

UPSC CDS EXAM 2019 TO 2024

PREVIOUS
YEAR QUESTIONS
for
Economics

Last 11 PYQs Papers in ONE LECTURE

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EX: AC, BSF



Economy



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CDS 2019



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Q. Consider the following statements about a joint-stock company:

- 1) It has a legal existence.**
- 2) There is limited liability of shareholders.**
- 3) It has a democratic management.**
- 4) It has a collective ownership.**

Which of the statements given above are correct?

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



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Ans: D

Joint stock company is a voluntary association of individuals for profit, having a capital divided into transferable shares, the ownership of which is the condition of membership.

The definition of a joint stock company highlights the following features of a company.

Separate legal entity: From the day of its incorporation, a company acquires an identity, distinct from its members. Its assets and liabilities are separate from those of its owners. The law does not recognize the business and owners to be one and the same.

The management and control of the affairs of the company is undertaken by the Board of Directors.

In a joint-stock company, the liability of shareholders is limited to the amount they have invested in the company. This means that their personal assets are protected from the company's debts and obligations.

A joint-stock company is owned collectively by its shareholders, who hold shares of stock that represent their ownership in the company. The shareholders share in the company's profits and losses.

Hence, Option D is correct.



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Q. Consider the following statements:

- 1) Inflation in India continued to be moderate during 2017-18.**
- 2) There was significant reduction in food inflation, particularly pulses and vegetables during the period.**

Which of the statements given above is/are correct?

- A. 1 only**
- B. 2 only**
- C. Both 1 and 2**
- D. Neither 1 nor 2**



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Ans: C

Sol:

- According to the Survey, inflation in the country continued to moderate during 2017-18 with the CPI based headline inflation averaging 3.3 per cent during the period the lowest in the last six financial years
- Retail inflation fell to a record low of 2.18% in May as prices of kitchen staples like vegetables and pulses declined sharply although there was a marginal spike in fruit rates.

Hence, Option C is correct.



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Q. Which one of the following statements is not correct?

- A. When total utility is maximum, marginal utility is zero
- B. When total utility is decreasing, marginal utility is negative
- C. When total utility is increasing, marginal utility is positive
- D. When total utility is maximum, marginal and average utility are equal to each other.

निम्नलिखित में से कौन-सा कथन सही नहीं है?

- A. जब पूर्ण उपयोगिता अधिकतम होती है, सीमांत उपयोगिता शून्य होती है।
- B. जब पूर्ण उपयोगिता घटती है, सीमांत उपयोगिता नकारात्मक होती है।
- C. जब पूर्ण उपयोगिता बढ़ती है, सीमांत उपयोगिता स्वकारात्मक होती है।
- D. जब पूर्ण उपयोगिता अधिकतम होती है, सीमांत और औसत उपयोगिता एक-दूसरे के बराबर होती हैं।

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Ans: D

Total utility - It is total psychological satisfaction which a consumer derives from the consumption of a commodity is known as total utility

Marginal utility - It is an addition made in total utility by consuming an additional unit of a commodity is known as marginal utility.

* When marginal utility is positive, total utility increases

* When marginal utility is zero, total utility is at maximum

* When marginal utility is negative, total utility decreases

Average Utility is the total satisfaction or utility derived from consuming a given quantity of a good or service, divided by the number of units consumed. It gives an average measure of utility per unit consumed.

Example: If consuming 3 slices of pizza results in a total utility of 30 units, the average utility per slice is $\frac{30}{3} = 10$ units of utility per slice.

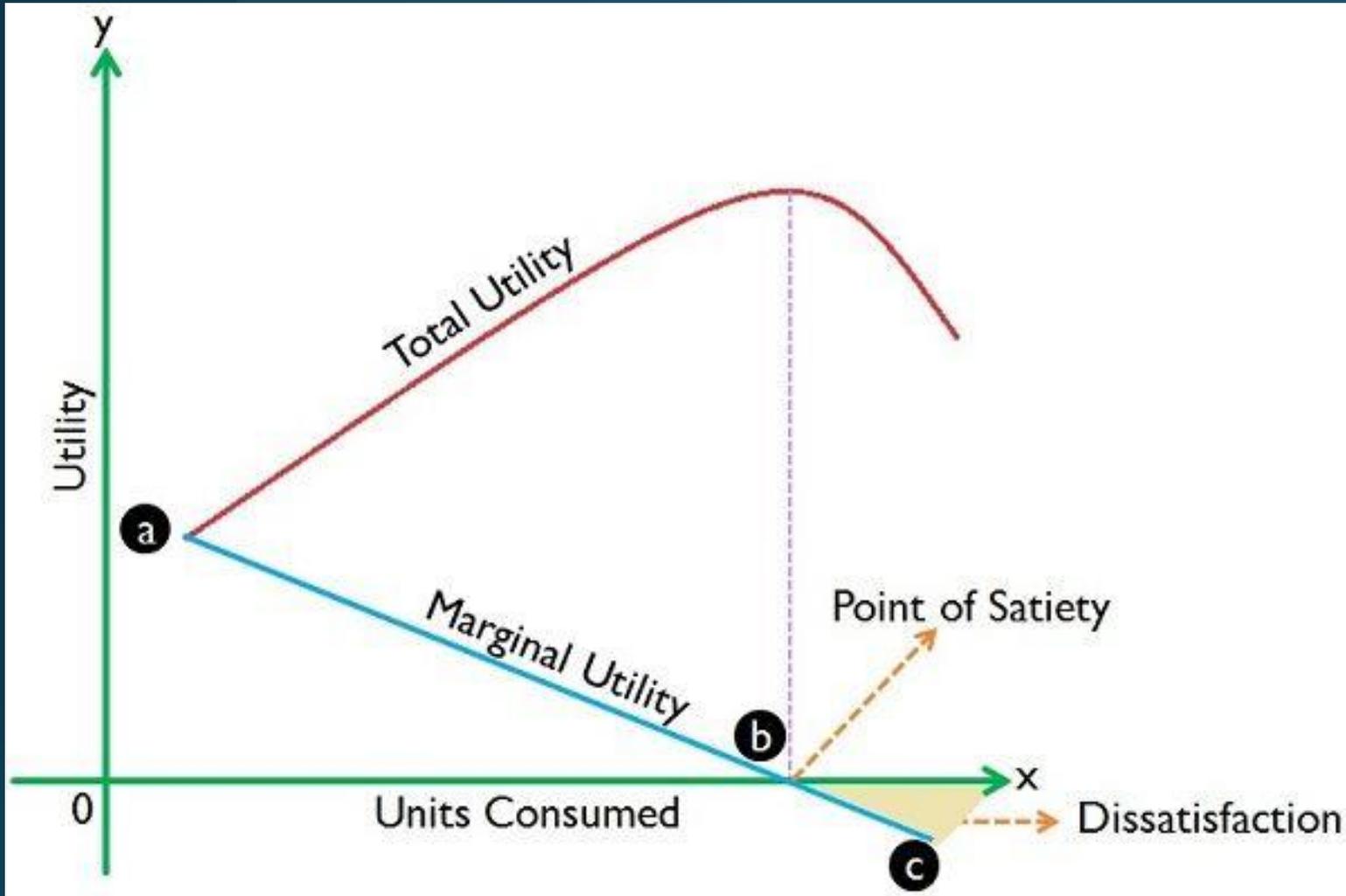
Hence, Option D is correct.



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Q. Consider the following statements about indifference curves:

- 1) Indifference curves are convex to the origin.**
- 2) Higher indifference curve represents higher level of satisfaction.**
- 3) Two indifference curves cut each other.**

Which of the statements given above is/are correct?

- A. 1 only**
- B. 1 and 2**
- C. 2 and 3**
- D. 3 only**



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Ans: B

Sol:

Indifference curves assume that individuals have stable and ordered preferences, and seek to maximize their utility. As a result, indifference curves will have these four properties:

1. the indifference curve is downward-sloping
2. the slope of the indifference curve is convex
3. curves plotted higher and further to the right correspond with higher levels of utility
4. various indifference curves can never cross or overlap

Indifference curves is convex to the point of origin because of diminishing Marginal Rate of Substitution.
Hence, Option B is correct.

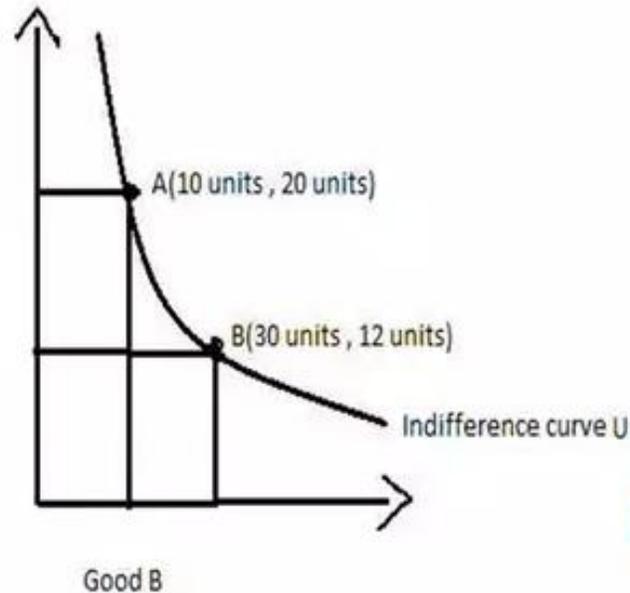


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What is indifference ?

Definition: An indifference curve is a graph showing combination of two goods that give the consumer equal satisfaction and utility. Each point on an indifference curve indicates that a consumer is indifferent between the two and all points give him the same utility.

Graphically, the indifference curve is drawn as a **downward sloping convex to the origin**. The graph shows a combination of two goods that the consumer consumes.



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Figure
Indifference Curve

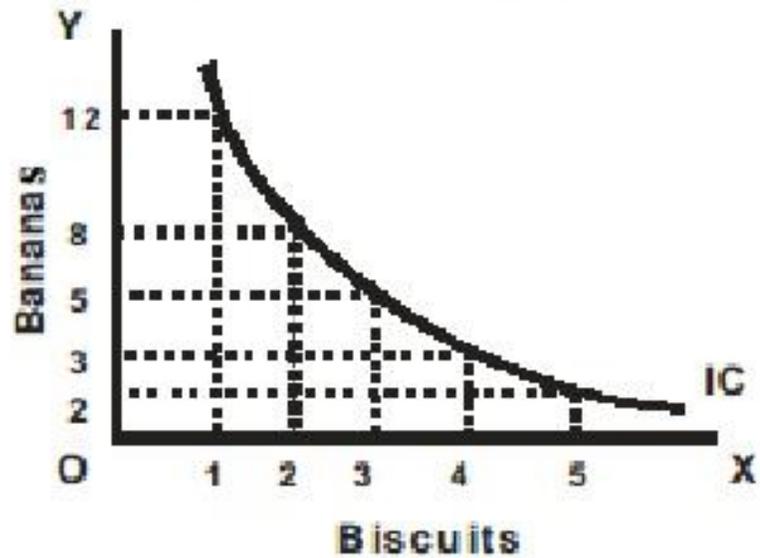
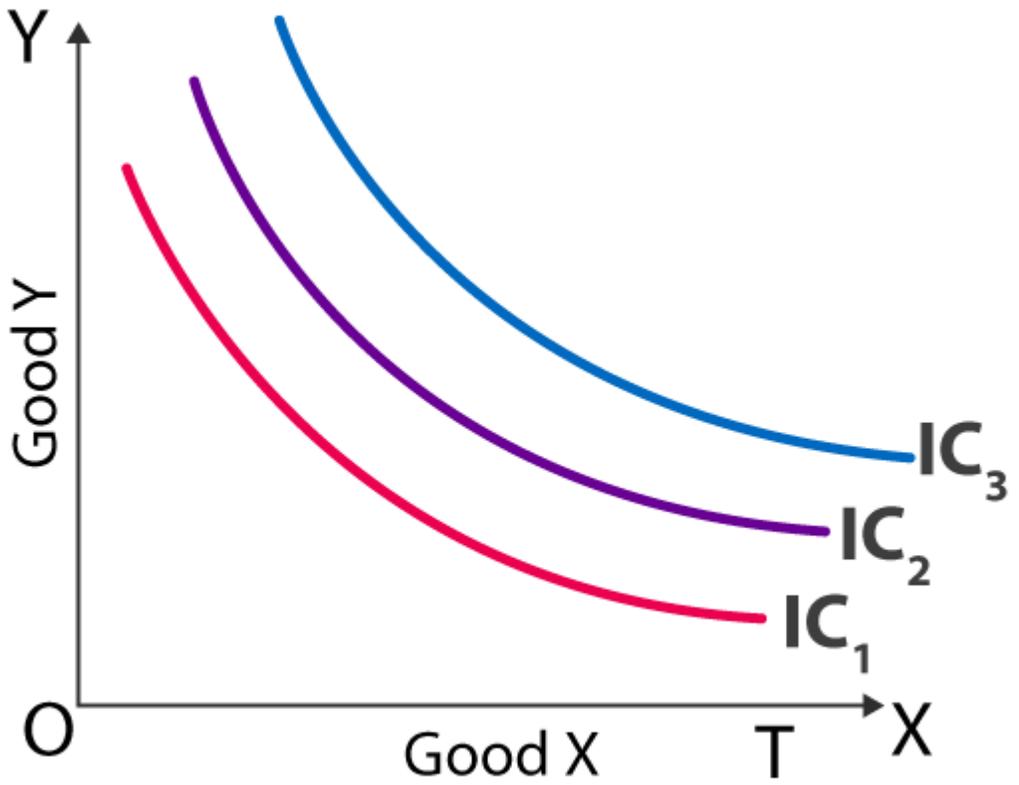


Table **Indifference Schedule**

Combination (Good X)	Biscuits (Good Y)	Bananas
A	1	12
B	2	8
C	3	5
D	4	3
E	5	2



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Indifference Map



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Q. When some goods or productive factors are completely fixed in amount, regardless of price, the supply curve is

