competition to Indian goods and services.
3. Globalization	C. It signifies that India's economy will now be more dependent on the global economy and vice versa.

(1 Mark)

- (a) (1) - (A), (2) - (C), (3) - (B)
- (b) (1) - (C), (2) - (B), (3) - (A)
- (c) (1) - (B), (2) - (A), (3) - (C)
- (d) (1) - (A), (2) - (B), (3) - (C)

**Q32.** Fill in the blanks-

The North American Free Trade Agreement (NAFTA), is a regional trade bloc, comprised of Canada, the United States, and \_\_\_\_\_ that was established in \_\_\_\_\_. In terms of GDP, NAFTA is one of the world's largest trading blocs.

(1 Mark)

- (a) Mexico, 1995
- (b) Argentina, 1994
- (c) Mexico, 1994
- (d) Argentina, 1995

**Q33.** Which is not one of the baskets of five currencies used for SDR valuation?

(1/2 Mark)

- (a) US Dollar
- (b) Canadian Dollar
- (c) Japanese Yen
- (d) Chinese Renminbi

**Q34.** Fill in the blanks-

The Government of India (GoI) offers \_\_\_\_\_ of the installation cost of rooftop solar panels as a subsidy to the institutional, residential, and social sectors in most states. In some of the special category states, the subsidy is up to 70 percent of the installation cost. In addition, beneficiaries can avail of a generation-based incentive wherein they can receive \_\_\_\_\_ per unit of generation if the generation exceeds 1100kWh- 1500kWh per year. Further, the excess power can be sold at a tariff set by the government.

(1 Mark)

- (a) 20 percent, Rs 5
- (b) 20 percent, Rs 2
- (c) 30 percent, Rs 5
- (d) 30 percent, Rs 2

**Q35.** Green bonds are the bonds issued by any sovereign entity, inter-governmental groups alliances, and corporates with the aim that the proceeds of the bonds are utilized for projects classified as environmentally sustainable. India started issuing green bonds in which of the following years?

(1/2 Mark)

- (a) 2012
- (b) 2013
- (c) 2014
- (d) 2015

**Q36.** Which among the following is not a hard infrastructure?

(1/2 Mark)

- (a) Healthcare
- (b) Roads
- (c) Ports
- (d) Airports

**Q37.** Quaternary Sector is a part of \_\_\_\_\_.

(1/2 Mark)

- (a) Agriculture sector
- (b) Service sector
- (c) Industrial sector
- (d) Foreign sector

**Q38.** Match the following:

1. GNP	A. GDP + NFIA
2. NNP	B. NDP + NFIA
3. NDP	C. GDP – Depreciation
4. GDP	D. GNP – NFIA

(1 Mark)

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

**Q39.** Which among the following statements is/are incorrect?

1. Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry, or sector of an economy less intermediate consumption over a specified period. GVA at basic prices is the new measure of economic activities compiled in 2011 by the National Statistical Office replacing the practice of measuring it by GDP at factor cost.
2. Factor cost is the total cost of all the factors of production consumed or used in producing a good or service.
3. Market price is the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax payable, plus any subsidy receivable, on that unit as a consequence of its production or sale.
4. Basic Price is the price at which, a product is sold in the market. It includes the cost of production in the form of wages, rent, interest, input prices, profit, etc. It also includes the taxes imposed by the government and the subsidies provided by the government for the producers.

(2 Marks)

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

**Q40.** Fill in the blanks-

Dadabhai Naoroji published the first estimates of national income in India in his book "Poverty and Un-British Rule in India" for the years 1867–1868. According to him, British India's national income was \_\_\_\_\_, and per capita, income was \_\_\_\_\_ per annum at current prices. This works out to Rs. 142 per annum in 1948–1949 prices. Other economists of the period (William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai) produced estimates of India's national income, and the findings were almost identical.

(1 Mark)

- (a) Rs. 240 Crores, Rs 12
- (b) Rs. 340 Crores, Rs 20
- (c) Rs. 240 Crores, Rs 20
- (d) Rs. 340 Crores, Rs 12

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**Q41.** Mark the following statements as TRUE/FALSE-

1. The European Union (EU) was established in 1995, following the signing of the Maastricht Treaty.
2. The Eurozone is an economic union comprised of 20 of the 28 EU member states, that have chosen the euro as their single currency and only legal tender.
3. The South Asian Association for Regional Cooperation (SAARC) is a regional trade group based in Kathmandu that was founded in 1995.
4. The Group of Seven (G-7) was established in 1995. Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States comprise the G7. (2 Marks)

- (a) True, True, True, True
- (b) True, False, True, False
- (c) False, False, False, False
- (d) True, True, False, False

**Q42.** Match the following:

Five Year Plans	About
1. Second Plan	A. The Plan (1985-90) emphasized rapid food grain production, greater job creation, and productivity in general. The guiding principles of planning maintained the essential tenets of expansion, modernization, self-reliance, and social justice.
2. Fifth Plan	B. This Plan (1980-85) was introduced with the motto 'Garibi Hatao' (alleviate poverty). The plan prioritized socioeconomic infrastructure in rural areas, to lower rural poverty.
3. Sixth Plan	C. The Plan (1974-79) focuses on poverty eradication and self-sufficiency. The government sensationalized the popular discourse of poverty alleviation to the point of launching a new plan, the Twenty-point Programme (1975), with minimal weight according to the goal of 'development with stability'.
4. Seventh Plan	D. The plan was in effect from 1956 until 1961. The growth strategy emphasized fast industrialization, with a concentration on heavy industries and capital goods. Professor Mahalanobis devised the strategy.

(1 Mark)

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

**Q43.** Fill in the blanks-

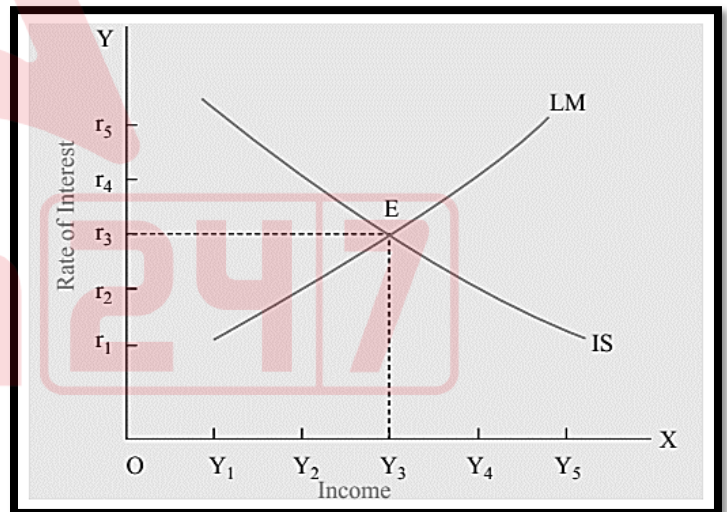
During the boom phase, production capacity is \_\_\_\_\_ utilized, and also products fetch an above-normal price which gives \_\_\_\_\_ profit. This attracts more and more investments. To manufacture a greater number of products, entrepreneur purchases new machines, and employees work at higher wage rate. The \_\_\_\_\_ increasing cost tendency of the factors of production leads to a continuous increase in product cost. The fixed-income group or the salaried class finds it difficult to cope with this increase in prices. As their income does not \_\_\_\_\_ accordingly, they are now compelled to reduce their consumption. The demand is now more or less stagnant, or it even decreasing. (2 Marks)

- (a) under, lower, increasing, decreasing
- (b) under, higher, decreasing, increase
- (c) fully, lower, increasing, decreasing
- (d) fully, higher, increasing, increase

**Q44.** Which of the following sectors functioned smoothly during the lockdown? (1/2 Mark)

- (a) Agriculture sector
- (b) Service Sector
- (c) Tertiary sector
- (d) Manufacturing Sector

**Q45.** Look at the graph carefully.



**At E point:**

(1 Mark)

1. Investment and saving vary according to the changes in interest rate.
2. The demand for money is in equilibrium with the supply of money (i.e., the desired amount of money is equal to the actual supply of money).
3. It should be noted that LM curve has been drawn by taking the supply of money as fixed.

- (a) (1) only
- (b) (2) and (3)
- (c) (3) only
- (d) All of the above

**Q46.** Choose the correct option.

When there are changes in \_\_\_\_\_ that affect the quantity purchased, we call these changes shifts in \_\_\_\_\_.

(1 Mark)

- (a) Factors other than a good's own price, Demand
- (b) Tastes and Preferences, Price
- (c) Price, Average Income
- (d) Size of the market, Demand

**Q47.** What do you understand by the "Law of Demand"?

(1/2 Mark)

- (a) When the price of a commodity is raised (and other things not being constant), buyers tend to buy less of the commodity. Similarly, when the price is lowered, other things being constant, the quantity demanded increases.
- (b) When the price of a commodity is raised (and other things are variable), buyers tend to buy less of the commodity. Similarly, when the price is lowered, other things being constant, the quantity demanded decreases.
- (c) When the price of a commodity is raised (and other things being constant), buyers tend to buy less of the commodity. Similarly, when the price is lowered, other things being constant, the quantity demanded increases.
- (d) None of the above

**Q48.** Which among the following is/are correct in relation to the "Fundamental Premises of the Family Welfare Programme"?