- A. horizontal
- B. downward sloping to the right
- C. vertical
- D. upward sloping to the right

जब कोई वस्तु अथवा उत्पादित कारक, उनके मूल्य पर ध्यान दिए बिना, मात्रा में पूर्णतः निश्चित होते हैं, तो आपूर्ति (सप्लाइ) वक्र होता है

- A. क्षैतिज
- B. नीचे की और दायीं तरफ झुका हुआ
- C. ऊर्ध्वाधार
- D. ऊपर की और दायीं तरफ झुका हुआ



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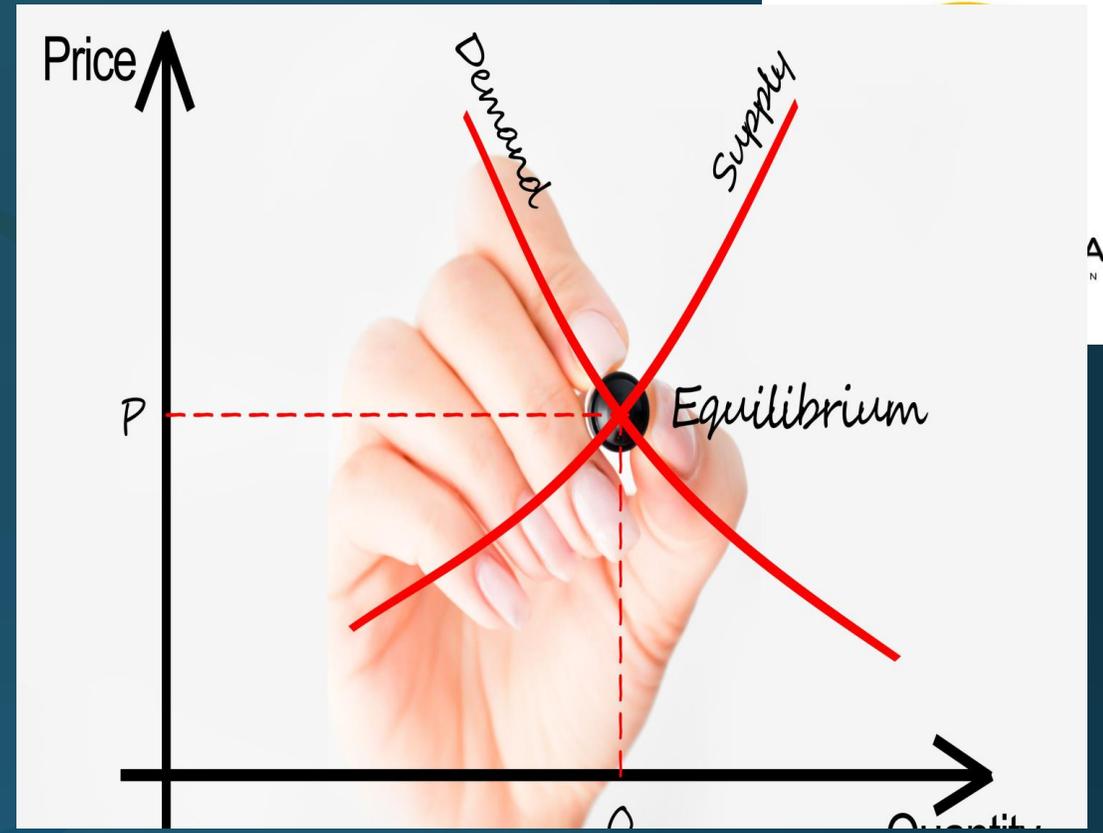
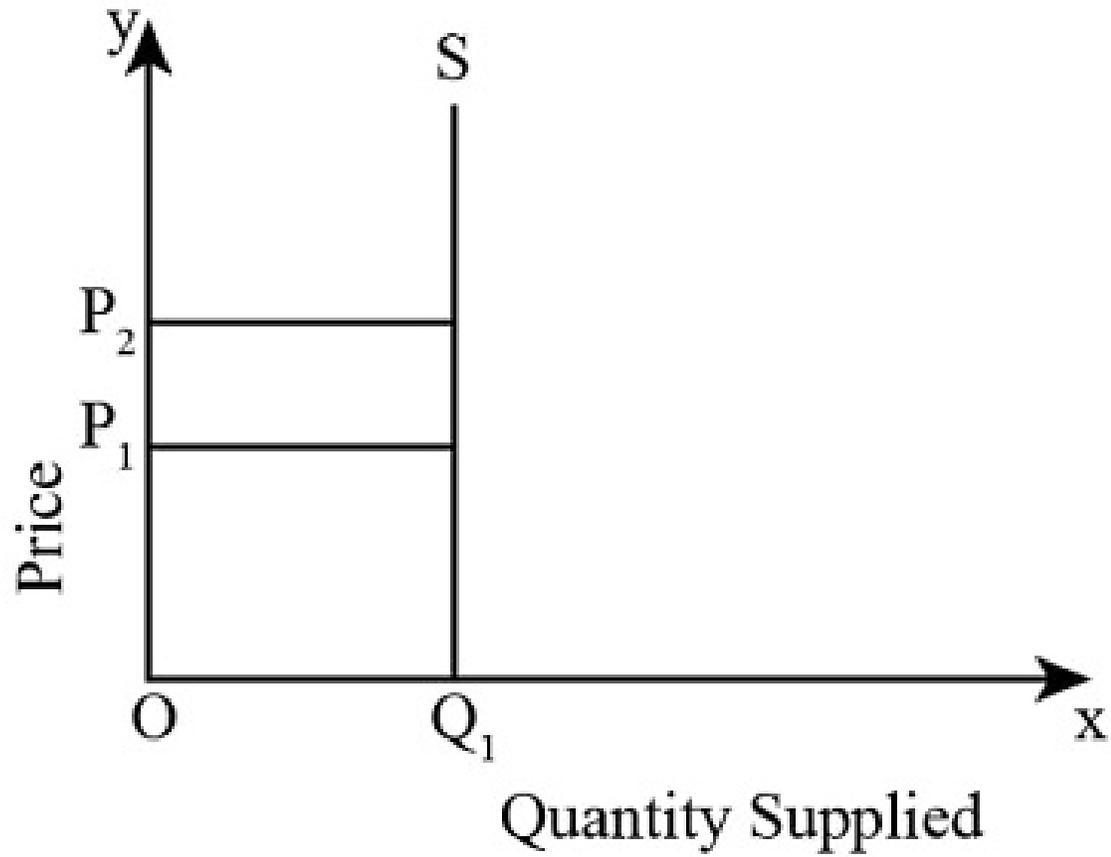
Ans: C

- When the supply of certain goods or productive factors is completely fixed in amount, regardless of the price, it means that the quantity available cannot be increased or decreased in response to changes in price.
- This situation is represented by a vertical supply curve because the quantity supplied remains constant regardless of price.



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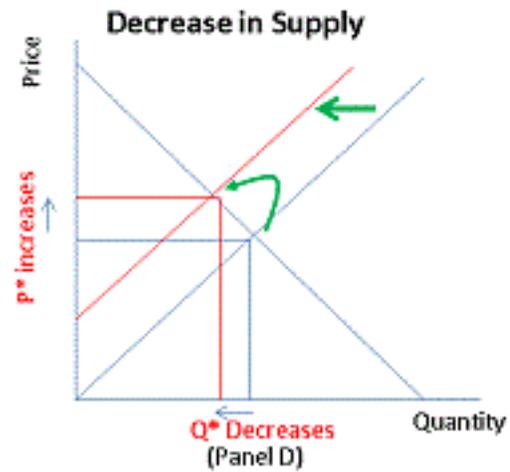
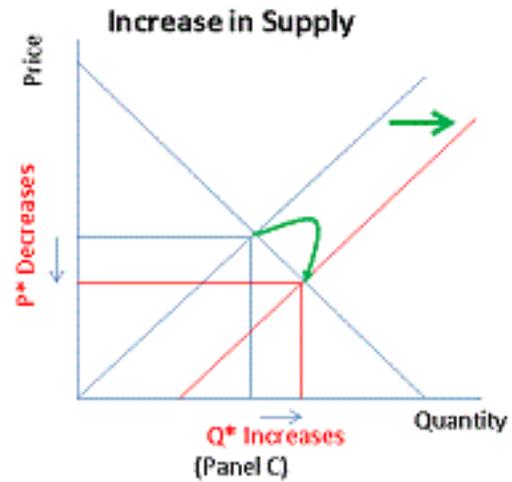
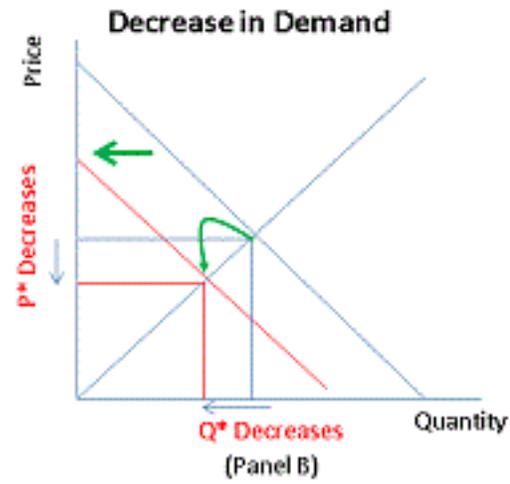
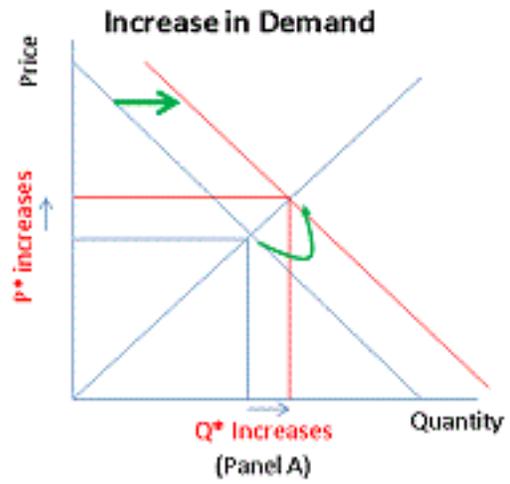


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Q. Sub-prime crisis' is a term associated with which one of the following events?

- A. Economic recession
- B. Political instability
- C. Structural adjustment programmes
- D. Growing social inequality

‘उप-मुख्य संकट (सब-प्राइम क्राइसिस)’ शब्द निम्नलिखित में से किस घटना से संबंधित है?

- A. आर्थिक मंदी
- B. राजनीतिक अस्थिरता
- C. संरचनात्मक समायोजन कार्यक्रम
- D. बढ़ती सामाजिक असमानता



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Ans: A

Sol:

The term "**sub-prime crisis**" refers to a financial crisis that occurred due to the collapse of the sub-prime mortgage market in the United States, which was a significant contributor to the global financial crisis of 2007-2008.

This crisis led to a severe economic recession, marked by a significant downturn in economic activity, widespread financial instability, and a collapse of financial institutions. The sub-prime crisis was characterized by the high-risk loans given to borrowers with poor credit histories and the subsequent failure of these loans, leading to a broader financial meltdown.

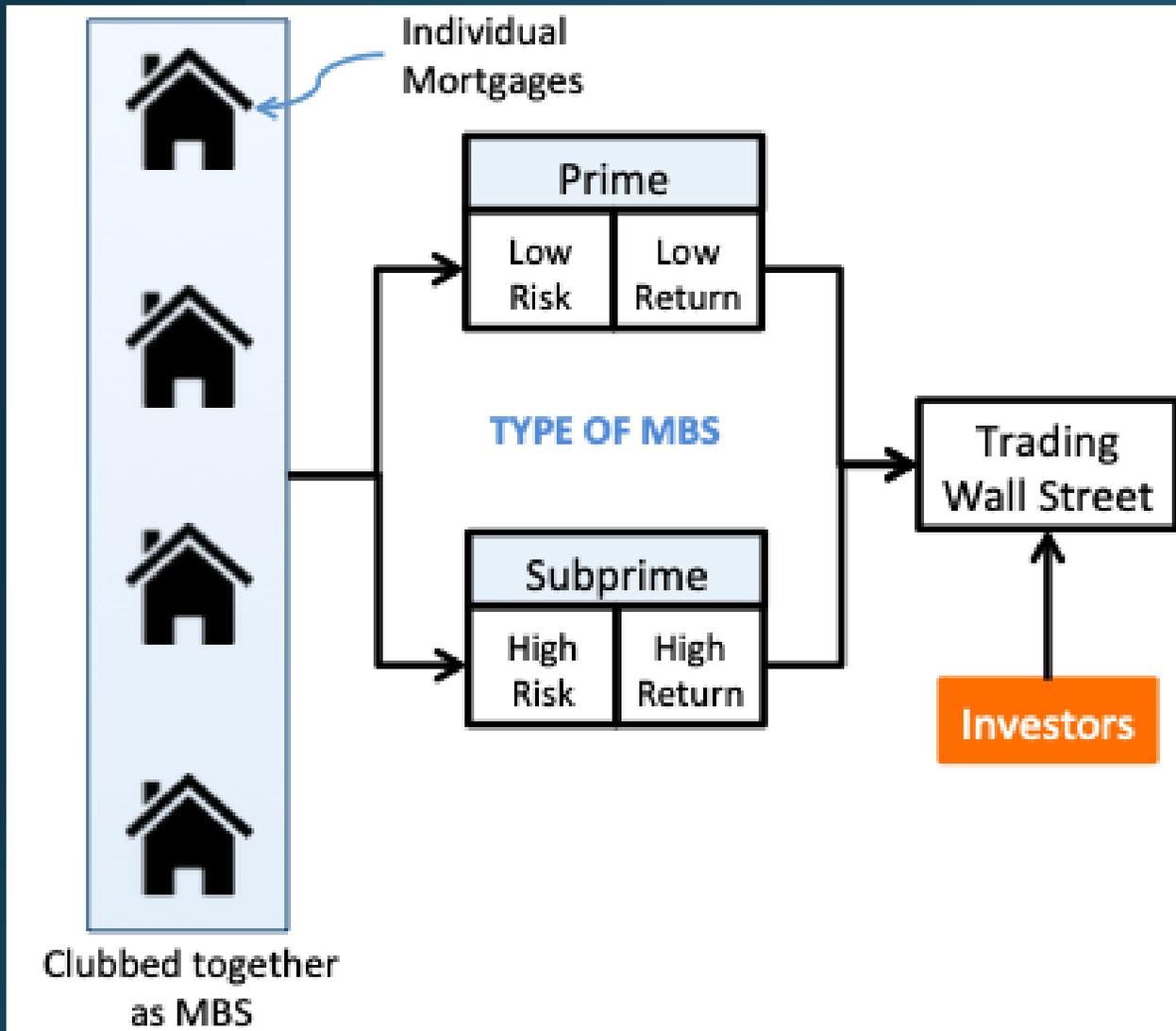
Hence, Option A is correct.