- 1. Acceptance of Family Welfare services is involuntary
- 2. Integrated Maternal and Child Health (MCH)
- 3. Family planning services
- 4. Effective information education

(1 Mark)

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

**Q49.** Consider the following recommendations of Narasimhan Committee - I (1991).

- 1. In order to improve the inherent strength of the Indian banking system the committee recommended that the Government should raise the prescribed minimum capital adequacy norms to 9%. This would further improve their loss absorption capacity.
- 2. The committee opined that government control over the banks in the form of management and ownership and bank autonomy did not go hand in hand and thus it recommended a review of the functioning of Boards of Banks so as to enable them to adopt professional corporate strategies.
- 3. The committee considered that there was an urgent need to review and amend major laws governing the Banking Industry like RBI Act, Banking Regulation Act, State Bank of India Act, Bank Nationalization Act etc. These modifications would bring them in line with the needs of the banking sector in India.

4. Establishment of a 4-tier hierarchy for banking structure with 3 to 4 large banks (including SBI) at the top and at the bottom rural banks engaged in agricultural activities.

Which of the above is incorrect?

(2 Marks)

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

**Q50.** Consider the following implemented measures by the government.

- 1. Lowering SLR and CRR
- 2. Access to the Money Market
- 3. Regulation of Interest Rates
- 4. Reclassification of Debts
- 5. Competition from New Private Banks
- 6. Freedom of Operation

Which of the above is/are recommendations were included under the Narasimhan Committee 1?

(1 Marks)

- (a) 2,4,6
- (b) 1,5,6
- (c) 2,3,4
- (d) 2,3,5

**Q51.** Consider the following legislation.

- 1. The Reserve Bank of India Act
- 2. The Banking Regulation Act
- 3. The State Bank of India Act
- 4. The State Bank of India (Subsidiary Banks) Act
- 5. The Deposit Insurance and Credit Guarantee Corporation Act
- 6. The Banking Companies (Acquisition and Transfer of Undertakings)

Which among these came after 1950?

(1 Marks)

- (a) 1,4,5,6
- (b) 1,2,4,6
- (c) 3,4,5,6
- (d) 2,3,5,6

**Q52.** An RRB can open its branches and operate only in the jurisdiction of such districts/states which have been notified by the \_\_\_\_\_.

(1/2 Marks)

- (a) RBI
- (b) State Government.
- (c) Central Government.
- (d) All of the above.

**Q53.** As per Section 5 of the Regional Rural Banks (Amendment) Act 2015 the authorized share capital of a Regional Rural Bank shall be \_\_\_\_\_.

(1/2 Marks)

- (a) Rs. 1000 crore.
- (b) Rs. 3000 crore.
- (c) Rs. 5000 crore.
- (d) Rs. 2000 crore.

**Q54.** Match Column A And Column B with respect to the RBI Act 1934 and its different provision.

Column A	Column B
1. Section 27	A. Power of Central Government to supersede the Central board of RBI.
2. Section 28	B. Currency Notes exempted from stamp duty
3. Section 29	C. Re-Issue of notes to be done
4. Section 30	D. Recovery of lost, mutilated, stolen, or imperfect notes

(1 Marks)

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

**Q55.** Consider the following statements in context to the financial assistance provided by ICICI.

1. Underwriting of public issues and offer or sale of industrial bonds.
2. Indirect subscription to such securities.
3. Extending Rupee loans repayable over periods up to 10 years.
4. Providing similar loans in foreign currencies for payment of imported capital equipment and technical services.
5. Guaranteeing payments for credit extended by other financial institutions.
6. Providing credit facilities to manufacturers for promoting the sale of industrial equipment on deferred payment terms.
7. Providing financial services like leasing and installment sales.

Which of the above statements is/are incorrect?

(2 Marks)

- (a) 1,4
- (b) 5,6
- (c) 2,3
- (d) 7

**Q56.** Which of the following schemes by SIDBI provides a minimum loan size of Rs.10 lakhs for Equipment Finance and a minimum Loan Size for Others – Rs.25 lakhs?

(1/2 Marks)

- (a) SEF
- (b) SMILE
- (c) SPEED
- (d) TULIP

**Q57.** Consider the following statements in context to the Market Advisory Services.

1. To help Indian exporting firms in their globalization efforts,
2. To identify opportunities overseas for setting up plants or projects or for acquisition of overseas companies
3. The Group monitors trends in global and domestic economies to analyze their impact on India and other developing economies.

4. Organize workshops and support events to facilitate the design and packaging of their products for the international markets.

Which of the above is incorrect?

(1 Marks)

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

**Q58.** The third phase marked the modern microfinance movement. The SHG--Bank Linkage Programme was formally launched by NABARD in \_\_\_\_X\_\_\_\_with its guidelines to banks for financing SHGs under a pilot project that aimed at financing 500 SHGs across the country the banking system. While the banks had financed about 600 SHGs by March 1993they continued to finance even more SHGs in the subsequent years. This encouraged RBI to include financing SHGs as a mainstream activity of banks under their priority sector lending in \_\_\_\_Y\_\_\_\_.

(1 Marks)

- (a) 1991,1996.
- (b) 1992,1995.
- (c) 1992,1996.
- (d) 1991,1995.

**Directions (59-60):** NBFC is a type of financial institution that provides various banking services and financial products similar to traditional banks but without holding a banking license. NBFCs are an important part of the financial system in many countries and play a significant role in providing credit and financial services.

**Q59.** Consider the following statement in regard to regulatory oversight by RBI on NBFCs.

1. Empowering RBI to issue directions to NBFCs or their auditors with regard to their preparation of balance sheets profit and loss accounts disclosure of liabilities etc.;
2. Empowering RBI to order a special audit of NBFCs
3. Empowering RBI to permit NBFCs from alienating assets
4. Empowering RBI to file winding-up petitions against NBFCs.

Which of the following is incorrect?

(1 Marks)

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

**Q60.** Consider the following statements in context to the definition of a Microfinance loan.

1. A collateral-free loan given to a household having annual household income up to Rs.3,00,000. (Household shall mean an individual family unit ie. husband wife and their unmarried children.)



2. All collateral-free loans irrespective of end use and mode of application/ processing/ disbursal (either through physical or digital channels) provided to low-income and mid-low-income households i.e., households having annual income up to Rs.3,00,000 shall be considered as microfinance loans.

Which of the above definitions is/are Correct? (2 Marks)

- (a) Only 2
- (b) Both 1&2
- (c) Only 1
- (d) Neither 1 nor 2

**Q61.** The Reserve Bank vide its Master Circular has advised the Fair Practice Code for NBFCs. When was the circular released? (1/2 Marks)

- (a) 2014
- (b) 2015
- (c) 2016
- (d) 2017

**Q62.** As the regulatory structure envisages scale-based as well as activity-based regulation which of the following will come under the Base Layer? (1/2 Marks)

- (a) CIC
- (b) HFC
- (c) NBFC P2P
- (d) IFC

**Q63.** Modern developments in the Insurance Industry include:

1. Following the recommendations of the Malhotra Committee report in 1999 the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry.

2. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 112A of the Insurance Act 1938 and has framed various regulations ranging from registration of companies for carrying on insurance business to the protection of policyholders' interests.

3. In December 2000 the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time was converted into a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from the GIC in July 2000.

4. Today there are 34 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 24 life insurance companies operating in the country.

5. The insurance sector is a major sector and together with banking services; the insurance services add about 7% to the country's GDP.

Which of the above is/are correct? (2 Marks)

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

**Q64.** The purpose behind introducing mandatory cessions was to retain premiums domestically as much as possible the binding cessions from direct insurers to GIC remained at \_\_\_\_\_X\_\_\_\_\_ until 2006-07. Later this limit was lowered to \_\_\_\_\_Y\_\_\_\_\_ in 2007-08 and then to \_\_\_\_\_Z\_\_\_\_\_ in 2008-13.

(1 Marks)

- (a) 30%,20%,10%
- (b) 20%,15%,10%
- (c) 25%,15%, 5%
- (d) 20%,10%, 5%

**Q65.** Consider the following Objectives of RBI.

1. To maintain monetary stability such that the business and economic life of the country can deliver the welfare gains of a mixed economy.
2. To maintain financial stability and ensure sound financial institutions so that economic units can conduct their business with confidence.
3. To maintain stable payment systems so that financial transactions can be safely and efficiently executed.
4. To ensure that credit allocation by the financial system broadly reflects the national economic priorities and social concerns.
5. To regulate the overall volume of money and credit in the economy to ensure a reasonable degree of price stability.
6. To promote the development of financial markets and systems to enable itself to operate/regulate.

Which of the above is correct?