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Q. A market situation when many firms sell similar but not identical products is termed as

- A. perfect competition
- B. imperfect competition
- C. monopolistic competition
- D. oligopoly

एक ऐसी बाजार परिस्थिति, जिसमें बहुत-सी कंपनियाँ मिलते-जुलते किन्तु असर्वसम (समरूप नहीं) उत्पाद बेचती हैं, कहलाती है

- A. आदर्श (पूर्ण) प्रतियोगिता
- B. त्रुटिपूर्ण (सदोष) प्रतियोगिता
- C. एकाधिकारी प्रतियोगिता
- D. अल्पाधिकार



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Ans: C

Sol:

Monopolistic competition is a type of imperfect competition such that many producers sell products that are differentiated from one another (e.g. by branding or quality) and hence are not perfect substitutes.

In other words, large sellers selling the products that are similar, but not identical and compete with each other on other factors besides price.

Hence, Option C is correct.



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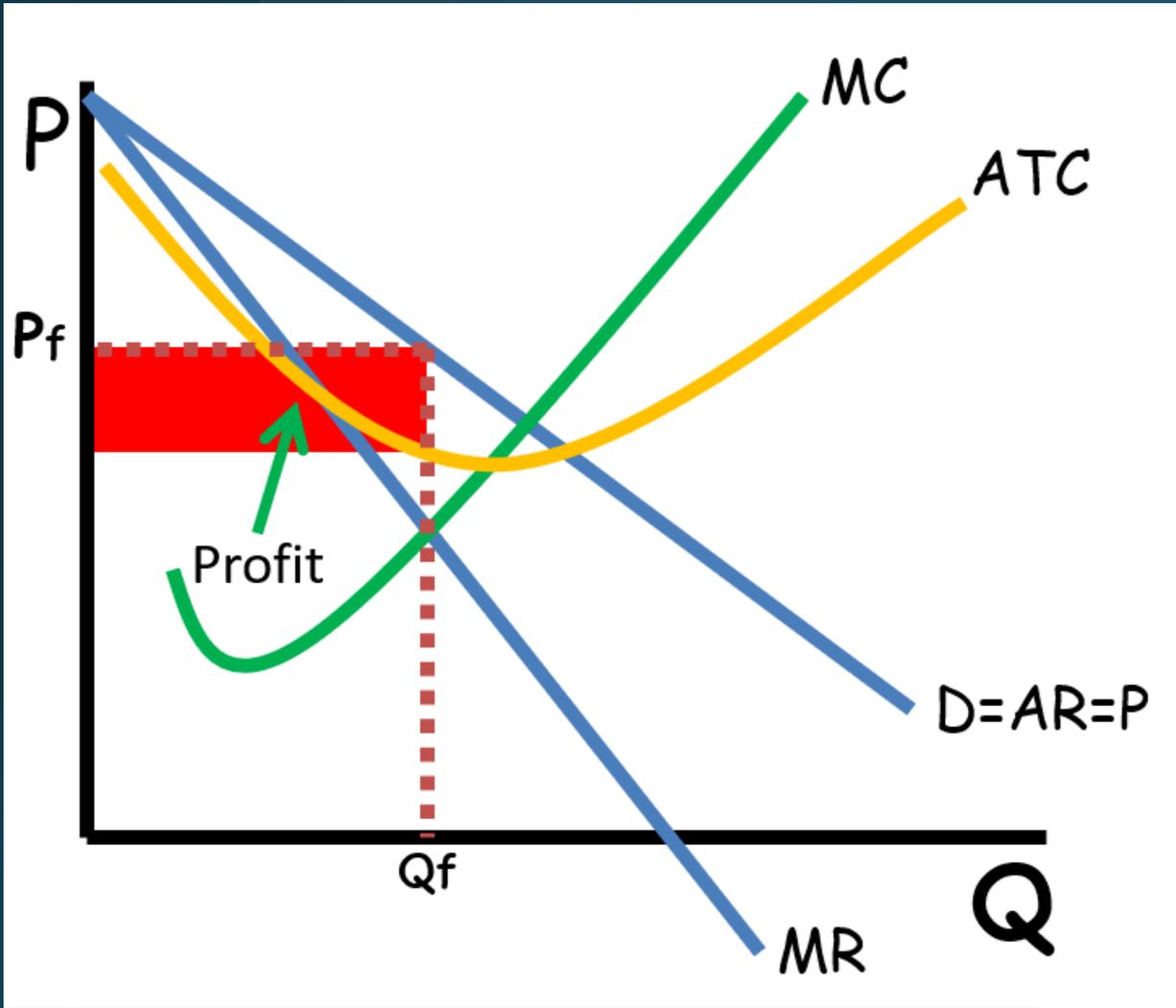
- **Perfect Competition:** A market structure where numerous small firms compete against each other with identical products, leading to no single firm having market power.
- **Imperfect Competition:** A general term for market structures that do not meet the criteria of perfect competition, including monopolistic competition and oligopoly.
- **Monopolistic Competition:** A market structure where many firms sell similar but not identical products, allowing for some degree of market power and product differentiation.
- **Oligopoly:** A market structure dominated by a few large firms, where each firm's decisions affect the others, leading to strategic interactions and potential market power.



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Monopolistic Competition Examples

Smart Phone



iPhone



Samsung

Soft Drink



Coca-Cola



Pepsi

Clothing



ZARA



H & M

Taxi



Ola



Uber



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Q. Which one of the following hypotheses postulates that individual's consumption in any time period depends upon resources available to the individual, rate of return on his capital and age of the individual?

- A. Absolute Income Hypothesis**
- B. Relative Income Hypothesis**
- C. Life Cycle Hypothesis**
- D. Permanent Income Hypothesis**



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Ans: The correct answer is **C. Life Cycle Hypothesis.**

The **Life Cycle Hypothesis (LCH)** postulates that individuals plan their consumption and savings behavior over their lifetime, taking into account their resources, rate of return on capital, and their age. According to this hypothesis, individuals aim to smooth their consumption over their lifetime, saving and investing during their working years and drawing on these savings during retirement. The hypothesis incorporates the idea that consumption patterns are influenced by an individual's lifetime income rather than just their current income.



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A. Absolute Income Hypothesis:

Proposed by John Maynard Keynes, this hypothesis suggests that an individual's consumption level is directly related to their current income. According to this view, as income increases, consumption increases, but not necessarily at the same rate.

B. Relative Income Hypothesis:

Developed by James Duesenberry, this hypothesis argues that an individual's consumption is influenced by their income relative to the income of others. People are concerned about their standard of living relative to others, so consumption patterns are based on social comparisons and relative income rather than absolute income levels.

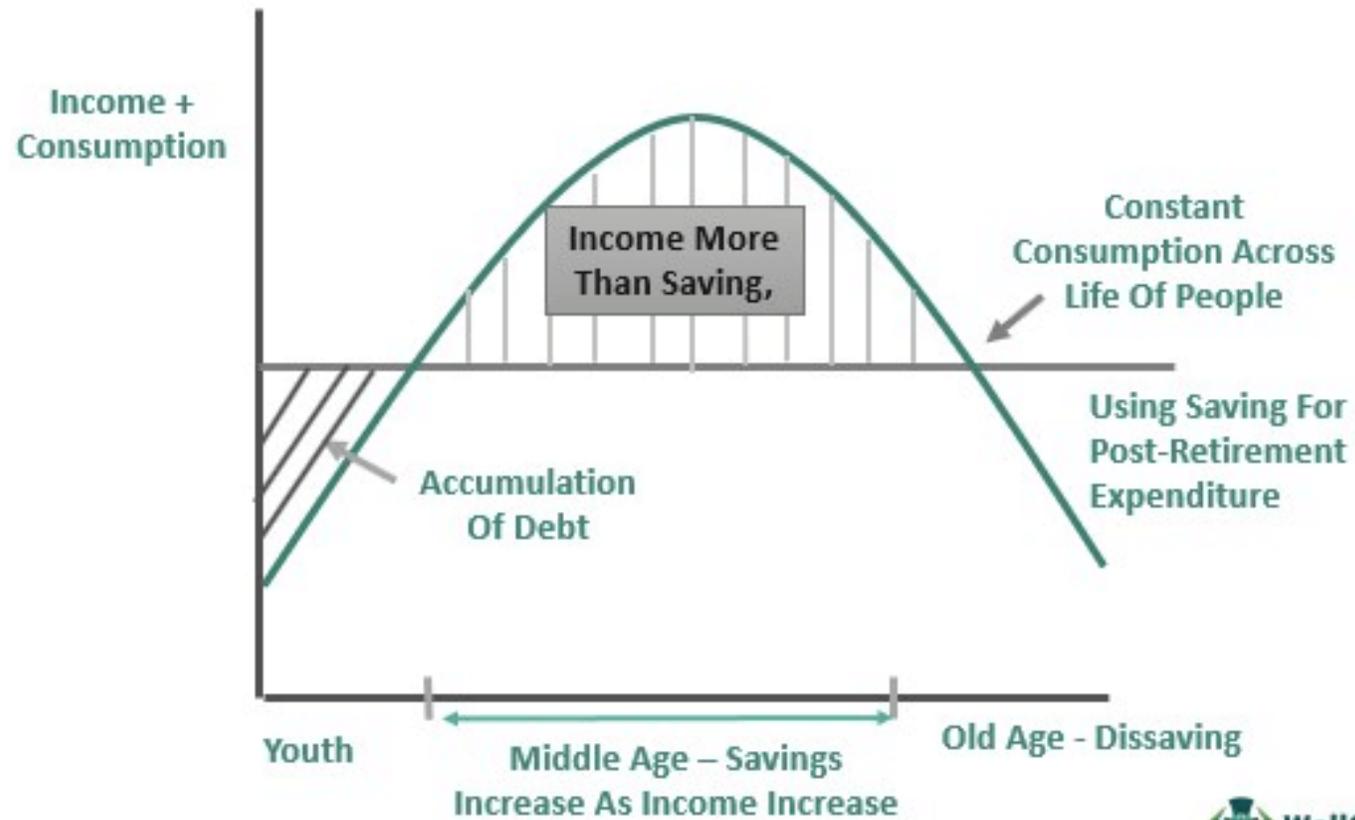
D. Permanent Income Hypothesis:

Formulated by Milton Friedman, this hypothesis posits that an individual's consumption is based on their long-term average income or "permanent income," rather than their current income. People smooth their consumption over time based on their expectations of long-term income, so temporary changes in income have less effect on consumption compared to changes in expected lifetime income.



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Life Cycle Hypothesis



Theories of Consumption

Relative Income Theory of Consumption

- consumption expenditure depends on income of an individual relative to incomes of others rather than the absolute size of his own income

Life Cycle Theory of Consumption

- individual plans his even consumption profile in his lifetime which depends not so much on his current income but on his expectations of income in the whole lifetime

Permanent Income Theory of Consumption

- consumption of an individual depends on permanent income rather than current level of income



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Q. Which one of the following canons of taxation was not advocated by Adam Smith?

- A. Canon of equity**
- B. Canon of certainty**
- C. Canon of convenience**
- D. Canon of fiscal adequacy**

करारोपण के निम्नलिखित में से किस सिद्धांत का पक्षसमर्थन एडम स्मिथ द्वारा नहीं किया गया था?

- A. समानता का सिद्धांत**
- B. निश्चितता का सिद्धांत**
- C. सुविधा का सिद्धांत**
- D. राजकोषीय पर्याप्तता का सिद्धांत**

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Ans: D

Adam Smith, in his famous work "*The Wealth of Nations*," outlined four canons or principles of taxation: **equity**, **certainty**, **convenience**, and **economy**. These principles are meant to guide the design of a fair and effective tax system.

Canon of equity: Taxes should be proportional to the taxpayer's ability to pay.

Canon of certainty: The amount, time, and manner of tax payment should be clear and certain.

Canon of convenience: Taxes should be levied in a manner and at a time that is convenient for the taxpayer.

Canon of economy: The cost of collecting taxes should be kept to a minimum.

The **canon of fiscal adequacy** (ensuring that taxes generate enough revenue to meet government needs) was **not** one of the canons advocated by Adam Smith.



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Q. According to John Maynard Keynes, employment depends upon

- A. aggregate demand
- B. aggregate supply
- C. effective demand
- D. rate of interest

जॉन मेनार्डु कीन्स के अनुसार रोजगार निर्भर करता है

- A. समग्र माँग पर
- B. समग्र पूर्ति पर
- C. प्रभावी माँग पर
- D. ब्याज की दर पर



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Ans: C

Sol:

J.M Keynes' theory of employment is a demand-deficient theory. This means that Keynes visualised employment from the demand side of the model. His theory is a demand-oriented approach, as opposed to the classical supply side model.

According to him, the volume of employment in a country depends on the level of effective demand of people for goods and services. Thus, unemployment is attributed to the deficiency of effective demand.

Hence, Option C is correct.



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- **Aggregate Demand:** The total quantity of goods and services demanded across an economy at different price levels.
- **Aggregate Supply:** The total quantity of goods and services that producers in an economy are willing and able to supply at different price levels.
- **Effective Demand:** The total demand for goods and services in an economy that is backed by the ability to pay.
- **Rate of Interest:** The cost of borrowing money or the return on investment, expressed as a percentage of the amount borrowed or invested.



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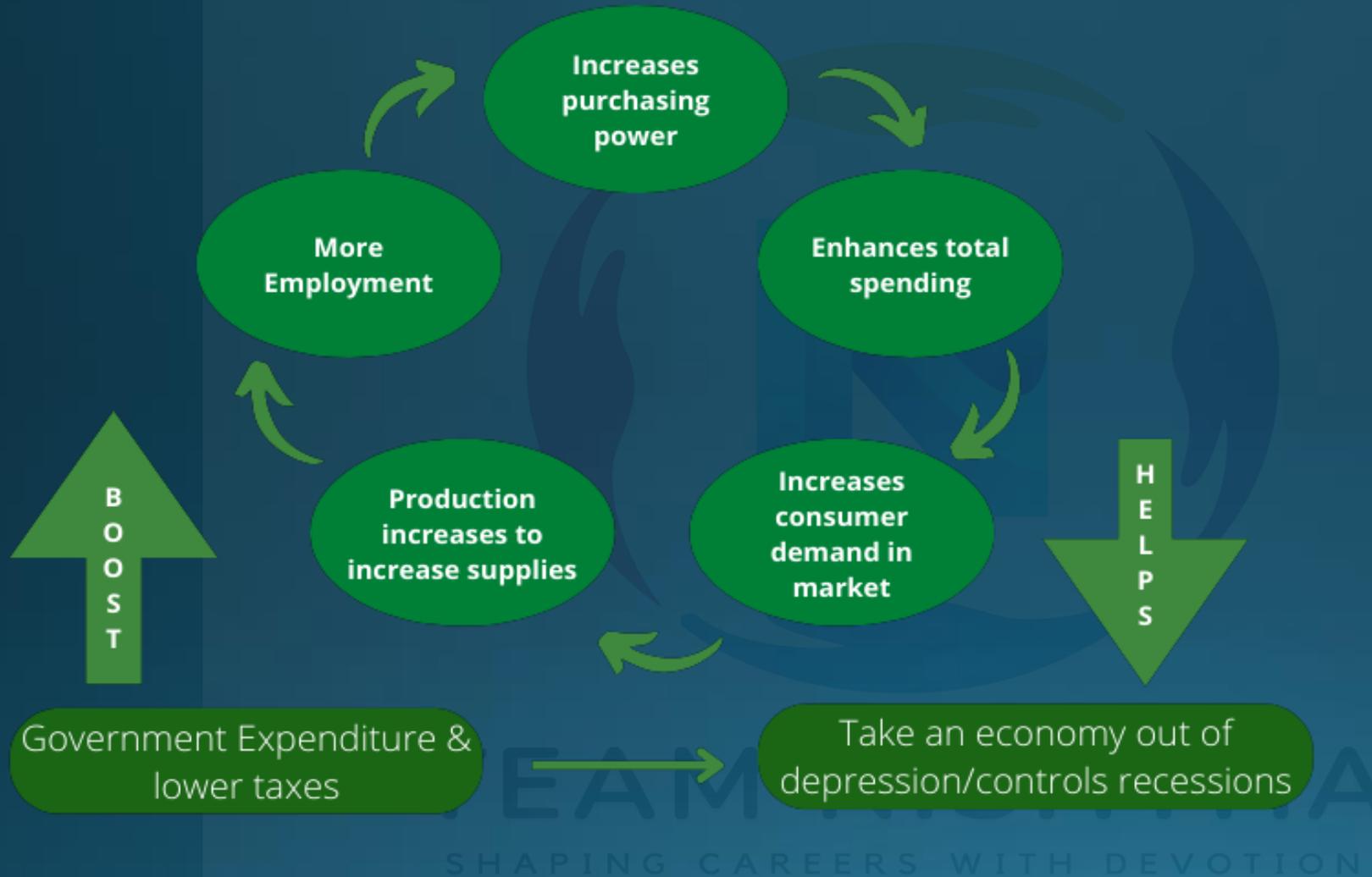
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What is Keynesian Economics

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Q. Which one of the following is not an assumption in the law of demand?

- A. There are no changes in the taste and preferences of consumers
- B. Income of consumers remains constant
- C. Consumers are affected by demonstration effect
- D. There are no changes in the price of substitute goods.

मांग के नियम में निम्नलिखित में से कौन-सी एक पूर्वधारणा नहीं है?

- A. उपभोक्ता की रुचि और वरीयता में कोई बदलाव नहीं होता है ।
- B. उपभोक्ता की आय नियत (सतत) बनी रहती है ।
- C. उपभोक्ता प्रदर्शन प्रभाव से प्रभावित होते हैं ।
- D. स्थानापन्न वस्तुओं के दाम में कोई परिवर्तन नहीं होता है ।



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Ans: C

There are certain assumptions underlying the law of demand, which are as follows:

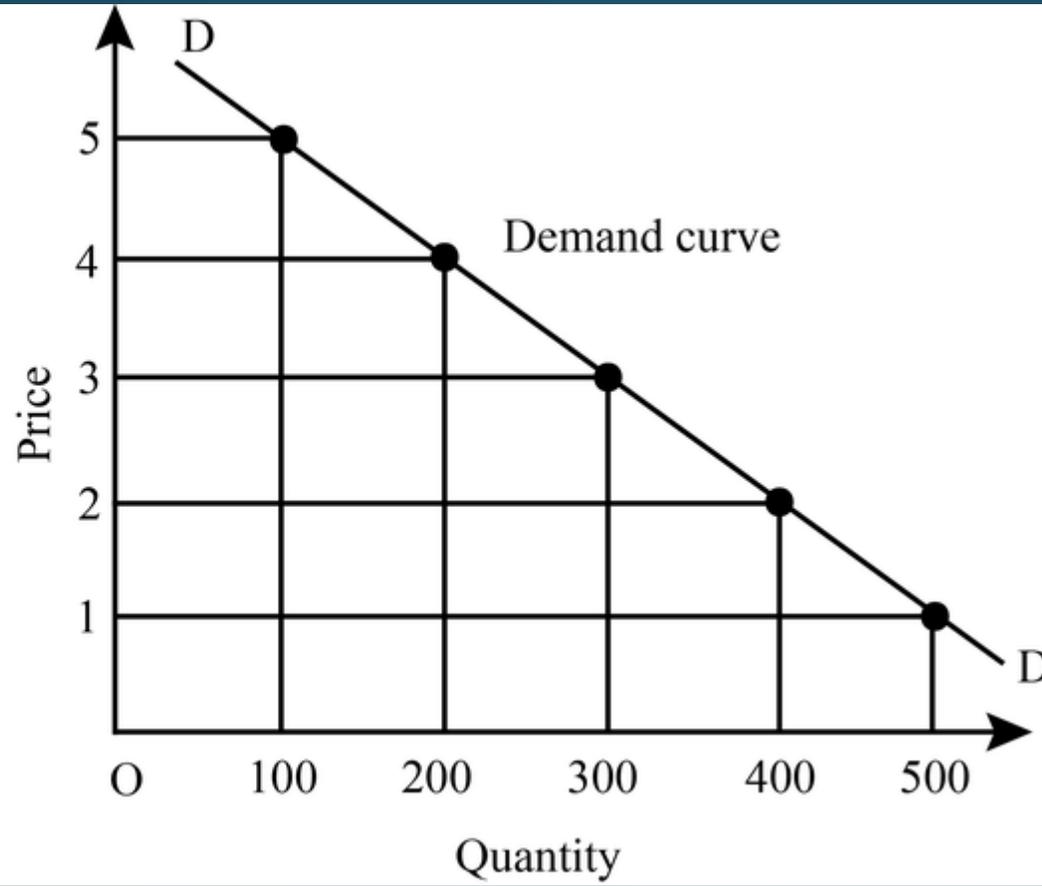
- i. Assumes that the consumer's income remains same
- ii. Assumes that the preferences of consumer remain same.
- iii. Considers that the fashion does not show any changes, because if fashion changes, then people would not purchase the products that are out of fashion.
- iv. Assumes that there would be no change in the age structure, size, and sex ratio of population. This is because if population size increases, then the number of buyers increases, which, in turn, affect the demand for a product directly.

The demonstration effect in an economy occurs when individuals or groups are influenced by observing the consumption patterns or lifestyles of others, often leading them to adopt similar behaviors or increase their own spending to match those observed.



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Demand Schedule	
Px	Dx
5	100
4	200
3	300
2	400
1	500



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Q. Which of the following statements about 'Invest India' is/are correct?

- 1. It is a joint venture (not for profit) company.**
- 2. It is the National Investment Promotion and Facilitation Agency of India .**

Select the correct answer using the code given below:

- A. 1 only**
- B. 2 only**
- C. Both 1 and 2**
- D. Neither 1 nor 2**



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Ans: C

Sol:

* 'Invest India' is India's official agency dedicated to investment promotion and facilitation.

* In early 2010, Invest India is set up as a joint venture company between the Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry (35% equity), Federation of Indian Chambers of Commerce and Industry (FICCI) (51% equity), and State Governments of India (0.5% each).

Hence, Option C is correct.



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Q. Gini Coefficient or Gini Ratio can be associated with which one of the following measurements in an economy?

- A. Rate of inflation
- B. Poverty index
- C. Income inequality
- D. Personal income

किसी अर्थव्यवस्था में निम्नलिखित में से किस एक माप से गिनी गुणांक अथवा गिनी अनुपात को संबद्ध किया जा सकता है?

- A. मुद्रास्फीति की दर
- B. गरीबी सूचकांक
- C. आय असमानता (विषमता)
- D. वैयक्तिक आय



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Ans: C

Sol:

In economics, the Gini coefficient is sometimes known as the Gini index, or Gini ratio is a measure of statistical dispersion intended to represent the income or wealth distribution of a nation's residents and is most commonly used to measure the income inequality. It was developed by the Italian statistician and sociologist Corrado Gini and published in his 1912 paper Variability and Mutability. Hence, Option C is correct.

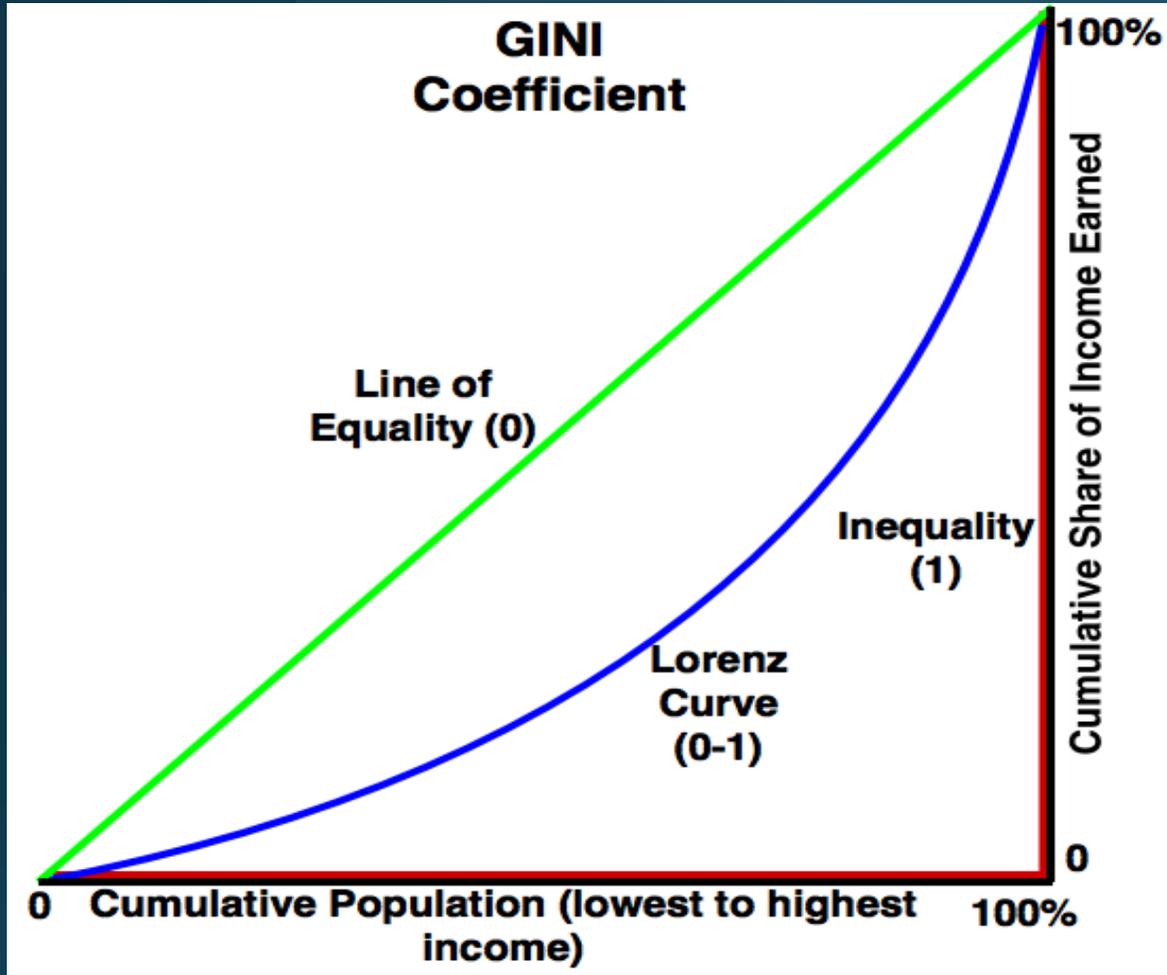


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Q. The working of the price mechanism in a free-market economy refers to which one of the following?