(2 Marks)

- (a) (2) and (4)
- (b) (1),(2),(3) and (4)
- (c) (4),(5) and (6)
- (d) All are correct

**Q66.** Though financial stability is not an explicit objective of the Reserve Bank in terms of the Reserve Bank of India Act 1934 it has been an explicit objective of the Reserve Bank since the early 2000's. When did RBI set up the dedicated Financial Stability Unit? (1/2 Marks)

- (a) 2007
- (b) 2008
- (c) 2009
- (d) 2010

**Q67.** The objectives of the IRDAI are two-fold. Policy holder protection and healthy growth of the insurance market and hence the word 'Development' also figures in its name in addition to Regulation. Which committee has recommended to set up the IRDAI? (1/2 Marks)

- (a) Tarapore Committee
- (b) Rangrajan Committee
- (c) Malhotra Committee
- (d) None of the above

**Q68.** Match the Column A and Column B.

Column A	Column B.
1. IFCI	A. 1972
2. IIBI	B. 1982
3. EXIM	C. 1990
4. SIDBI	D. 1948

(1 Marks)

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

**Q69.** It is expected that the sale of the bad loans to NARCL will be against \_\_\_X\_\_\_ cash and the balance \_\_\_Y\_\_\_ in the form of Security Receipts (SRs). Initially the Central government is expected to guarantee the SRs to the extent of Rs 30,600 crores. The Government guarantee will be valid for \_\_\_Z\_\_\_ years. The limited period of Government guarantee is expected to incentivize NARCL to speed up the resolution of the loans transferred to it.

(1 Marks)

- (a) 10%,90%,10
- (b) 15%,85%,5
- (c) 20%,80%,15
- (d) 5%,95%,10

**Q70.** Match the Column A and Column B

Column A	Column B
1. Supply Demand	A. Greatly affects the level, at which, a price is agreed between two market participants.
2. Attitude to Risk	B. provides an opportunity to the investors to sell their financial instruments at their fair value prevailing in the market at any time, during the working hours of the market.
3. Volatility	C. Which determines an asset's price and which in turn, dictates how crucial price discovery mechanisms are for traders.

(1 Marks)

- (a) 1-C,2-B,3-A
- (b) 1-A,2-B,3-C
- (c) 1-C,2-A,3-B
- (d) 1-B,2-A,3-C

**Q71.** Capital market is a market for \_\_\_X\_\_\_ equity and debt. In this market capital funds comprising both equity and debt are issued and traded. This also includes \_\_\_Y\_\_\_ sources of debt and equity as well as organised markets like stock exchanges. In common parlance the capital market may be understood as the market for long-term funds. The capital market provides long-term debt and equity finance for the government and the corporate sector.

(1 Marks)

- (a) short-term,public placement
- (b) Long-term,public placement
- (c) short-term,private placement
- (d) long-term,private placement

**Q72.** The auction is conducted \_\_\_X\_\_\_ using either \_\_\_Y\_\_\_ or \_\_\_Z\_\_\_. Bids for the auction can be submitted by the participants in electronic format on the Reserve Bank of India's Core Banking Solution (E-Kuber) system. Only in the event of system failure physical bids can be accepted by the Public Debt Office of the RBI.

(1 Marks)

- (a) uniform price-based, Price-based, multiple-price method
- (b) multiple-price method price-based uniform price-based
- (c) Price-based uniform price-based multiple-price method
- (d) multiple-price method uniform price-based Price-based

**Directions (73-74):** Repo is a repurchase agreement entered into between eligible counterparties for borrowing and lending of funds on a collateralized basis. A repo involves selling a security with an agreement to repurchase the same at a future date at a predetermined price.

**Q73.** Consider the following statement in context to the Repo.

1. A repo involves selling a security with an agreement to repurchase the same at a future date at a predetermined price.
2. The seller of the security receives collateral while the buyer of the security receives funds for the funds that have been lent. The rate at which the security will be repurchased in the 2nd leg of the repo is derived from the rate of interest payable on the funds lent and is known as the repo rate.
3. Repo transactions are permitted between counterparties and in instruments permitted by the Reserve Bank of India. The eligible securities for Repo transactions are Government securities issued by the Central Government or a State Government listed corporate bonds and debentures (subject to the condition that no participant shall borrow against the collateral of its own securities or securities issued by a related entity) Commercial Papers (CPs) Certificate of Deposits (CDs) and Units of Debt Exchange Traded Funds (ETFs). Besides any other security of a local authority as may be specified on this behalf by the Central Government is eligible for Repo transaction.
4. The eligible participants for Repo transactions are any regulated entity any listed corporation any unlisted company that has been issued special securities by the Government of India (using only such special securities as collateral) and any All-India Financial Institution (FIs) viz. Exim Bank, NABARD, NHB, and Small Industries Development Bank of India (SIDBI). Besides any other entity approved by the Reserve Bank from time to time for this purpose can participate in repo transactions.

Which of the above statements is/are incorrect?

(2 Marks)

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

**Q74.** Consider the Following statements in context to the eligibility of Tri-Party Agent.

1. All tri-party agents need prior authorisation from the Reserve Bank to act in that capacity.
2. Scheduled commercial banks recognised stock exchanges and clearing corporations of stock exchanges or clearing corporations authorised under the Payment and Settlement Systems Act are eligible to be tri-party agents.
3. The applicant should have a minimum paid-up equity share capital of Rs. 20 crores.
4. The applicant should have past experience of at least 3 years in the financial sector in India or abroad preferably in custody clearing or settlement services. Tri-party agents should put in place adequate system infrastructure to carry out their functions.

Which of the above statements is/are incorrect?

(1 Marks)

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

**Q75.** What is the maximum tenor for Long-Term Repo Operations (LTRO)?

(1/2 Marks)

- (a) 1 year
- (b) 3 years
- (c) 5 years
- (d) 10 years

**Directions (76-77):** The Capital Market plays an extremely important role in promoting and sustaining the growth of an economy. It is an important and efficient conduit to channelise and mobilise funds to enterprises and provide an effective source of investment in an economy. It plays a critical role in mobilizing savings for investment in productive assets with a view to enhancing a country's long-term growth prospects.

**Q76.** Consider the following statements in context to the Depository System and related Services.

1. The depositories legislation aims at providing a legal basis for the establishment of depositories to conduct the task of maintenance of ownership records of securities and effect changes in ownership records through book entry
2. Dematerialisation of securities in the depositories mode as well as giving the option to an investor to choose between holding securities as at present or holding securities in a dematerialised form in a depository;
3. Making the securities fungible
4. Making the shares, debentures and any interest thereon of a public limited company freely transferable;
5. Exempting all transfers of shares within a depository from stamp duty.

Which of the above statements is/are correct?

(1 Marks)

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

**Q77.** These shares do not offer voting rights. Owners of these shares are entitled to a fixed dividend or a dividend calculated at a fixed rate to be paid regularly before any dividend can be paid in respect of equity shares. These shareholders also enjoy priority over the equity shareholders in the payment of surplus during the process of liquidation of the company. Which of the following shares have the features mentioned above?

(2 Marks)

- (a) Rights Share
- (b) Preferred stock
- (c) Convertible Preference share
- (d) G-Sec

**Q78.** Which of the following bonds were issued at a discount and repaid at face value?

(1/2 Marks)

- (a) Coupon Bonds
- (b) Convertible Bonds
- (c) Treasury Bill
- (d) Zero-Coupon Bond

**Directions (79-80):** In order to deepen the government securities market and enable retail individual investors to participate in the process of nation-building by giving them access to the G-Sec market launched its Retail Direct Scheme (RDS) on 12th November 2021.

**Q79.** Consider the following statements in context to the eligibility of Investors.

1. Retail investors as defined under the scheme can register under the Scheme and maintain an RDG Account if they have a rupee savings bank account maintained in India
2. Retail investors as defined under the scheme can register under the Scheme and maintain an RDG Account if they have a Permanent Account Number (PAN) issued by the Income Tax Department;
3. Retail investors as defined under the scheme can register under the Scheme and maintain an RDG Account if they have any OVD for KYC purposes;
4. Retail investors as defined under the scheme can register under the Scheme and maintain an RDG Account valid email ID
5. Retail investors as defined under the scheme can register under the Scheme and maintain an RDG Account if they have a registered mobile number.

6. Non-resident retail investors eligible to invest in Government Securities under the Foreign Exchange Management Act 1999 are eligible under the scheme.

7. The RDG account can be opened singly or jointly with another retail investor who meets the eligibility criteria.

Which of the above statements is/are correct?

(2 Marks)

- (a) only 1,3,5
- (b) only 2,4,6,
- (c) only 1,2,3,4,5,6,7
- (d) only 1,2,3,4

**Q80.** Consider the following statements in context to the Primary Market Participation in Retail Direct Scheme.

1. Participation and allotment of securities will be as per the non-competitive scheme for participation in the primary auction of government securities and procedural guidelines for SGB issuance.

2. Only one bid per security is permitted. On submission of the bid the total amount payable will be displayed.

3. Payment to the aggregator/receiving office can be made through either of the following ways (a) Using the net-banking/UPI facility from the linked bank account whereby funds will be debited when submitting bids on the portal. (b) Using the UPI facility funds in the linked bank account can be blocked at the time of submission of bids on the portal which will be debited from this account on a successful allotment in the auction. A similar facility through banks will be made available in due course. (c) Refunds will be credited to the investor's bank account as per the timelines specified by the aggregator.

4. Allotted securities will be issued to the investors by credit to their RDG Account on the 2 days after the settlement.

Which of the above statements is incorrect?