- A. The interplay of the forces of demand and supply
- B. Determination of the inflation rate in the economy.
- C. Determination of the economy's propensity to consume.
- D. Determination of the economy's full employment output.

किसी मुक्त बाजार अर्थव्यवस्था में कीमत तंत्र का संचालन निम्नलिखित में से किस एक कि और संकेत करता है?

- A. मांग और आपूर्ति के दबावों कि अन्योन्यक्रिया
- B. अर्थव्यवस्था में मुद्रास्फीति दर का निर्धारण
- C. अर्थव्यवस्था की उपभोग प्रवृत्ति का निर्धारण
- D. अर्थव्यवस्था के पूर्ण रोजगार निर्गत का निर्धारण

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Ans: A

Sol:

The price mechanism is the system of interaction of buyers and sellers in free markets enables goods, resources and services to be in the allocated price. This system where the forces of demand and supply determine the prices of commodity and the changes in it. It is the buyers and sellers who actually determine the prices of commodities.

The propensity to consume in an economy refers to the fraction of additional income that households are likely to spend on consumption rather than saving. It measures how much consumption increases as income rises.

Hence, Option A is correct.



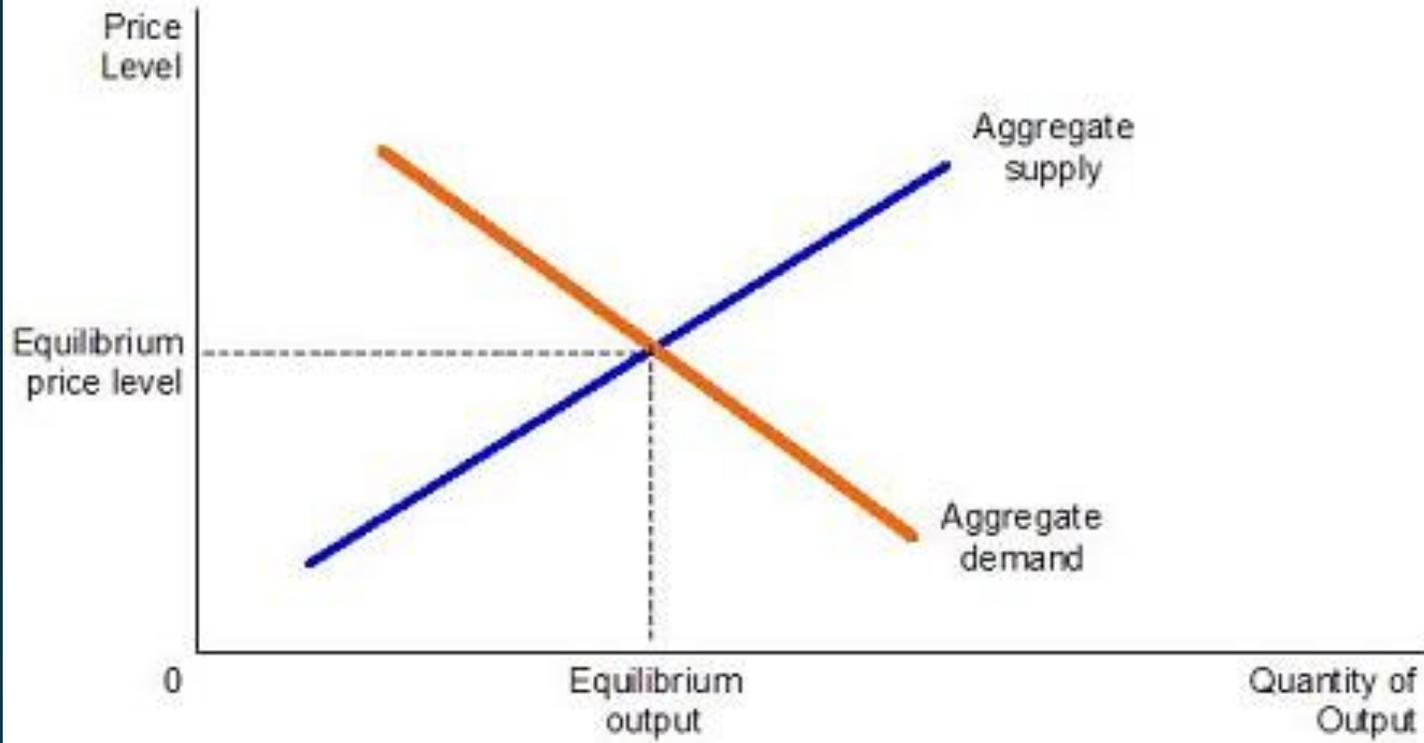
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Aggregate Demand and Aggregate Supply



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Q. Indexation is a method whose use can be associated with which one of the following?

- A. Controlling inflation
- B. Nominal GDP estimation
- C. Measurement of savings rate
- D. Fixing of wage compensation

इंडेक्सैशण (सूचीकरण) एक विधि है जिसके उपयोग को निम्नलिखित में से किस एक के साथ सम्बद्ध किया जा सकता है?

- A. मुद्रास्फीति नियंत्रण
- B. मौद्रिक (नाममात्र) GDP आकलन
- C. बचत दर का मापन
- D. मजदूरी प्रतिपूर्ति का नियतन

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Ans: D

Sol:

Indexation is the adjustment of income payments, such as wages, by a measure of inflation to maintain the purchasing power of the income. It is often used in wage agreements to ensure that wages rise in line with inflation, helping workers maintain their standard of living despite rising prices.

Indexation in an economy refers to the adjustment of income, wages, or financial contracts based on changes in a price index, such as inflation, to maintain purchasing power and ensure real value is preserved over time.



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Indexation

$$\text{Indexation} = \frac{\text{Value of Good in Given Year}}{\text{Value of Good in the Base Year}} \times 100$$



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Q. Which one of the following equals Personal Disposable Income?

- A. Personal Income – Direct taxes paid by households and miscellaneous fees, fines, etc.
- B. Private Income – Saving of Private Corporate Sectors – Corporation Tax
- C. Private Income – Taxes
- D. Total expenditure of Households – Income Tax – Gifts received

निम्नलिखित में से कौन-सा वैयक्तिक प्रयोज्य आय के बराबर है?

- A. वैयक्तिक आय – परिवारों द्वारा भुगतान किए गए प्रत्यक्ष कर और विविध शुल्क, अर्थदंड, इत्यादि
- B. निजी आय – निजी कंपनी क्षेत्रकों कि बचत कंपनी कर
- C. निजी आय – कर
- D. परिवारों का कुल व्यय – आय कर – प्राप्त उफर



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Ans: A

Sol:

The total amount of money available for an individual or population to spend or save after taxes have been paid called personal disposable income. To calculate personal disposable income we have to subtract taxes from personal income.

Hence, Option A is correct.



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Disposable Income

Disposable
Personal
Income Formula = Gross Annual Income –
(Payable Taxes + Other Deductions)



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Q. Who among the following has given the concept of Human Development?

- A. Amartya Sen
- B. Mahbub-ul-Haq
- C. Sukhamoy Chakravarty
- D. G.S. Chaddha

मानव विकास की अवधारणा निम्नलिखित में से किसके द्वारा दी गई है?

- A. अमर्त्य सेन
- B. महबूब-उल-हक
- C. सुखमोय चक्रवर्ती
- D. जी. एस. चड्ढा



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Ans: B The correct answer is: **B. Mahbub-ul-Haq**

Mahbub-ul-Haq: A Pakistani economist, Mahbub-ul-Haq introduced the concept of Human Development in 1990. He is known for creating the Human Development Index (HDI), which measures a country's average achievements in three basic aspects of human development: health, education, and standard of living.

Amartya Sen: An Indian economist and philosopher, Amartya Sen contributed significantly to welfare economics and social choice theory. He worked closely with Mahbub-ul-Haq in developing the Human Development Index and emphasized the importance of capabilities and freedoms in assessing development.



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- **Sukhamoy Chakravarty:** An Indian economist, Sukhamoy Chakravarty is known for his contributions to development economics and planning in India. He chaired the Planning Commission's committee, known as the Chakravarty Committee, which reviewed India's monetary system in the 1980s.

- **G.S. Chaddha:** An Indian economist, G.S. Chaddha made significant contributions to the field of rural development and agricultural economics. His work primarily focused on issues related to land reforms, rural poverty, and agricultural productivity.



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Q. According to the Census 2011, in India, what is the percentage of people (approximately) considered to be migrants (internal), i.e., now settled in a place different from their previous residence?

- A. 25%**
- B. 35%**
- C. 45%**
- D. 55%**

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Ans: B

According to Census 2011, approximately 37% of India's population, or 45.36 crore people, are considered internal migrants, having settled in a location different from their previous residence. Uttar Pradesh and Bihar account for a significant portion of these migrants, with 20.9 million people migrating out of these two states. The number of migrants has increased from 31.45 crores in 2001 to 45.36 crores in 2011, as revealed by the newly released Census data.

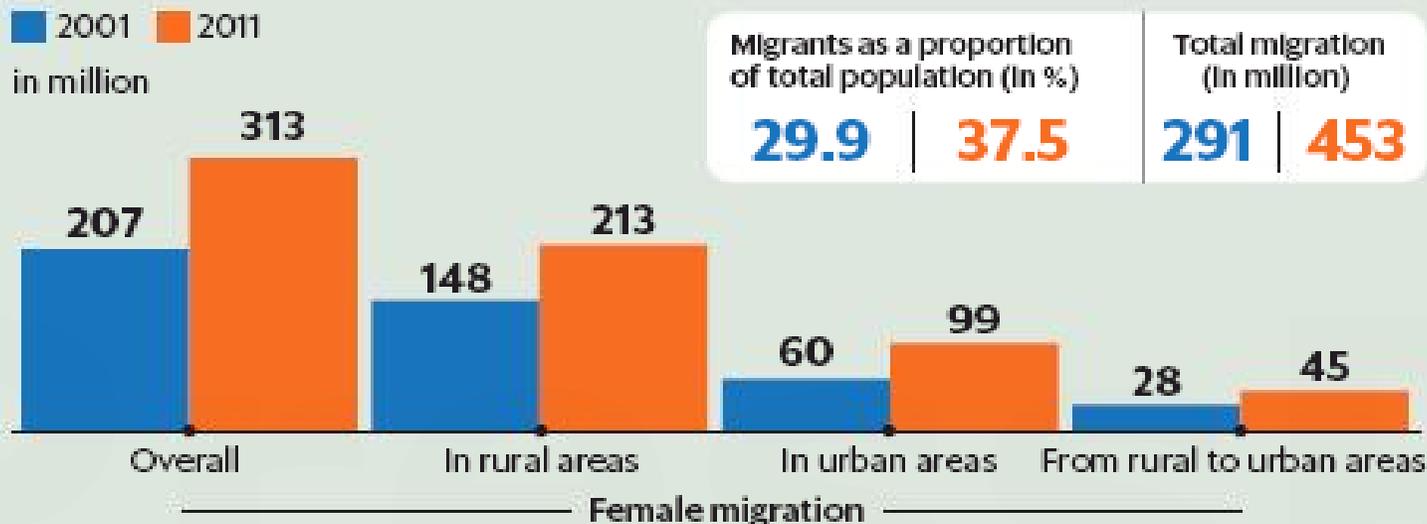


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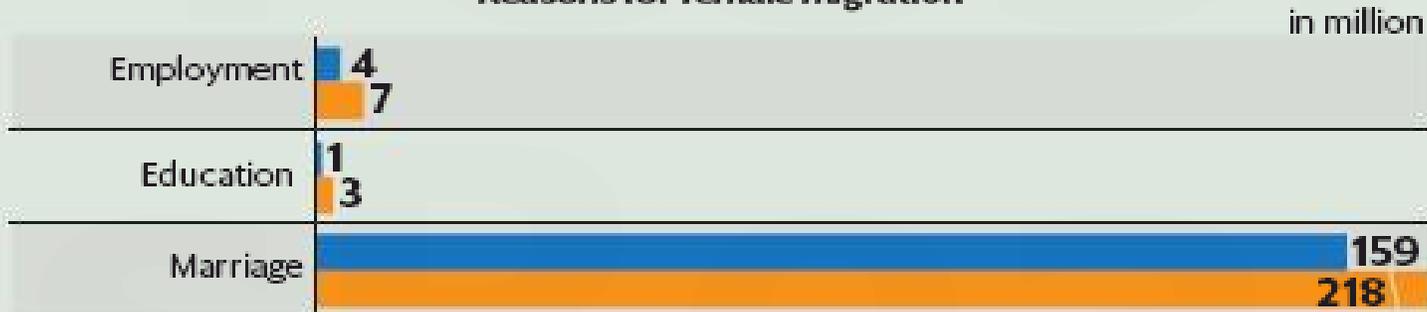
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The migrant Indian

New data reveals that more than one in three Indians are internal migrants. Census 2011 numbers show that India, due to a spurt in economic growth, connectivity and changes in agriculture, is rapidly shedding its image as an immobile society. Push factors such as marriage, education and urbanization are driving the phenomenon.



Reasons for female migration



Source: Census



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Q. Suppose an agricultural laborer earns ₹ 400 per day in her village. She gets a job to work as a babysitter in a nearby town @ ₹ 700 per day. She chose to work as an agricultural laborer. Which one of the following is the opportunity cost of the agricultural laborer?

- A. ₹1,100
- B. ₹700
- C. ₹400
- D. ₹300



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Ans: D

Sol:

Opportunity cost is an important concept in microeconomics. It refers to the benefit or the value which is missed by a business owner, investor, organisation, or individual because they chose something else. If agricultural labour earns Rs400 per day and also gets another job as a babysitter in a nearby town that offers 700 rupees per day. If she chose to work as an agricultural labour opportunity cost would be $700 - 400 = 300$. Hence, option D is correct.



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Q. Which one of the following is the biggest cause of the incidence of migration of female persons in India?