(1 Marks)

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

**Q81.** Which of the following securities are not eligible for the RBI Retail Direct Scheme?

(1/2 Marks)

- (a) Treasury bills
- (b) Central government securities
- (c) Corporate bonds
- (d) Sovereign gold bonds

**Q82.** These entities intervene in foreign exchange markets for speculative purposes or to obtain returns. Multinationals large corporations SMEs and institutional investors (such as insurance companies and asset managers). These engage in exchange markets for commercial or investment purposes. Which of the following market participants in the forex market will satisfy the above feature?

(2 Marks)

(a) Sovereign Funds

(b) Hedge Funds and Investment entities

(c) Individual Funds

(d) Banks Funds

**Q83.** Merchant Banks offers corporate advisory services to clients on financial matters. Advice may be sought in areas such as determining the right debt-to-equity ratio the gearing ratio and the appropriate capital structure. Other areas of advice may be in areas of refinancing and seeking sources of cheaper funds risk management and hedging strategies. Further areas for advice are rehabilitation and turnaround management.

Which of the following services are offered by the Merchants Banks mentioned above?

(2 Marks)

(a) Corporate Counselling Advisory

(b) Project Counselling

(c) Loan Syndication

(d) None of the above

**Q84.** Consider the following statement as per the key policy of SEBI guidelines.

1. Half-yearly unaudited results should be submitted to SEBI.
2. Should fulfill all obligations in a professional and ethical manner
3. Should not discriminate among the clients
4. Should ensure that prospectus letter of offer is available to investors at the time of issue
5. Should render the best possible advice to its clients

Which of the above policies is correctly mentioned?

(2 Marks)

(a) 1,2,3,4

(b) 2,3,4,5

(c) 3,4,5

(d) 1,2,3,4,5

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**Q85.** In respect of every issue to be managed the lead merchant banker holding a certificate under Category- I shall accept a minimum underwriting obligation of \_\_\_\_\_ of the total underwriting commitment or Rs.25 lacs whichever is less

(1 Marks)

- (a) 10 %
- (b) 5%
- (c) 4 %
- (d) 2 %

**Q86.** In terms of SEBI guidelines, all debenture issues (public rights) of the companies with a maturity period exceeding \_\_\_X\_\_\_ are required to have a 'Debenture Trustee' and its name must be stated in the Prospectus to the issue.

(1 Marks)

- (a) 12 months
- (b) 15 months
- (c) 9 months
- (d) 18 months

**Directions (87-87):** A Forward Rate Agreement (FRA) is a financial contract between two parties that allows them to lock in or hedge against future interest rate movements. FRAs are used primarily in the fixed-income and money markets to manage interest rate risk.

**Q87.** What does the convention in FRA markets mean to denote the FRAs as 6x9 means:

(2 Marks)

- (a) A 6 × 9 FRA means a corporation seeking protection for a 3-month borrowing or lending commitment starting 6 months from today and ending 9 months from today.
- (b) A 6 × 9 FRA means a corporation seeking protection for a 6-month borrowing or lending commitment starting 6 months from today and ending 9 months from today.
- (c) A 6 × 9 FRA means a corporation seeking protection for a 9-month borrowing or lending commitment starting 6 months from today and ending 9 months from today.
- (d) A 6 × 9 FRA means a corporation seeking protection for a 3-month borrowing or lending commitment starting 9 months from today and ending 6 months from today.

**Q88.** In this type of factoring, there is only one factor viz. the import factor and the sellers directly deal with the import factor for all aspects of the transaction. Which among the options is a type of factoring explained above?

(1 Marks)

- (a) Single-factor system
- (b) Direct Importing System
- (c) Domestic Factoring
- (d) None of the above

**Q89.** Venture capital funding obtained official patronage with the announcement by the Central Government of the "Technology Policy Statement". When was the announcement made?

(1/2 Marks)

- (a) 1983
- (b) 1984
- (c) 1985
- (d) 1986

**Q90.** Which of the following is not under early-stage financing?

(1/2 Marks)

- (a) Seed Capital Stage
- (b) Start-up Stage
- (c) Second Round stage
- (d) Turn Around

**Q91.** This is the most straightforward type of finance lease. The lessor firm itself purchases the asset and hands it over to the lessee. A manufacturer can also act as a lessor and can deliver the assets to the lessee under the lease agreement (instead of delivering under the sale agreement). In other words, the lessee will normally specify the manufacturer model number and other relevant characteristics of the asset it wishes to lease and the lessor will procure for the lessee. Which type of leasing has been mentioned above?

(2 Marks)

- (a) Leveraged lease
- (b) Direct Lease
- (c) Sale and Lease Back
- (d) Operation lease

**Q92.** Which of the following ratings denotes the highest safety in terms of timely payment of interest and principal?

(1 Marks)

- (a) AAA
- (b) BBB
- (c) AA
- (d) AAAA

**Q93.** Which of the following schemes is under the equity scheme?

(1 Marks)

- (a) Contra Fund
- (b) Overnight Fund
- (c) Liquid Fund
- (d) Low Duration Fund

**Q94.** Which among the following is/are correct in relation to the "Principle of Uberrimae fidei"?

1. It is a positive duty voluntarily to disclose accurately and fully all facts material to the risk being proposed whether requested or not.
2. Non-disclosure of any material fact may be intentional on the part of the insured.

3. Even so a contract is rendered voidable at the insurer's option and it can refuse any compensation.

4. An application for life and health insurance is the applicant's proposal to the insurer for protection and is the beginning of the policy contract.

5. The proposed insured is required to give accurate answers to questions in the application relating to his personal and family history, employment insurance already in force, and other applications for insurance that either are pending or have been postponed or refused.

Which of the above statements is/are correct?

(1 Marks)

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

**Q95.** Continue until the age of 75 years or exit any time after such continuance before 75 years. While exiting from the scheme subscriber can defer receiving the lumpsum (60% corpus) till the age of 75 years or withdraw the same in installments till 75 years and defer the Annuity purchase (40% corpus) for a maximum period of 3 years. Which of the following schemes is mentioned above? (1 Mark)

- (a) APY
- (b) PPF
- (c) NPS
- (d) None of the above

**Q96.** Consider the following "General Guidelines" under the head "Organization of Para-Banking and Financial Services Activities by a Bank" include:

1. Bank desirous of undertaking the businesses permitted under Section 6(1) of the Banking Regulation Act 1949 may do so either departmentally or through a separate subsidiary set up for the purpose under the provisions of Section 19(1) of the Banking Regulation Act 1949.

2. An activity undertaken departmentally shall follow RBI guidelines on KYC compliance and the Charter of Customer Rights issued. In addition, the instructions/regulations of respective regulators such as SEBI, IRDA, and PFRDA applicable shall also be complied with. Master Directions on 'Prudential Norms for Banks Exposures' wherever applicable shall also be complied with.

3. Banks are also allowed to hold equity in both financial services companies as well as companies not engaged in financial services activities within the limits specified under the provisions of Section 19(2) of the Banking Regulation Act 1949 and subject to the prudential limits enumerated in this chapter.

Which of the above statements is/are correct?

(2 Marks)

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

**Q97.** Portfolio Management Services: means the service offered by a portfolio manager as defined in the SEBI (Portfolio Managers) Regulations \_\_\_\_\_. (1/2 Marks)

- (a) 1938.
- (b) 1939.
- (c) 1937.
- (d) 1936.

**Q98.** Up to what extent of its own capital and reserves can a bank invest in a financial services subsidiary? (1/2 Marks)

- (a) 5%
- (b) 10%
- (c) 20%
- (d) None of the above

**Q99.** Consider the following statement in context to the benefits of the Sponsor.

1. Monetise revenue-generating real estate and infrastructure assets
2. Lower the cost of capital by tapping the right set of long-term investors (pension funds)
3. Enjoy favorable tax treatment including exemption from dividend distribution tax and relaxation of capital gains tax
4. Invest in real estate or infrastructure without actually owning the asset.

Which of the above is/ are correct?

(2 Marks)

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

**Q100.** REITs structured on the lines of mutual funds were first introduced in the USA in the 1960s through the Cigar Excise Tax Extension Act in order to boost real estate development by way of existing investments from investors interested in holding a stake in the real estate sector. The upsurge in real estate presented the opportunity of reaping huge dividends on the investments thereby bringing to effect the real estate development projects and rewarding the investors financially. REITs were first introduced in India by the Securities and Exchange Board of India (SEBI) in 2007 almost 50 years after they were first incorporated as an investment vehicle. The first Indian REIT was established in \_\_\_ (Embassy REIT) and its IPO opened in March 2018. Subsequently, there were regulations framed to facilitate the \_\_\_ functions of these investment funds which were revised and reformed after that. REIT companies listed on the Indian stock exchanges are monitored and regulated by the \_\_\_\_\_ to ensure adherence to industry practices by the REITs and safeguard the interest of the \_\_\_\_.

(1 Marks)

- (a) 2017, Operational, SEBI, Investors
- (b) 2007, Operational, SEBI, Investors
- (c) 2017, Management, SEBI, Investors
- (d) 2007, Operational, SEBI, Lenders

## Solutions

### S1. Ans.(c)

**Sol.** (c) The GDP deflator is **not based** on a fixed basket of goods and services.

### S2. Ans.(a)

**Sol.** All the statements are True.

### S3. Ans.(a)

**Sol.** (1) – (D), (2) – (C), (3) – (B), (4) – (A) are correct pairs.

### S4. Ans.(c)

**Sol.**

1. The CPI reflects the change in the level of prices of a basket of goods and services purchased/consumed by the households. It measures the prices at the retail level.
2. This is the measure of inflation more relevant for the consumers.
3. The NSO (National Statistical Office) releases information on the CPI, on a weekly basis.
4. We have three different index numbers of consumer prices.
5. The current CPI has the base year **2012 = 100**.

### S5. Ans.(a)

**Sol.** Narrow Money (M1) = Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI.

M1= Rs. 50,00,000 + Rs. 1,02,000 + Rs. 78,500

M1= **Rs. 51,80,500**

### S6. Ans.(c)

**Sol.**

1. SDF allows the RBI to absorb excess cash from the economy, by sucking liquidity from commercial banks, without giving government securities in return to the lenders.
2. **In 2017**, the amended Section 17 of the RBI Act empowered the Reserve Bank to introduce the Standing Deposit Facility (SDF).
3. This is an additional tool for absorbing liquidity without any collateral.
4. The SDF is also a financial stability tool, in addition to its role in liquidity management.

### S7. Ans.(a)

**Sol.** Some of the primary features of depression are as follows:

- Extremely low aggregate demand in the economy causes activity to slow down
- Inflation is comparatively lower
- Employment avenues begin to close, forcing the unemployment rate to rise rapidly

- To keep the business running, production houses resort to forced labor cuts or retrenchment (to reduce production costs and remain competitive in the market), and so on.

### S8. Ans.(b)

**Sol.**

1. The present banking system is called a "fractional reserve banking system", as the banks are required to keep only a fraction of their deposit liabilities in the form of liquid cash with the central bank, for ensuring safety and liquidity of deposits.
2. The Cash Reserve Ratio refers to the average daily balance that a bank is required to maintain with the RBI, as a share of such per cent of its Net demand and time liabilities (NDTL), on a fortnightly basis, that the RBI may notify from time to time in the Gazette of India.
3. The 2006 amendment bill to the Reserve Bank of India Act for providing flexibility to the RBI, in fixing the CRR removed the cap and the range of CRR between **3%** and **20%** of a bank's NDTL.
4. CRR was introduced in 1950 primarily as a measure to ensure the safety and liquidity of bank deposits, however, over the years, it has become an important and effective tool for directly regulating the lending capacity of banks and controlling the money supply in the economy.

### S9. Ans.(d)

**Sol.** India's growth rate was slow during the first three decades after independence. In 1978, **Professor Raj Krishna** coined the phrase "Hindu rate of growth" to describe the slow growth of the Indian economy. The term refers to India's planned economy's low annual growth rate, which hovered around 3.5 percent from the 1950s to the 1980s, while per capita income growth averaged 1.3 percent.

### S10. Ans.(b)

**Sol. Statements 1&3 are correct and Statement 2 is incorrect**

Statement 2: Industry had a **16.6 (and not 30.3)** percent share, while services had a **30.3 (and not 16.6)** percent share. Following independence and the start of the planning process, agriculture's share decreased while industry and services increased.

### S11. Ans.(d)

**Sol.** The PM-Ayushman Bharat Health Infrastructure Mission (PM-ABHIM) was designed to improve primary, secondary, and tertiary care health systems and to establish new institutions to address the diagnosis and treatment of new and emerging illnesses. It has evolved to become the largest pan-India public health infrastructure initiative since **2005**.

**S12. Ans.(a)**

**Sol. Liberalization** was conceived with the idea that regulations imposed on trade agreements must be relaxed, in favor of trade thriving. It enabled the opening of economic frontiers, for international investors and multinationals. Several economic reforms enforced by Liberalisation, include enhanced production capacity, abolition of government industrial licensing, and the liberty to import goods.

**S13. Ans.(a)**

**Sol.** Globalization is defined as a rise in **economic integration** among nations. The concept of globalization is an ancient one, dating back to the 18th century. World War I, Great Depression, and World War II forced a retreat from globalization, and several trade obstacles were raised. However, in the mid-1980s, the Organization for Economic Cooperation and Development (OECD) popularized the term yet again. Globalization is described by the World Trade Organization as the development towards “unrestricted cross-border flows of goods and services, capital, and labor force.” The concept was formally introduced in India with the ‘new economic policy’ in 1991–92.

**S14. Ans.(b)**

**Sol.** The Asia-Pacific Economic Cooperation (APEC) is a regional economic forum, founded in **1989**, to capitalize on the Asia-Pacific region’s growing interconnectedness. The **21** members of APEC want to increase regional prosperity by fostering balanced, inclusive, sustainable, creative, and secure growth and by speeding up regional economic integration.

**S15. Ans.(c)**

**Sol. OECD:** The Organization for Economic Co-operation and Development (OECD) is an intergovernmental economic organization, with roughly 36 member nations that was founded in 1961, to promote economic advancement and global commerce. Its headquarters are in Paris.

**S16. Ans.(c)**

**Sol. (c) 400 new generation Vande Bharat Trains** to be manufactured during the next three years.

**S17. Ans.(b)**

**Sol.** The National Institution for Transforming India, known as NITI Aayog, was established on January 1, 2015, by a resolution of the Union Cabinet. NITI Aayog is the Government of India’s top policy “Think Tank,” offering both directional and policy suggestions. NITI Aayog gives relevant technical assistance to the Centre and States in designing strategic and long-term policies and programs for the Government of India. NITI Aayog is chaired by the **Prime Minister**. The governing council of NITI Aayog is made up of the chairperson, ex-officio members of NITI Aayog, vice chairperson, full-time members, chief ministers of states, the Lieutenant Governor of the Andaman and Nicobar Islands (Union Territories), and special invitees of NITI Aayog.

**S18. Ans.(c)**

**Sol.** The Prime Minister introduced the Make in India program in September 2014, as part of a larger set of nation-building initiatives. Make in India was created in response to a crisis circumstance, to turn India into a global design and manufacturing hub. The “Make in India” project is built on four pillars established to boost entrepreneurship in India, not just in manufacturing but also in other sectors. **New Processes, New Infrastructure, New Sectors, and New mindset** are the four pillars. The Make in India action plan aims to increase the manufacturing sector’s contribution to GDP to 25 percent, by 2020–2022.

**S19. Ans.(c)****Sol. Ninth Plan**

The **Ninth Plan (1997–2002)** was implemented during an overall ‘slowdown’ in the economy, caused by the South-East Asian Financial Crisis (1996–97). Though the liberalization process was still criticized, the economy has emerged from the early 1990s budget crisis. The Plan, with a general character of ‘indicative planning,’ not only aimed an ambitious high growth rate (7 percent) but also attempted to steer itself towards time-bound ‘social’ objectives. There was a focus on the seven designated Basic Minimum Services (BMS), with extra Central Assistance for these services, to achieve entire population coverage in a timely way. The BMS included safe drinking water, primary health service, universalization of primary education, public housing assistance to homeless poor families, nutritional support to children, connectivity of all villages and habitations, and streamlining of the public distribution system. The issue of fiscal consolidation became a top priority of the governments for the first time.

**S20. Ans.(d)**

**Sol.** A micro enterprise is an enterprise where the investment in plant and machinery or equipment does not exceed **Rs. 1 crore** and turnover does not exceed **Rs. 5 crores**.

**S21. Ans.(c)**

**Sol.** The government just announced the National Education Policy 2022, which will replace the 34-year-old National Education Policy 1986. The new NEP is built on four pillars: **accessibility, equity, quality, and accountability**. The old 10+2 structure will be replaced by a 5+3+3+4 framework that includes 12 years of education and 3 years of Anganwadi/pre-school. Though we have made significant progress in literacy and other education indicators, there is still much room for improvement at the secondary, higher secondary, and higher education levels.

**S22. Ans.(a)**

**Sol.** According to H. D. Dickinson, **economic planning is defined as the making of major economic decisions by a determinate authority, based on a comprehensive survey of the economic system as a whole**. This definition highlights the importance of conscious decision-making by a centralized authority in economic planning.



**S23. Ans.(c)****Sol. Both statements (1) and (3) are incorrect.**

Pont 1. FII refers to **short-term** capital invested in stocks or hedge funds.

Point 3. Foreign institutional investors are companies, based **outside** India that offer investment proposals in India.

**S24. Ans.(d)****Sol. Functions of WTO**

The following are the six broader functions of WTO:

- i. Administering WTO trade agreements
- ii. Providing a forum for trade negotiations
- iii. Handling trade disputes
- iv. Monitoring national trade policies
- v. Technical assistance and training for developing countries
- vi. Cooperation with other international organizations.

**S25. Ans.(a)**

**Sol.** Interest is one of the four types of income, the others being rent, wages, and **Profit**. Three elements can be distinguished from interest: (i) payment for the risk involved in making the **Loan**; (ii) payment for the trouble involved; and (iii) **Pure** interest, that is a payment for the use of the money.

**S26. Ans.(b)**

**Sol.** The **horizontal** distance between the two IS curves equals the increase in government expenditure times the government expenditure multiplier. This will **increase** both the interest rate and the level of revenue.