- A. Employment**
- B. Education**
- C. Marriage**
- D. Business**



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Ans: C

Sol:

- Marriage is the biggest reason because of which women migrate from one place to another.
- The findings from the 2011 Census, which were published recently show that marriage made up for 46 percent of the total migrations in India, of which 97 percent are women.
- Hence, option C is correct.



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Q. Match List-I with List-II and select the correct answer using the code given below the Lists:

List-I

(Market structure

- A) Perfect**
- B) Monopoly**
- C) Monopolistic**
- D) Oligopoly**

List-II (Characteristic)

- 1) Only producer selling one commodity**
- 2) Few producers selling similar or almost similar products**
- 3) Many producers selling Differentiated products**
- 4) Many producers selling similar products**

Code:

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

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Ans: B

Sol:

1. **Perfect competition:** Many producers selling a similar product.
2. **Monopoly:** Only 1 producer selling 1 commodity.
3. **Monopolistic Competition:** Many producers selling differentiated products
4. **Oligopoly:** Few producers selling similar or almost similar products.

So, price rigidity exists in the oligopoly form of the market.
Hence, option B is correct.



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Q. Which one of the following is not correct about Repo rate?

- A. It is the interest rate charged by the Central Bank of overnight loan.**
- B. It is the interest rate paid by the commercial banks on overnight borrowing.**
- C. It is the interest rate agreed upon in the loan contract between a commercial bank and the Central Bank.**
- D. It is the cost of collateral security.**



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Ans: C

- The repo rate is not a loan agreement between a commercial bank and the central bank.
- The central bank has the authority to alter it in order to regulate in accordance with the situation.

It is NOT the loan contract between a commercial bank and the central bank.

- The central bank has the power to change it to regulate it according to the situation.
- The Repo rate is the interest rate paid by the commercial banks to the central bank on overnight borrowing.
- The repo rate is used to control inflation and the deficiency of funds. • It is also called as collateral security. The RBI accepts collateral security in the form of gold, bonds, etc.
- The Reverse repo rate is the rate at which the central bank borrows money from commercial banks.
- It is used to manage cash-flow.

Hence, option C is correct.



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Repo Rate Agreement
(increases liquidity in the market)

Reserve
Bank of
India

**Lend to
banks**

Commercial
Banks

**More cash
to lend**

Borrowers

Reverse Repo Rate Agreement
(decreases liquidity in the market)

Reserve
Bank of
India

**More deposit
from banks**

Commercial
Banks

**Lesser cash
to lend**

Borrowers



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Q. The Cash Reserve Ratio refers to

- A. The share of Net Demand and Time Liabilities that banks have to hold as liquid assets**
- B. The share of Net Demand and Time Liabilities that banks have to hold as balances with the RBI**
- C. The share of Net Demand and Time Liabilities that banks have to hold as part of their cash reserves**
- D. The ratio of cash holding to reserves of banks**



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Ans: B

Sol:

- The Cash Reserve Ratio (CRR) is the percentage of Net Demand and Time Liabilities that banks must hold as reserves with the RBI.
 - CRR's goal is to keep inflation under control.
 - During periods of high inflation, the central bank raises the CRR to reduce the bank's loanable funds.
- Hence, option B is correct.



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CRR Vs SLR

Basis For Comparison	CRR	SLR
Meaning	CRR is the percentage of money which the bank has to keep with the Central Bank of India in the form of cash.	The bank has to keep a certain percentage of their Net Time and Demand Liabilities in the form of liquid assets as specified by RBI.
Reserves in the Form of	Cash	Cash and other assets like gold and government securities viz. Central and State government securities.
Effect	It controls excess money flow in the economy.	It helps in meeting out the unexpected demand of any depositor by selling the bonds.
Maintained with	RBI	Bank itself
Regulates	Liquidity in the economy	Credit growth in the economy
Interest on Reserve	Banks don't earn any interest on amount deposited in CRR	Banks can earn interest on SLR



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Q. Which of the following are considered to be the four pillars of human development?

- A. Equity, inclusion, productivity and empowerment
- B. Equity, productivity, empowerment and sustainability
- C. Productivity, gender, inclusion and equity
- D. Labour, productivity, inclusion and equity

निम्नलिखित में से कौन-से मानव विकास के चार स्तंभ माने जाते हैं ?

- A. साम्या (निष्पक्षता), समावेशन, उत्पादकता और सशक्तिकरण
- B. साम्या, उत्पादकता, सशक्तिकरण और धारणीयता (स्थिरता)
- C. उत्पादकता, लिंग, समावेशन और साम्या
- D. श्रम, उत्पादकता, समावेशन और साम्या



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Ans: B

The United Nations Development Programme (UNDP) and the Human Development Index (HDI) define the pillars of human development as equity, sustainability, productivity, and empowerment. These pillars are considered to be the foundation of human development, which is the process of improving well-being, livelihood, and opportunities.

Equity- Ensuring that everyone has equal access to opportunities to improve their standard of living in all areas of life

Sustainability- Ensuring that opportunities are available continuously and that growth and development are sustainable in the long term

Productivity- Using scarce resources efficiently to increase production and better satisfy human needs

Empowerment- Giving people more power so they can strengthen themselves economically and socially and make choices



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Q. As per the use-based classification of the Index of Industrial Production (IIP), the maximum weight has been assigned to

- A. primary goods
- B. intermediate goods
- C. consumer durables
- D. consumer non-durables

औद्योगिक उत्पादन के सूचकांक (आइ. आ. पी.) के उपयोग-आधारित वर्गीकरण में सर्वाधिक महत्व किसको दिया गया है?

- A. प्राथमिक वस्तुएँ
- B. मध्यवर्ती वस्तुएँ
- C. उपभोक्ता टिकाऊ वस्तुएँ
- D. उपभोक्ता गैर-टिकाऊ वस्तुएँ



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Ans: A

Sol:

- The Index of Industrial production measures variations in the production of various industries and is released by the Ministry of Statistics & Programme Implementation.
- IIP divides industries into six use-based sectors: Primary Goods, Capital Goods, Intermediate Goods, Infrastructure/Construction goods, Consumer durables and Consumer nondurables.
- Weights of the different sectors under the used based classification – 2011-12 series are:
Hence, Option A is correct.



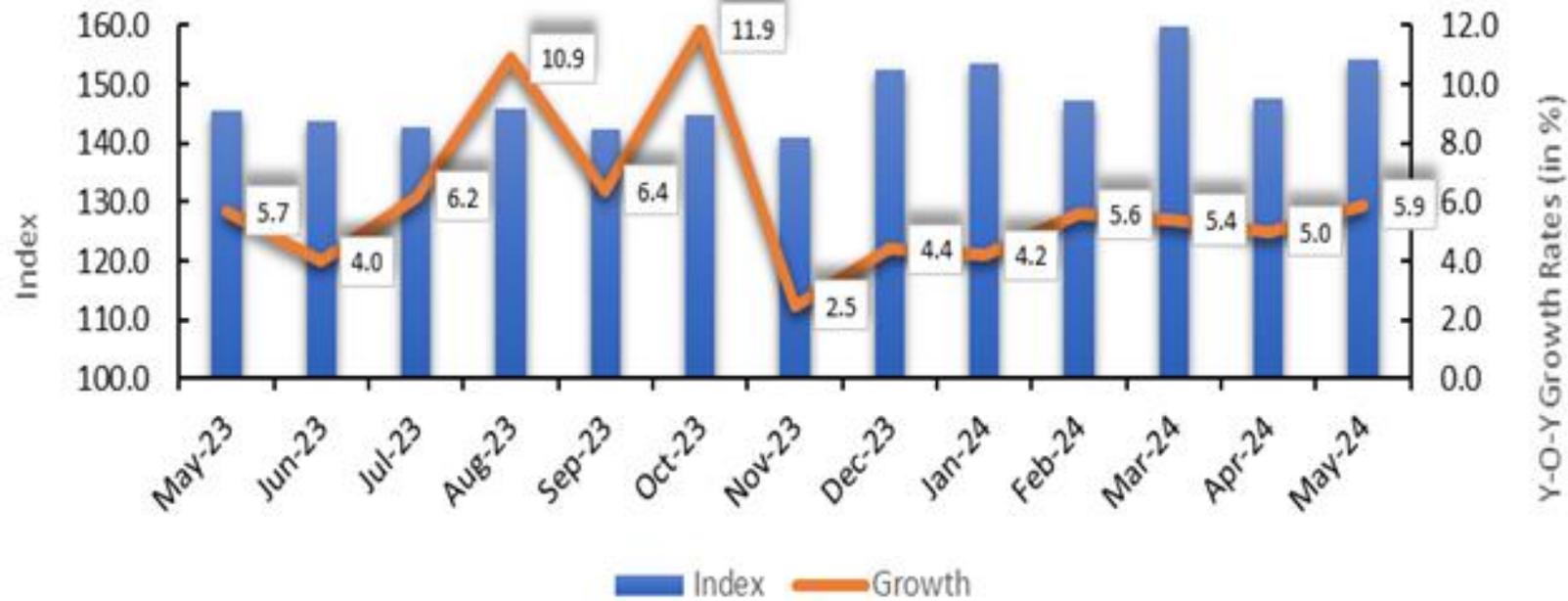
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All India Index of Industrial Production



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Use-based Classification of Industries under IIP

New Series (Base year 2011-12)	No of Item Groups	Weight %
Primary Goods	15	34.05
Intermediate Goods	110	17.22
Capital Goods	67	8.22
Infrastructure/Construction Goods	29	12.34
Consumer Durables	86	12.84
Consumer Non-Durables	100	15.33
Total	407	100



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Sector (2011-12 series)	Number of groups	Weights
Primary Goods	15	34.05
Capital Goods	67	8.22
Intermediate Goods	110	17.22
Infrastructure/ Construction goods	29	12.34
Consumer durables	86	12.84
Consumer nondurables	100	15.33
Total	407	100

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In the Index of Industrial Production (IIP) in India, primary goods are a key category. They refer to goods that are directly used in the production process or are essential for further industrial activities. Specifically, primary goods in the IIP typically include:

- 1. Food and Beverage Products:** Items that are raw or minimally processed and used in food production.
- 2. Mineral Fuels and Energy:** Products such as coal, crude oil, and natural gas used for energy and industrial processes.
- 3. Basic Metals and Metal Products:** Raw metals like iron, steel, and aluminum, which are essential for manufacturing and construction.
- 4. Chemical and Petrochemical Products:** Basic chemicals and intermediates used in various industrial applications.



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Q. Normally, there will not be a shift in the demand curve when

- A. price of a commodity falls
- B. consumers want to buy more at any given price
- C. average income rises
- D. population grows

साधारणतः माँग वक्र (डिमांड कर्व) में बदलाव नहीं होगा, यदि

- A. किसी वस्तु के मूल्य में गिरावट होती है
- B. किसी तय मूल्य पर ग्राहक अधिक क्रय करने का इच्छुक होता है
- C. औसत आय बढ़ती है
- D. जनसंख्या बढ़ती है



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The correct answer is: **(A) price of a commodity falls**

Price of a commodity falls: When the price of a commodity falls, it does not cause a shift in the demand curve but rather causes a movement along the demand curve. This is because the demand curve represents the relationship between the price of a good and the quantity demanded.

Consumers want to buy more at any given price: This would cause a shift in the demand curve to the right, indicating an increase in demand at every price level.

Average income rises: An increase in average income generally leads to a shift in the demand curve to the right, as consumers have more purchasing power and may demand more goods.

Population grows: An increase in population can lead to a shift in the demand curve to the right, as there are more consumers in the market.



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(a) Factors that increase demand

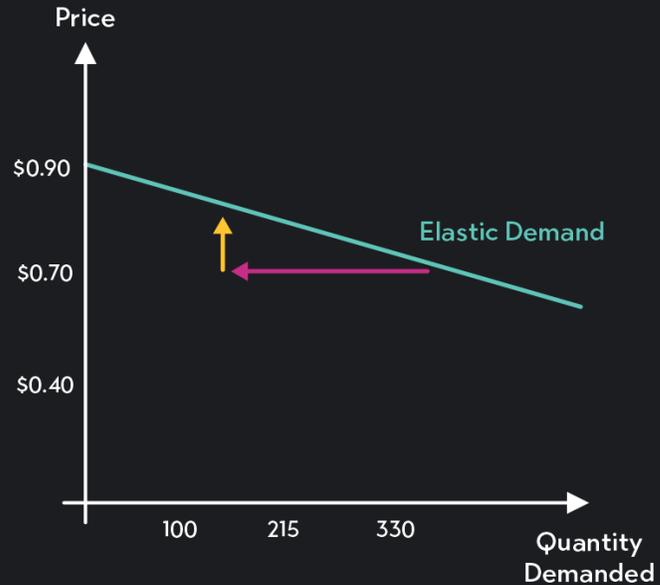


(b) Factors that decrease demand



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Elastic Demand Curves



When demand is elastic, the demand curve will be flatter.

The flat demand curve indicates that the percentage change in quantity demanded will be greater than or equal to the percentage change in price.

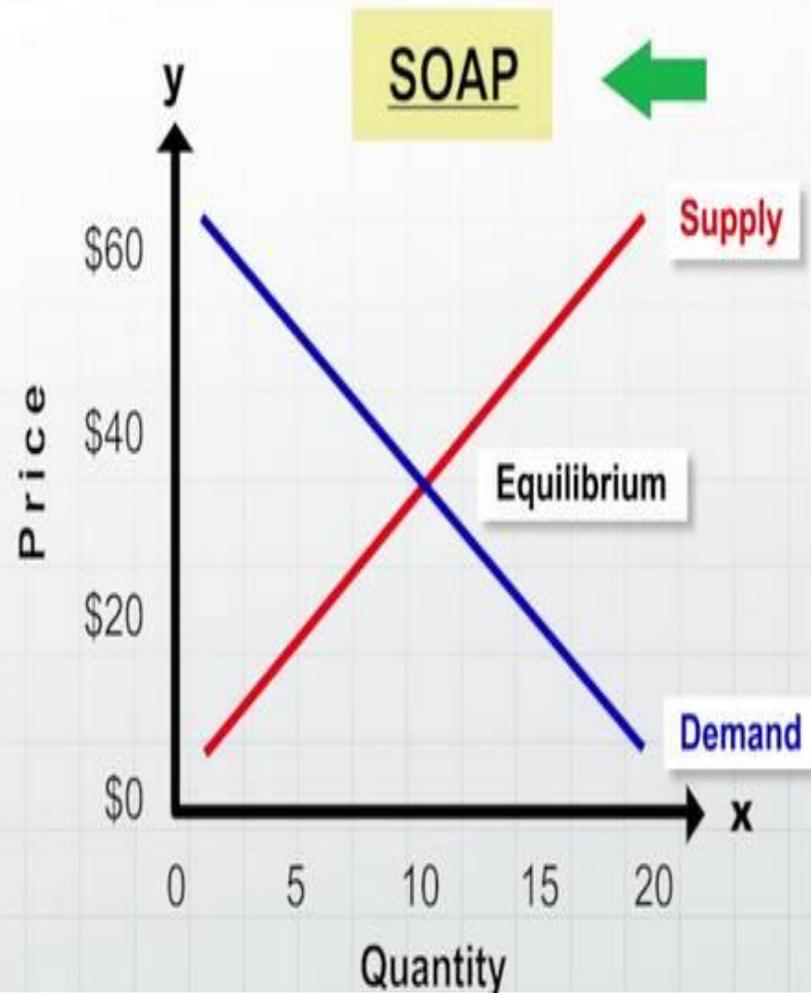
Inelastic Demand Curves



When demand is inelastic, the demand curve will be steeper.

The steep demand curve indicates that the percentage change in quantity demanded is smaller than the percentage change in price.

INTERPRETING A GRAPH



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Q. A market, in which there are a large number of firms, homogeneous product, infinite elasticity of demand for an individual firm and no control over price by firms, is termed as

- A. oligopoly
- B. imperfect competition
- C. monopolistic competition
- D. perfect competition

ऐसा बाजार, जिसमें बड़ी संख्या में फर्म हैं, समान प्रकार के उत्पाद हैं, किसी एक फर्म की माँग में अंतहीन लचीलापन है तथा मूल्य पर फर्मों का कोई नियंत्रण नहीं है, क्या कहलाता है?

- A. अल्पाधिकार
- B. अपूर्ण प्रतिस्पर्धा
- C. एकाधिकारवादी प्रतिस्पर्धा
- D. संपूर्ण प्रतिस्पर्धा

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Ans: D

Sol:

A perfectly competitive market has the following defining features:

- The market consists of a large number of buyers and sellers
- Each firm produces and sells a homogenous product. i.e., the product of one firm cannot be differentiated from the product of any other firm.
- Entry into the market as well as exit from the market are free for firms.
- Information is perfect

Hence, Option D is correct.

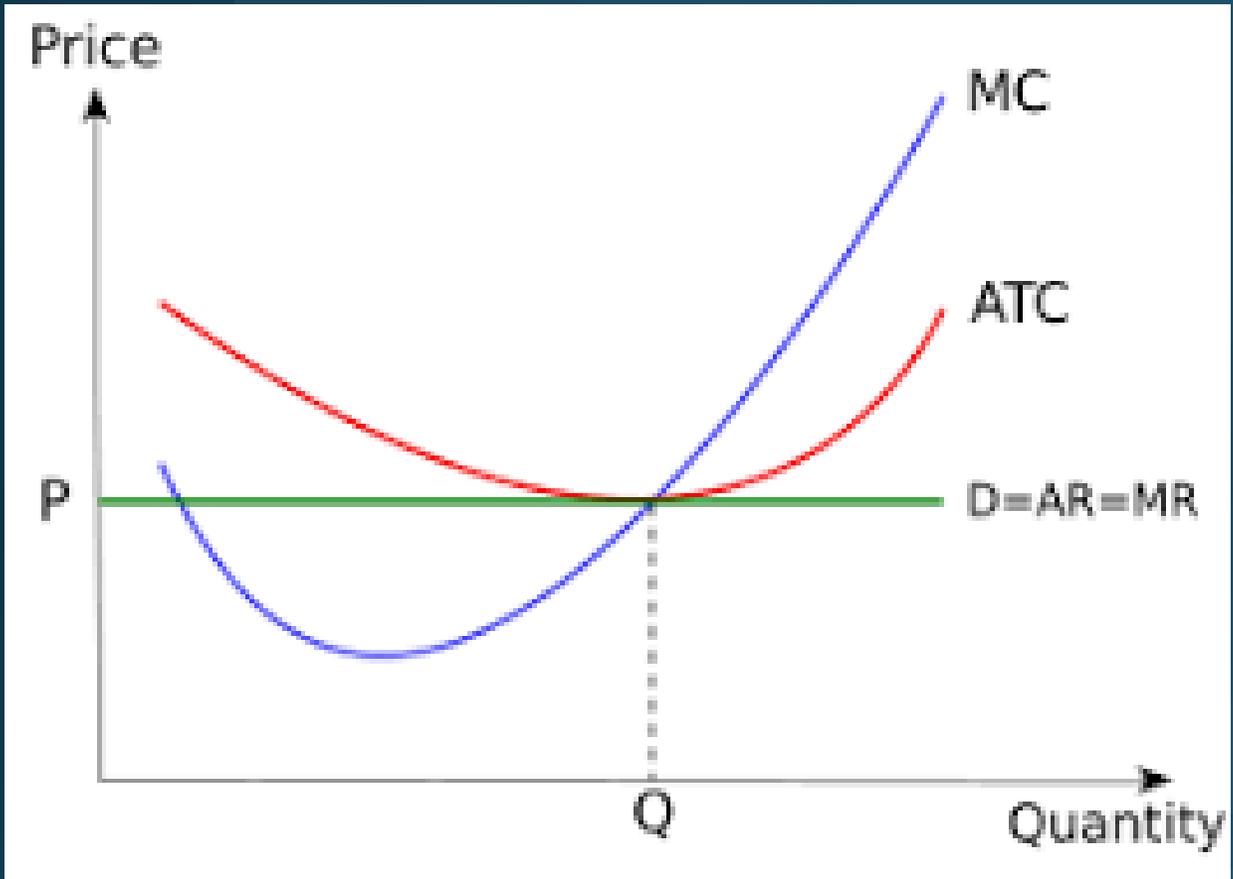


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Q. As per the Budget Estimates of 2019-20, the following are some of the important sources of tax receipts for the Union Government:

- 1) Corporation Tax**
- 2) Taxes on Income other than Corporation Tax**
- 3) Goods and Services Tax**
- 4) Union Excise Duties**

Which one of the following is the correct descending order of the aforesaid tax receipts as a percentage of GDP?

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



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Ans: The correct answer is: **(B) 1, 3, 2, 4**

As per the Budget Estimates of 2019-20, the descending order of tax receipts as a percentage of GDP for the Union Government is as follows:

Corporation Tax (1) - Taxes levied on the profits of corporations and companies, which is a significant source of revenue.

Goods and Services Tax (GST) (3) - An indirect tax levied on the supply of goods and services, which is a major revenue source for the government.

Taxes on Income other than Corporation Tax (2) - Includes personal income tax, which also contributes significantly to government revenue.

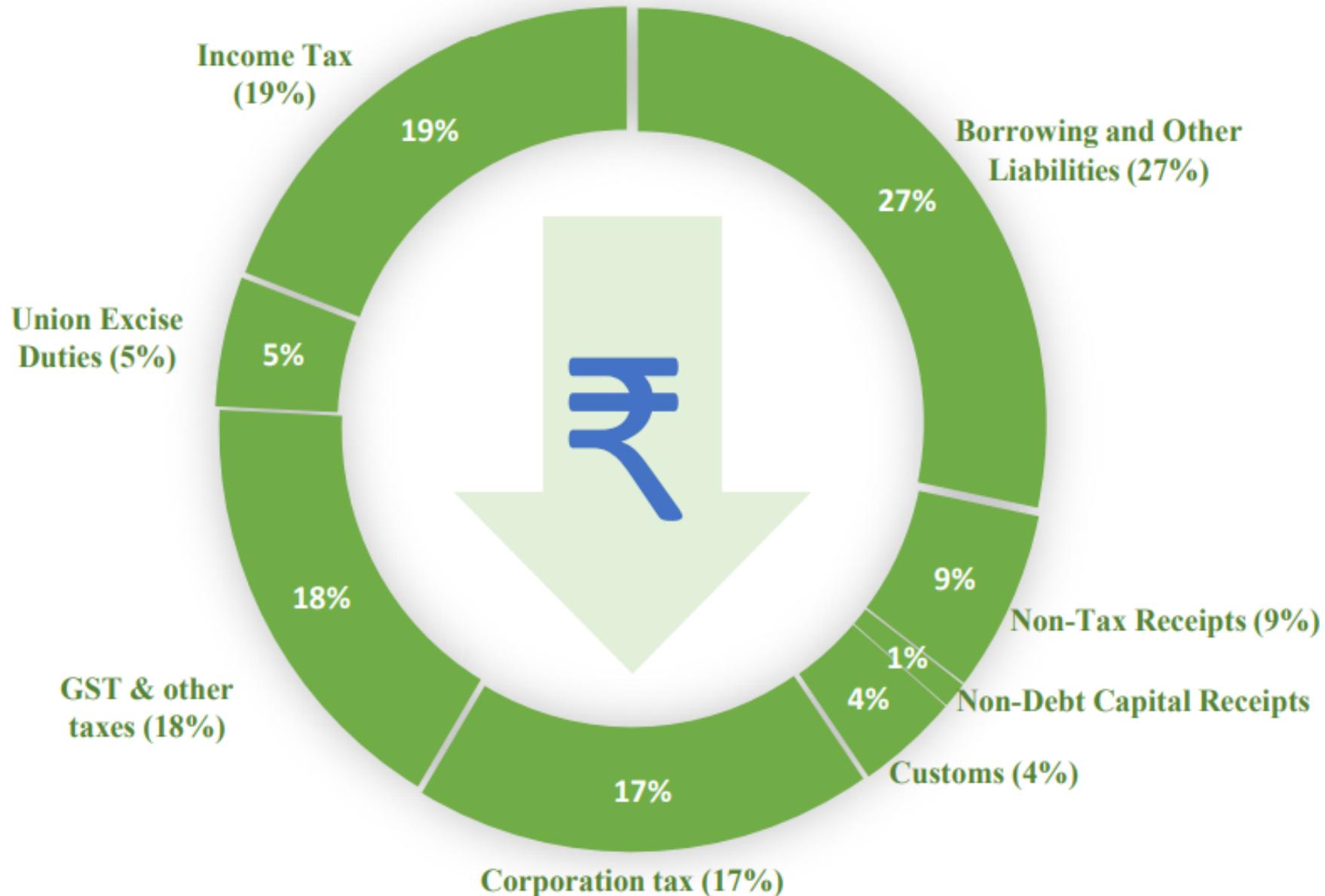
Union Excise Duties (4) - Taxes on the manufacture of goods within the country, which has a smaller contribution compared to the others.

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Rupee Comes From

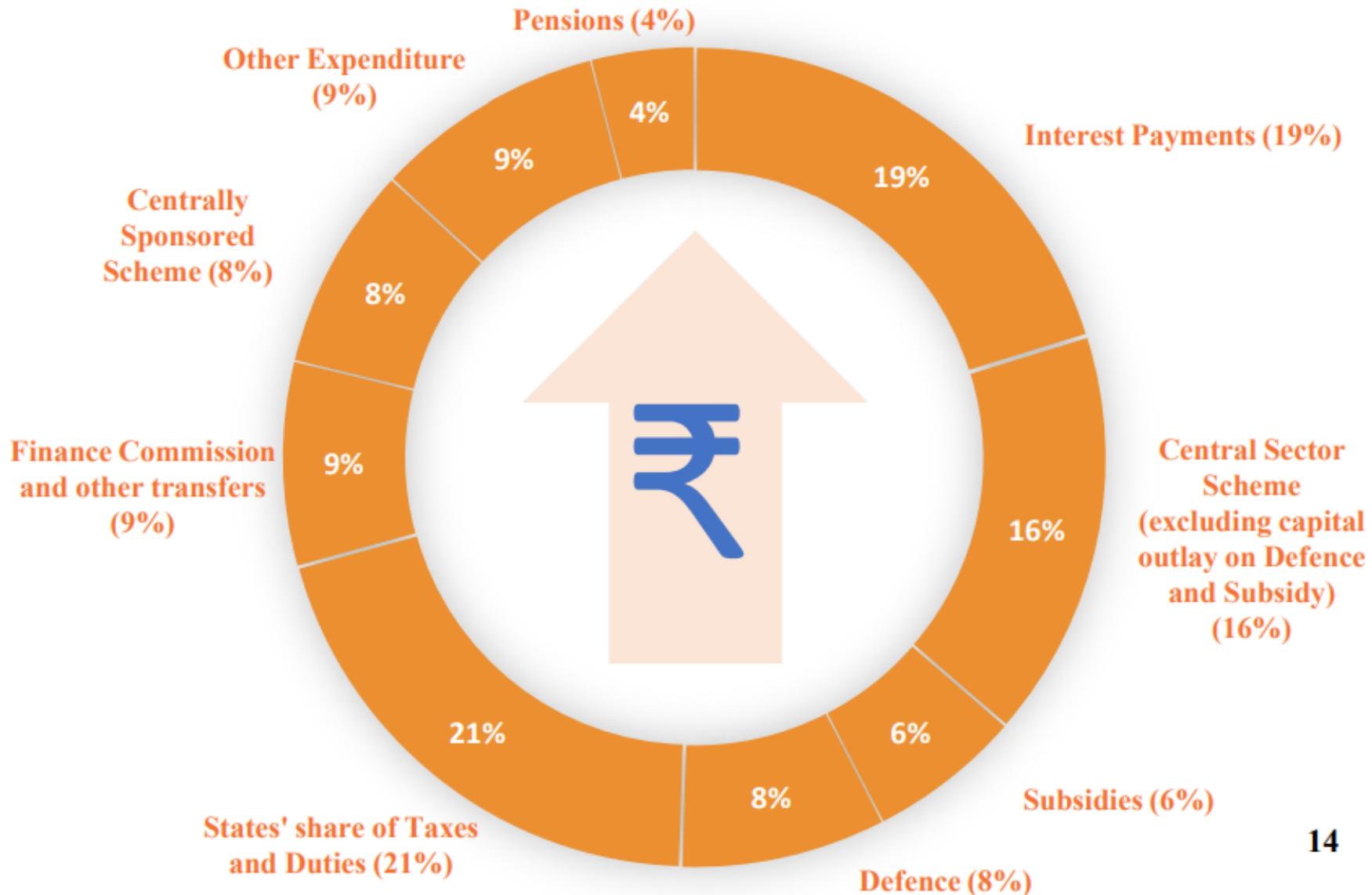


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BUDGET
T
2024-25

Rupee Goes To



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BUDGET
2024-25

Q. As per the Budget Estimates of expenditure on major subsidies during 2019-20, the maximum expenditure was likely to be on

- A. urea subsidy
- B. petroleum subsidy
- C. food subsidy
- D. fertilizer subsidy

2019-20 के दौरान प्रमुख सहायिकी (सब्सिडी) पर व्यय के बजट अनुमान के अनुसार निम्नलिखित में से किस पर सर्वाधिक व्यय होना था?