**S27. Ans.(d)**

**Sol.** Both the statements are True.

**S28. Ans.(b)****Sol.**

1. The primary sector includes all those economic activities where there is the direct use of natural resources such as agriculture, forestry, fishing, fuels, metals, minerals, etc.
2. The **secondary sector** includes all economic activities that involve the processing of raw materials extracted from the primary sector also called the industrial sector.
3. The tertiary sector includes all economic activities that produce services, such as education, healthcare, banking, communication, and so on.
4. The quinary sector is also known as the 'knowledge' sector. This includes activities such as teaching, research, and development.

**S29. Ans.(b)****Sol.**

1. Soft infrastructure refers to major physical networks such as roads, ports, airports, pipelines, etc., that are required for the operation of a modern industrial nation.
2. **Hard infrastructure** refers to institutions that are essential to keep the economy running, such as financial, educational, healthcare, and law-enforcement organisations. It is also segregated as physical and social infrastructure.

3. Green infrastructure is a concept that highlights the value of the natural environment. The life support services provided by a network of natural ecosystems are emphasised.

**S30. Ans.(d)**

**Sol.** All of the above are correct.

**S31. Ans.(d)**

**Sol.** (1) – (A), (2) – (B), (3) – (C) are correct pairs.

**S32. Ans.(c)**

**Sol.** The North American Free Trade Agreement (NAFTA), is a regional trade bloc, comprised of Canada, the United States, and **Mexico** that was established in **1994**. In terms of GDP, NAFTA is one of the world's largest trading blocs.

**S33. Ans.(b)****Sol. Special Drawing Rights (SDR)**

- The SDR was created as a supplementary international reserve asset, in the context of the Bretton Woods fixed exchange rate system.
- The collapse of the Bretton Woods system in 1973 and the shift of major currencies to floating exchange rate regimes, lessened the reliance on the SDR, as a global reserve asset. Nonetheless, SDR allocations can play a role in providing liquidity and supplementing member countries' official reserves, as was the case amid the global financial crisis.
- The SDR serves as the unit of account of the IMF and other international organizations.
- The SDR is neither a currency nor a claim on the IMF. Rather, it is a potential claim that the freely usable currencies of IMF members and SDRs can be exchanged for these currencies.
- The SDR was initially defined as equivalent to 0.888671 grams of fine gold—which, at the time, was also equivalent to one US dollar. After the collapse of the Bretton Woods system, the SDR was redefined as a basket of currencies.
- Currencies included in the SDR basket have to meet two criteria: the export criterion and the freely usable criterion.

**S34. Ans.(d)**

**Sol.** The Government of India (GoI) offers **30 percent** of the installation cost of rooftop solar panels as a subsidy to the institutional, residential, and social sectors in most states. In some of the special category states, the subsidy is up to 70 percent of the installation cost. In addition, beneficiaries can avail of a generation-based incentive wherein they can receive **Rs 2** per unit of generation if the generation exceeds 1100kWh- 1500kWh per year. Further, the excess power can be sold at a tariff set by the government.

**S35. Ans.(d)**

**Sol.** Green bonds are the bonds issued by any sovereign entity, inter-governmental groups alliances, and corporates with the aim that the proceeds of the bonds are utilized for projects classified as environmentally sustainable. India started issuing green bonds in **2015**.

**S36. Ans.(a)**

**Sol.**

- Hard infrastructure refers to major physical networks such as roads, ports, airports, pipelines, etc., that are required for the operation of a modern industrial nation. Soft infrastructure refers to institutions that are essential to keep the economy running, such as financial, educational, healthcare, and law-enforcement organizations. It is also segregated as physical and social infrastructure.
- Green infrastructure is a concept that highlights the value of the natural environment. The life support services provided by a network of natural ecosystems are emphasized.

**S37. Ans.(b)**

**Sol. Quaternary Sector**

Also known as the 'knowledge' sector. This category includes activities such as teaching, research, and development. The sector is by far the most important in assessing the strength of an economy's human resources. The intellectual aspect of the economy is represented by the quaternary sector. This group includes employees in office buildings, elementary schools and university classrooms, hospitals and physicians' offices, theatres, accountancy and brokerage businesses, and so on.

**S38. Ans.(b)**

**Sol. (1) - (A), (2) - (B), (3) - (C), (4) - (D)** are correct pairs.

**S39. Ans.(a)**

**Sol. Only statements (3) & (4) are incorrect.**

Point 3. **The basic price** is the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax payable, plus any subsidy receivable, on that unit as a consequence of its production or sale.

Point 4. **Market Price** is the price at which, a product is sold in the market. It includes the cost of production in the form of wages, rent, interest, input prices, profit, etc. It also includes the taxes imposed by the government and the subsidies provided by the government for the producers.

**S40. Ans.(b)**

**Sol.** Dadabhai Naoroji published the first estimates of national income in India in his book "Poverty and Un-British Rule in India" for the years 1867-1868. According to him, British India's national income was **Rs. 340 crore**, and per capita income was **Rs. 20** per annum at current prices. This works

out to Rs. 142 per annum in 1948-1949 prices. Other economists of the period (William Digby, Findlay Shirras, V.K.R.V. Rao, and R.C. Desai) produced estimates of India's national income, and the findings were almost identical.

**S41. Ans.(c)**

**Sol. False, False, False, False**

1. The European Union (EU) was **established in 1993**, following the signing of the Maastricht Treaty.
2. The Eurozone is an economic union **comprised of 19 of the 28 EU member states**, who have chosen the euro as their single currency and only legal tender.
3. The South Asian Association for Regional Cooperation (SAARC) is a regional trade group based in Kathmandu that was **founded in 1985**.
4. The Group of Seven (G-7) was **established in 1975**. Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States comprise the G7.

**S42. Ans.(c)**

**Sol. (1) - (D), (2) - (C), (3) - (B), (4) - (A)** are correct pairs.

**S43. Ans.(d)**

**Sol.** During the boom phase, production capacity is **fully** utilized, and also products fetch an above-normal price which gives **higher** profit. This attracts more and more investments. To manufacture a greater number of products, entrepreneur purchases new machines, and employees work at higher wage rate. The **increasing** cost tendency of the factors of production leads to a continuous increase in product cost. The fixed-income group or the salaried class finds it difficult to cope with this increase in prices. As their income does not **increase** accordingly, they are now compelled to reduce their consumption. The demand is now more or less stagnant, or it even decreasing.

**S44. Ans.(a)**

**Sol. Agriculture sector.**

All the sectors saw a decline but the agriculture sector showed a growth of 4% in the lockdown.

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**S45. Ans.(b)****Sol. (2) and (3)**

Point 1 - Investment and saving **are in equilibrium** (and do not vary according to the changes in interest rate).

**S46. Ans.(a)**

**Sol.** When there are changes in **factors other than a good's own price** that affect the quantity purchased, we call these changes shifts in **demand**. Demand shift means that the quantity demanded at each specific price increases (or decreases), compared to the earlier demand at that price.

**S47. Ans.(c)**

**Sol. Law of demand:** When the price of a commodity is raised (and other things are constant), buyers tend to buy less of the commodity. Similarly, when the price is lowered, other things being constant, the quantity demanded increases.

**S48. Ans.(a)****Sol. (2), (3), and (4) are correct.**

The correct point 1 is "Acceptance of Family Welfare Services is **Voluntary (and not Involuntary)**".

**S49. Ans.(a)****Sol. Only 1,2,3 are incorrect.**

Narasimhan Committee - II (1998).

1. In order to improve the inherent strength of the Indian banking system, the committee recommended that the Government should raise the prescribed minimum capital adequacy norms to 9%. This would further improve their loss absorption capacity.
2. The committee opined that government control over the banks in the form of management and ownership and bank autonomy did not go hand in hand and thus, it recommended a review of the functioning of Boards of Banks so as to enable them to adopt professional corporate strategies.
3. The committee considered that there was an urgent need to review and amend major laws governing the Banking Industry like RBI Act, Banking Regulation Act, State Bank of India Act, Bank Nationalization Act, etc. These modifications would bring them in line with the needs of the banking sector in India.  
Narasimhan Committee - I (1991).
4. Establishment of a 4-tier hierarchy for banking structure with 3 to 4 large banks (including SBI) at the top and, at the bottom, rural banks engaged in agricultural activities.

**S50. Ans.(b)**

**Sol.** 1,5,6 recommendations are under the Narasimhan Committee 1 while 2,3,4 are recommendations are under the Narasimhan Committee 2

1. Lowering SLR and CRR
2. Access to the Money Market
3. Regulation of Interest Rates
4. Reclassification of Debts
5. Competition from New Private Banks
6. Freedom of Operation

**S51. Ans.(c)****Sol. 3, 4, 5,6**

1. The Reserve Bank of India Act, 1934
2. The Banking Regulation Act, 1949
3. The State Bank of India Act, 1955
4. The State Bank of India (Subsidiary Banks) Act, 1959
5. The Deposit Insurance and Credit Guarantee Corporation Act, 1961
6. The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970

**S52. Ans.(c)**

**Sol.** An RRB can open its branches and operate only in the jurisdiction of such districts/states, which have been notified by the **Central Government**.

**S53. Ans.(d)**

**Sol.** As per Section 5 of the Regional Rural Banks (Amendment) Act, 2015, the authorized share capital of a Regional Rural Bank shall be **Rs. 2000 crore**.

**S54. Ans.(c)****Sol. 1-C, 2-D, 3-B, 4-A****S55. Ans.(c)****Sol. Only statements 2 & 3 are incorrect.**

1. Underwriting of public issues and offer or sale of industrial bonds.
2. **Direct** subscription to such securities.
3. Extending Rupee loans, repayable over periods up to **15 years**.
4. Providing similar loans in foreign currencies for payment of imported capital equipment and technical services.
5. Guaranteeing payments for credit extended by other financial institutions.
6. Providing credit facilities to manufacturers for promoting the sale of industrial equipment on deferred payment terms.
7. Providing financial services like leasing and installment sales.

**S56. Ans.(b)**

**Sol.** SMILE: Minimum loan size - Rs.10 lakh for Equipment Finance and Minimum Loan Size for Others - Rs.25 lakhs

**S57. Ans.(c)****Sol. Only statement 3 is incorrect.**

1. To help Indian exporting firms in their globalization efforts,
2. To identify opportunities overseas for setting up plants or projects or for acquisition of overseas companies
3. The Group monitors trends in global and domestic economies to analyse their impact on Indian and other developing economies. (Research Analysis)
4. organizes workshops and supporting events, to facilitate the design, and packaging of their products for the international markets.

**S58. Ans.(c)**

**Sol.** The third phase marked the modern microfinance movement. The SHG--Bank Linkage Programme was formally launched by NABARD in **1992** with its guidelines to banks for financing SHGs, under a pilot project that aimed at financing 500 SHGs across the country, through the banking system. While the banks had financed about 600 SHGs by March 1993, they continued to finance even more SHGs in the subsequent years. This encouraged RBI to include financing SHGs as a mainstream activity of banks under their priority sector lending in **1996**.

**S59. Ans.(b)**

**Sol. Only statement 3 is incorrect.**

1. Empowering RBI to issue directions to NBFCs or their auditors, with regard to their preparation of balance sheets, profit and loss accounts, disclosure of liabilities, etc.;
2. Empowering RBI to order a special audit of NBFCs
3. Empowering RBI to **prohibit** NBFCs from alienating assets, and
4. Empowering RBI to file winding-up petitions against NBFCs.

**S60. Ans.(c)**

**Sol. Only statement 1 is correct.**

1. A collateral-free loan given to a household having annual household income up to Rs.3,00,000. (household shall mean an individual family unit, i.e., husband, wife, and their unmarried children.)
2. All collateral-free loans, irrespective of end use and mode of application/ processing/ disbursement (either through physical or digital channels), provided to **low-income households**, i.e., households having annual income up to Rs.3,00,000, shall be considered as microfinance loans.

**S61. Ans.(b)**

**Sol.** The Reserve Bank vide its Master Circular dated **1st July 2015**, has advised the Fair Practice Code for NBFCs.

**S62. Ans.(c)**

**Sol. NBFC-P2P**

**NBFC-P2P**, NBFC-AA, NOFHC, and NBFCs without public funds and customer interface will always remain in the Base Layer of the regulatory structure.

NBFC-D, **CIC, IFC, and HFC** will be included in the Middle Layer or the Upper Layer (and not in the Base layer), as the case may be. SPD and IDF-NBFC will always remain in the Middle Layer.

**S63. Ans.(a)**

**Sol. Statements 1,4 and 5 are correct.**

Point 2 - Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section **114A (and not 112A)** of the Insurance Act, 1938, and has framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.

Point 3 - In December 2000, the subsidiaries of the General Insurance Corporation of India were restructured, as independent companies, and at the same time, GIC was converted into a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from the GIC, in July **2002 (and not 2000)**.

**S64. Ans.(b)**

**Sol.** The purpose behind introducing mandatory cessions was to retain premiums domestically as much as possible, and the binding cessions from direct insurers to GIC remained at **20%** until 2006-07. Later, this limit was lowered to **15%**, in 2007-08 and then to **10%**, in 2008-13.

**S65. Ans.(d)**

**Sol.**

1. To maintain monetary stability such that the business and economic life of the country can deliver the welfare gains of a mixed economy.
2. To maintain financial stability and ensure sound financial institutions so that economic units can conduct their business with confidence.
3. To maintain stable payment systems so that financial transactions can be safely and efficiently executed.
4. To ensure that credit allocation by the financial system broadly reflects the national economic priorities and social concerns.
5. To regulate the overall volume of money and credit in the economy to ensure a reasonable degree of price stability.
6. To promote the development of financial markets and systems to enable itself to operate/regulate.

**S66. Ans.(c)**

**Sol.** Though financial stability is not an explicit objective of the Reserve Bank, in terms of the Reserve Bank of India Act, 1934, it has been an explicit objective of the Reserve Bank since the early 2000's. **In 2009**, the Reserve Bank set up a dedicated Financial Stability Unit mainly to, put in place a system of continuous monitoring of the macro financial system. The department's roles and activities include:

- Conduct macro-prudential surveillance of the financial system, on an ongoing basis
- Developing models for assessing financial stability, going forward
- Preparation of half-yearly financial stability reports
- Development of a database of key variables, which could impact financial stability, in coordination with the supervisory wings of the Reserve Bank
- Development of a time series of a core set of financial indicators

**S67. Ans.(c)**

**Sol.** The objectives of the IRDAI are two-fold, viz., policyholder protection and healthy growth of the insurance market, and hence the word 'Development' also figures in its name, in

addition to Regulation. The emergence of IRDAI as the regulatory and development authority for the insurance sector arose from one of the recommendations of the Committee constituted by the Government under the chairmanship of **Shri R N Malhotra, the former Governor of RBI.**

**S68. Ans.(d)**

**Sol.** 1-D, 2-A, 3-B, 4-C

**S69. Ans.(b)**

**Sol.** It is expected that the sale of the bad loans to NARCL will be against **15%** cash and the balance **85%** in the form of Security Receipts (SRs). Initially, the Central government is expected to guarantee the SRs, to the extent of Rs 30,600 crores. The Government guarantee will be valid for **5 years**. The limited period of Government guarantee is expected to incentivize NARCL, to speed up the resolution of the loans transferred to it.

**S70. Ans.(c)**

**Sol.** 1-C,2-A, 3-B

**S71. Ans.(d)**

**Sol.** Capital market is a market for **long-term** equity and debt. In this market, capital funds comprising both equity and debt are issued and traded. This also includes **private placement** sources of debt and equity as well as organized markets, like stock exchanges. In common parlance, the capital market may be understood as the market for long-term funds. The capital market provides long-term debt and equity finance for the government and the corporate sector.

**S72. Ans.(c)**

**Sol.** The auction is conducted **Price-based** using either **uniform price-based** or **multiple-price method**. Bids for the auction can be submitted by the participants in electronic format on the Reserve Bank of India's Core Banking Solution (E-Kuber) system. Only in the event of system failure, physical bids can also be accepted by the Public Debt Office of the RBI.

**S73. Ans.(c)**

**Sol. Only 2 is incorrect.**

1. A repo involves selling a security, with an agreement to repurchase the same, at a future date, at a predetermined price.
2. The seller of the security **receives funds**, while the buyer of the security **receives collateral** for the funds that have been lent. The rate at which the security will be repurchased in the 2nd leg of the repo is derived from the rate of interest payable on the funds lent and is known as the repo rate.
3. Repo transactions are permitted between counterparties and in instruments permitted by the Reserve Bank of India. The eligible securities for Repo transactions are Government securities issued by the Central Government or a State

Government, listed corporate bonds, and debentures (subject to the condition that no participant shall borrow against the collateral of its own securities, or securities issued by a related entity), Commercial Papers (CPs), Certificate of Deposits (CDs), and Units of Debt Exchange Traded Funds (ETFs). Besides, any other security of a local authority, as may be specified on this behalf by the Central Government, is eligible for Repo transaction.

4. The eligible participants for Repo transactions are any regulated entity, any listed corporate, any unlisted company, that has been issued special securities by the Government of India (using only such special securities as collateral), and any All-India Financial Institution (FIs), viz., Exim Bank, NABARD, NHB and Small Industries Development Bank of India (SIDBI). Besides, any other entity approved by the Reserve Bank from time to time for this purpose can participate in repo transactions.

**S74. Ans.(b)**

**Sol. Statements 3 & 4 are incorrect.**

1. All tri-party agents need prior authorization from the Reserve Bank, to act in that capacity.
2. Scheduled commercial banks, recognized stock exchanges, and clearing corporations of stock exchanges or clearing corporations, authorized under the Payment and Settlement Systems Act, are eligible to be tri-party agents.
3. The applicant should have a minimum paid-up equity share capital of **Rs. 25 crores**.
4. The applicant should have past experience of at **least 5 years** in the financial sector, in India or abroad, preferably in custody, clearing, or settlement services. Tri-party agents should put in place, adequate system infrastructure to carry out their functions.

**S75. Ans.(b)**

**Sol. 3 years**

The LTRO was introduced by RBI in February 2020, with the following dual objectives:

- To encourage banks to undertake maturity transformation smoothly and seamlessly, so as to augment credit flows to productive sectors, and,
- To assure banks about the availability of durable liquidity, at reasonable cost, relative to prevailing market conditions.
- Accordingly, it has been decided that, from the fortnight beginning on February 15, 2020, the RBI would conduct term repos of 1-year and 3-year tenors of appropriate sizes for up to a total amount of Rs 1,00,000 crores at the policy repo rate. The first two LTROs were conducted on February 17th and 24th, 2020 for Rs 25,000 crores each, for tenors of 3 years and 1 year, respectively

**S76. Ans.(d)****Sol. Only 1,2,3,4 are correct.**

1. The depositories legislation aims at providing for a legal basis for establishment of depositories to conduct the task of maintenance of ownership records of securities and effect changes in ownership records, through book entry
2. Dematerialisation of securities in the depositories mode as well as giving option to an investor to choose between holding securities as at present or hold securities in a dematerialised form, in a depository;
3. Making the securities fungible
4. Making the shares, debentures, and any interest thereon of a public limited company freely transferable;
5. Exempting all transfers of shares within a depository, from stamp duty.

**S77. Ans.(b)**

**Sol. Preferred Stock/Preference Shares:** These shares do not offer voting rights. Owners of these shares are entitled to a fixed dividend or a dividend calculated at a fixed rate to be paid regularly before any dividend can be paid in respect of equity shares. These shareholders also enjoy priority over the equity shareholders in the payment of surplus, during the process of liquidation of the company. In the event of liquidation, their claims rank below the claims of the company's creditors, bond holders'/debenture holders, etc., but above the claims of the equity shareholders. A company can issue redeemable preference shares with tenure of not exceeding 20 years, except for infrastructure projects.

**S78. Ans.(d)**

**Sol. Zero-Coupon Bond:** A bond issued at a discount and repaid at a face value is called a Zero-Coupon Bond. No periodic interest is paid in this case. The difference between the issue price and redemption price (face value) represents the return to the holder. The buyer of these bonds receives only one payment, at the maturity of the bond (known as a bullet payment).

**S79. Ans.(c)****Sol. 1,2,3,4,5,6,7 are correct.**

1. Retail investors, as defined under the scheme, can register under the Scheme and maintain an RDG Account, if they have rupee savings bank account maintained in India
2. Retail investors, as defined under the scheme, can register under the Scheme and maintain a RDG Account if they have Permanent Account Number (PAN) issued by the Income Tax Department;
3. Retail investors, as defined under the scheme, can register under the Scheme and maintain a RDG Account if they have any OVD for KYC purpose;
4. Retail investors, as defined under the scheme, can register under the Scheme and maintain a RDG Account valid email ID

5. Retail investors, as defined under the scheme, can register under the Scheme and maintain a RDG Account if they have registered mobile number.
6. Non-Resident retail investors eligible to invest in Government Securities under Foreign Exchange Management Act, 1999, are eligible under the scheme.
7. The RDG account can be opened singly or jointly with another retail investor who meets the eligibility criteria.

**S80. Ans.(c)****Sol. only 4 is incorrect.**

1. Participation and allotment of securities will be as per the non-competitive scheme for participation in primary auction of government securities and procedural guidelines for SGB issuance.
2. Only one bid per security is permitted. On submission of the bid, the total amount payable will be displayed.
3. Payment to the aggregator/receiving office can be made through either of the following ways (a) Using the net-banking/UPI facility from the linked bank account, whereby, funds will be debited at the time of submission of bids on the portal. (b) Using the UPI facility, whereby, funds in the linked bank account can be blocked at the time of submission of bids on the portal, which will be debited from this account on successful allotment in the auction. Similar facility through banks will be made available in due course. (c) Refund, if any, will be credited to the investor's bank account, as per the timelines specified by the aggregator.
4. Allotted securities will be issued to the investors by credit to their RDG Account on the **day of** settlement.

**S81. Ans.(c)**

**Sol. Securities Eligible RDS** would enable retail investors to buy and sell the following types of Government securities:

- Government of India Treasury Bills;
- Government of India dated securities;
- Sovereign Gold Bonds (SGB);
- State Development Loans (SDLs).

**S82. Ans.(b)****Sol. Hedge Funds and Investment entities**

These entities intervene in foreign exchange markets, with speculative purposes or to obtain returns. Multinationals, large corporations and SMEs and institutional investors (such as insurance companies and asset managers). These engage in exchange markets for commercial or investment purposes.

**S83. Ans.(a)****Sol. Corporate Counselling Advisory**

Merchant Banks offers corporate advisory services to clients on financial matters. Advice may be sought in areas such as determining the right debt-to-equity ratio, the gearing ratio, and the appropriate capital structure. Other areas of advice may be in areas of refinancing and seeking sources of cheaper funds, risk management, and hedging strategies. Further areas for advice are rehabilitation and turnaround management.

**S84. Ans.(d)****Sol. 1,2,3,4,5**

1. Half-yearly unaudited results should be submitted to SEBI.
2. Should fulfill all obligations in a professional and ethical manner
3. Should not discriminate among the clients
4. Should ensure that prospectus, letter of offer, etc., is available to investors at the time of issue
5. Should render the best possible advice to its clients

**S85. Ans.(b)**

**Sol.** In respect of every issue to be managed, the lead merchant banker holding a certificate under Category-I shall accept a minimum underwriting obligation of 5% of the total underwriting commitment or Rs.25 lacs, whichever is less.

**S86. Ans.(d)**

**Sol.** In terms of SEBI guidelines, all debenture issues (public rights) of the companies with a maturity period exceeding **18 months** are required to have a 'Debenture Trustee' and its name must be stated in the Prospectus to the issue.

**S87. Ans.(a)**

**Sol.** A 6 × 9 FRA means a corporate seeking protection for 3 months borrowing or lending commitment, starting 6 months from today and ending 9 months from today.

**S88. Ans.(b)**

**Sol. Direct Importing System:** In this type of factoring, there is only one factor, viz., the import factor and the sellers directly deal with the import factor for all aspects of the transaction.

**S89. Ans.(a)****Sol. 1983**

Venture capital funding obtained official patronage, with the announcement by the Central Government of the "Technology Policy Statement" in 1983.

**S90. Ans.(d)**

**Sol.** Early-stage financing includes (i) Seed capital stage, (ii) Start-up stage, and (iii) Second round financing.

**S91. Ans.(b)****Sol. Direct Lease**

This is the most straightforward type of finance lease. The lessor firm itself purchases the asset and hands it over to the lessee. A manufacturer can also act as a lessor and can deliver the assets to the lessee, under the lease agreement (instead of delivering under the sale agreement). In other words, the lessee will normally specify the manufacturer, the model number, and other relevant characteristics of the asset it wishes to lease and the lessor will procure for the lessee.

**S92. Ans.(a)**

**Sol.** AAA ratings denote the highest safety in terms of timely payment of interest and principal.

**S93. Ans.(a)**

**Sol.** Contra Fund is the equity scheme. The rest options are debt fund schemes.

**S94. Ans.(d)****Sol. 1,2,3,4 and 5 are correct.**

1. It is a positive duty voluntarily to disclose, accurately and fully, all facts material to the risk being proposed, whether requested or not.
2. Non-disclosure of any material fact may be intentional on the part of the insured.
3. Even so, such a contract is rendered voidable, at the insurer's option and it can refuse any compensation.
4. An application for life and health insurance is the applicant's proposal to the insurer for protection and is the beginning of the policy contract.
5. The proposed insured is required to give accurate answers to questions in the application, relating to his personal and family history, habits, employment, insurance already in force, and other applications for insurance that either are pending or have been postponed or refused, etc.

**S95. Ans.(c)**

**Sol.** Continue in NPS till the age of 75 years or exit any time after such continuance before 75 years. (b) While exiting from NPS, the subscriber can; • defer receiving the lumpsum (60% corpus) till the age of 75 years or withdraw the same in installments till 75 years • defer Annuity purchase (40% corpus) for a maximum period of 3 years.

**S96. Ans.(d)****Sol. 1,2,3****S97. Ans.(b)****Sol. 1939.****S98. Ans.(b)****Sol. 10%****S99. Ans.(a)****Sol. 1,2,3 are Sponsor Benefits**

4. Investor benefit: Invest in real estate or infrastructure, without actually owning the asset.

**S100. Ans.(a)**

**Sol.** REITs structured on the lines of mutual funds were first introduced in the USA, in the 1960s, through the Cigar Excise Tax Extension Act, in order to boost real estate development, by way of existing investments, from investors interested in holding a stake in the real estate sector. The upsurge in real

estate presented the opportunity of reaping huge dividends on the investments made, thereby bringing to effect, the real estate development projects and rewarding the investors financially. REITs were first introduced in India by the Securities and Exchange Board of India (SEBI), in 2007, almost 50 years after they were first incorporated as an investment vehicle. The first Indian REIT was established in **2017** (Embassy REIT) and its IPO opened in March 2018. Subsequently, there were regulations framed to facilitate the **operational** functions of these investment funds, which were revised and reformed after that. REIT companies listed on the Indian stock exchanges are monitored and regulated by the **SEBI**, to ensure adherence to industry practices by the REITs and safeguard the interest of the **Investors**.



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