- A. यूरिया सहायिकी
- B. पेट्रोलियम सहायिकी
- C. भोजन सहायिकी
- D. उर्वरक सहायिकी



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Ans: C

As per the Budget Estimates of 2019-20, the maximum expenditure on major subsidies was likely to be on **food subsidy**. The food subsidy typically accounts for the largest portion of the subsidy expenditure, primarily due to the government's efforts to provide affordable food grains to the poorer sections of society through programs like the Public Distribution System (PDS).

Urea subsidy (A) and **fertilizer subsidy (D)** are also significant, but they generally account for a smaller portion compared to the food subsidy.

Petroleum subsidy (B) has been reduced over the years due to deregulation and reduction in global oil prices, making it less significant in terms of budgetary allocation compared to the food subsidy.



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Q. Since 2014-15, India has consistently run trade surplus with which one among the following countries?

- A. China
- B. Saudi Arabia
- C. USA
- D. Germany

निम्नलिखित में से किस देश के साथ 2014-15 से भारत का निरंतर व्यापार अधिशेष रहा है?

- A. चीन
- B. सऊदी अरब
- C. संयुक्त राज्य अमेरिका
- D. जर्मनी



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Ans: C

- Trade surplus refers to a situation when the value of exports is greater than import.
- Trade deficit refers to a situation when the amount of import exceeds exports.
- India's overall trade deficit, including both goods and services, has increased to USD 103.63 billion in 2018-19 from USD 84.45 billion in 2017-18.

Hence, Option C is correct.

India has a trade surplus of \$ 36.74 billion with the US in 2023-24. America is one of the few countries with which India has a trade surplus. The surplus is also there with the UK, Belgium, Italy, France and Bangladesh.

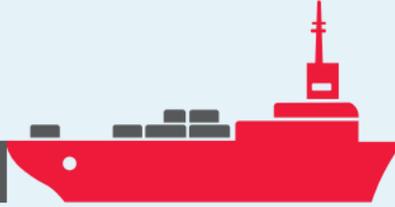


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Trade Matters

FY24* Trade Balance (\$ bln)



China	51.11
Russia	33.56
US	19.59
Iraq	14.24
S Arabia	11.64
Indonesia	9.12
S Korea	8.68
Hong Kong	7.59
UAE	6.83
Singapore	5.51

■ **Petrol**, coke, fertiliser imports from Russia

■ **Edible oil** buys from Indonesia

■ **Global slowdown**, geopolitical instability, high inflation hit demand

■ **Slow jewellery** exports to US, Hong Kong

*Apr-Oct FY24

Source: Ministry of Commerce and Industry



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Q. Which one of the following statements about the Indian economy during 2019-20 is not correct?

- A. There has been a deceleration in growth rate.**
- B. There has been sluggish growth in tax revenue relative to the Budget Estimates.**
- C. Fiscal deficit as a percentage of GDP has been as per the Budget Estimates.**
- D. The non-tax revenue registered a considerably higher growth.**



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Ans: C

Fiscal deficit as a percentage of GDP has been as per the Budget Estimates.

During 2019-20, the Indian economy experienced several challenges:

Deceleration in growth rate: The economy faced a slowdown, which is correctly reflected in statement (A).

Sluggish growth in tax revenue: Tax revenues did not meet expectations, which aligns with statement (B).

Non-tax revenue growth: There was indeed higher growth in non-tax revenue due to factors such as higher dividends from public sector enterprises, which supports statement (D).



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Q. In economics, if a diagram has a line passing through the origin and has 45° angle with either axis and it is asserted that along the line $X = Y$, what is tacitly assumed?

- A. Both variables are pure numbers.
- B. Both variables are in the same unit.
- C. Both variables are in different units.
- D. At least one variable is a pure number.



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Ans: The correct answer is: **(B) Both variables are in the same unit.**

- In a diagram where a line passes through the origin and forms a 45° angle with either axis, and it is asserted that along the line $X=Y$, it is tacitly assumed that both variables X and Y are measured in the same unit.

- This is because the 45° line implies that for any point on the line, the values of X and Y are equal, which can only be the case if they are expressed in the same unit of measurement.

- A. Both variables are pure numbers: This is not necessarily true. While pure numbers (e.g., counts of items) could be in the same unit, the key factor for the 45° angle is the consistency in units, not whether the variables are pure numbers.

- C. Both variables are in different units: This is incorrect because having different units would distort the 45° angle due to different scales.

- D. At least one variable is a pure number: This is not relevant to the 45° angle. The angle is determined by unit consistency, not whether one variable is a pure number.



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Example:

- Suppose X is measured in dollars and Y is measured in euros. The line representing $X=Y$ would not make a 45° angle with the axes because the numerical values for the same quantity in different currencies would differ based on the exchange rate. Thus, the scales of the axes would not match.
- In contrast, if X and Y are both measured in dollars (or both in euros), the line $X=Y$ will indeed make a 45° angle with both axes because the numerical increments on both axes will be proportional and consistent with each other.



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Q. The percentage by which the money the borrower pays back exceeds the money that was borrowed is called as

- A. Bank rate**
- B. Nominal interest rate**
- C. Real interest rate**
- D. Terms of credit**



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Ans. B. Nominal interest rate

B. Nominal Interest Rate:

Definition: The nominal interest rate is the percentage by which the amount paid back by the borrower exceeds the amount borrowed, not adjusted for inflation.

Explanation: It is the stated interest rate on a loan or financial product, representing the cost of borrowing without taking into account the effects of inflation.

A. Bank Rate:

Definition: The bank rate is the interest rate at which a central bank lends money to commercial banks.

C. Real Interest Rate:

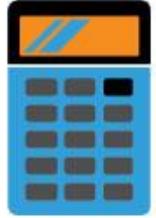
Definition: The real interest rate is the nominal interest rate adjusted for inflation.

D. Terms of Credit:

Definition: The terms of credit refer to the conditions under which credit is extended to a borrower, including the interest rate, repayment schedule, and other relevant terms.



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Nominal Interest Rate Formula = Real Interest Rate + Inflation Rate



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Nominal	Real
The current monetary value	Takes into account the effects of inflation.
Presents the current headline monetary figure.	Provides a guide to actual purchasing power and the opportunity cost of workers.
Nominal wages + 8%. (Inflation is 6.5%.)	Increase in real wages = 1.5%
Nominal interest rate 3%. Inflation 2%.	Real interest rate = 1%

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Real interest rate:

- The nominal interest rate adjusted for inflation.
- The real rate of return to investing, saving, or holding an asset.
- The rate of increase in purchasing power from undertaking an investment.
- A 5% real interest rate tells us that, after one year, we can buy 5% more goods and services.

Real interest rate = nominal interest rate – inflation rate

Nominal interest rate:

- The advertised interest rate and is not adjusted for inflation.
- The rate of increase in the number of dollars from undertaking an investment.
- A 10% nominal interest rate tells us that, after one year, we will have 10% more dollars in our account—but it doesn't tell us how many more goods those dollars can buy.

Nominal interest rate = real interest rate + inflation rate

Q. The asset or assets that a borrower pledges in order to guarantee repayment of a loan is called as

- A. Cheque**
- B. Collateral**
- C. Guarantee card**
- D. Bond**



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Ans. The correct answer is: **Collateral**

B. Collateral:

Definition: Collateral is an asset or assets that a borrower pledges to a lender to secure a loan.

Explanation: If the borrower fails to repay the loan, the lender has the right to seize the collateral to recover the amount owed. Common forms of collateral include real estate, vehicles, or other valuable assets.

A. Cheque:

Definition: A cheque is a written order directing a bank to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued.

C. Guarantee Card:

Definition: A guarantee card is typically used to confirm the validity of a product warranty or service guarantee.

D. Bond:

Definition: A bond is a debt security in which an investor loans money to an entity (typically corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate.



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Credit Terms

- **Collateral:** property or another valuable item that a borrower pledges as security for a loan.
- If a borrower defaults on the loan, the lender can seize (take) the collateral.
- If you don't make your car payment they take your car!



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Q. The increase in private investment spending induced by the increase in Government spending is known as

- A. Crowding in**
- B. Deficit financing**
- C. Crowding out**
- D. Pumping out**

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Ans. The correct answer is: **A. Crowding in**

A. Crowding In:

Definition: Crowding in refers to the phenomenon where increased government spending leads to an increase in private investment.

B. Deficit Financing:

Definition: Deficit financing occurs when a government funds its excess expenditures by borrowing or by creating new money.

C. Crowding Out:

Definition: Crowding out occurs when increased government spending leads to a reduction in private investment.

D. Pumping Out:

Definition: "Pumping out" is not a recognized economic term and likely does not apply to this context.

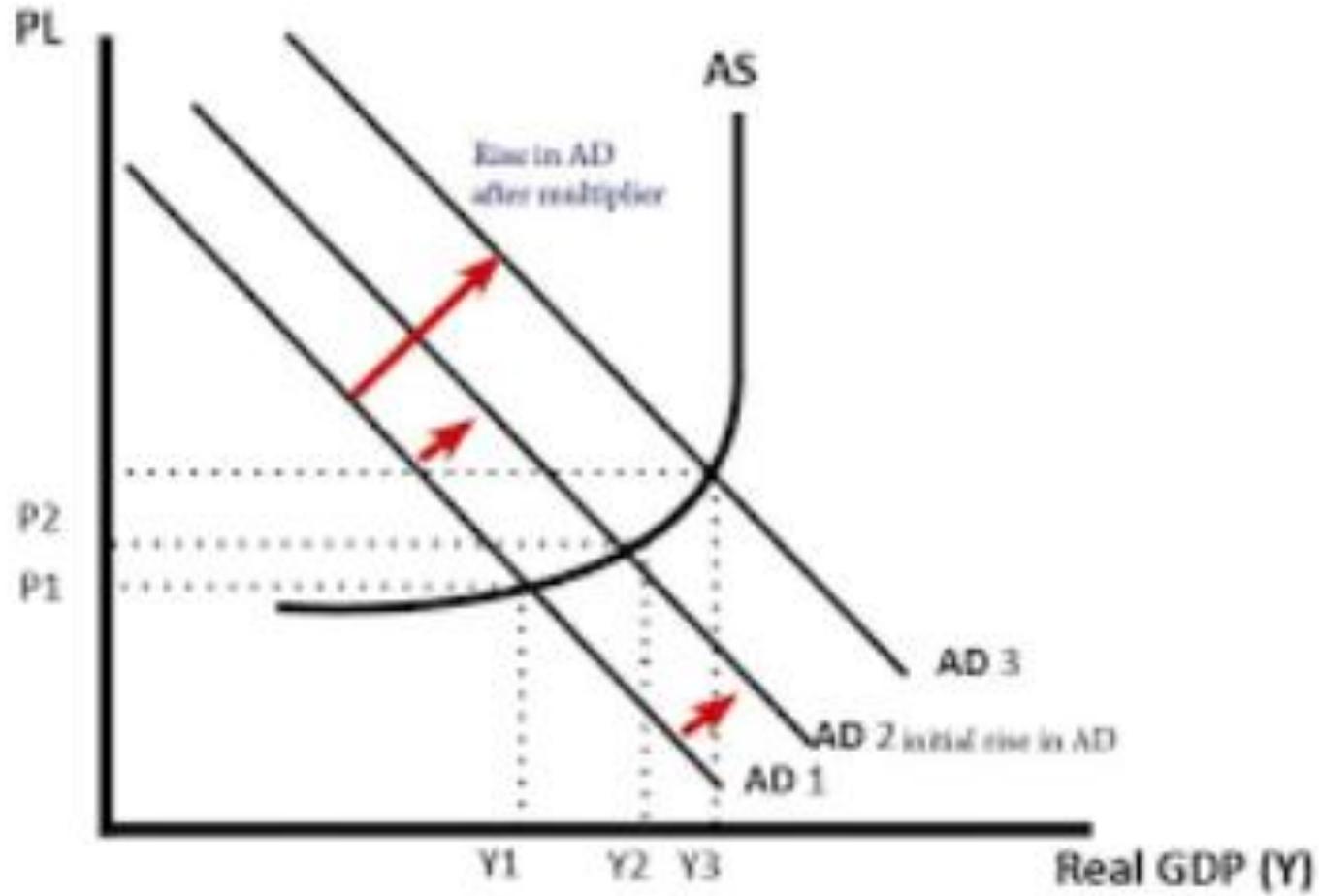


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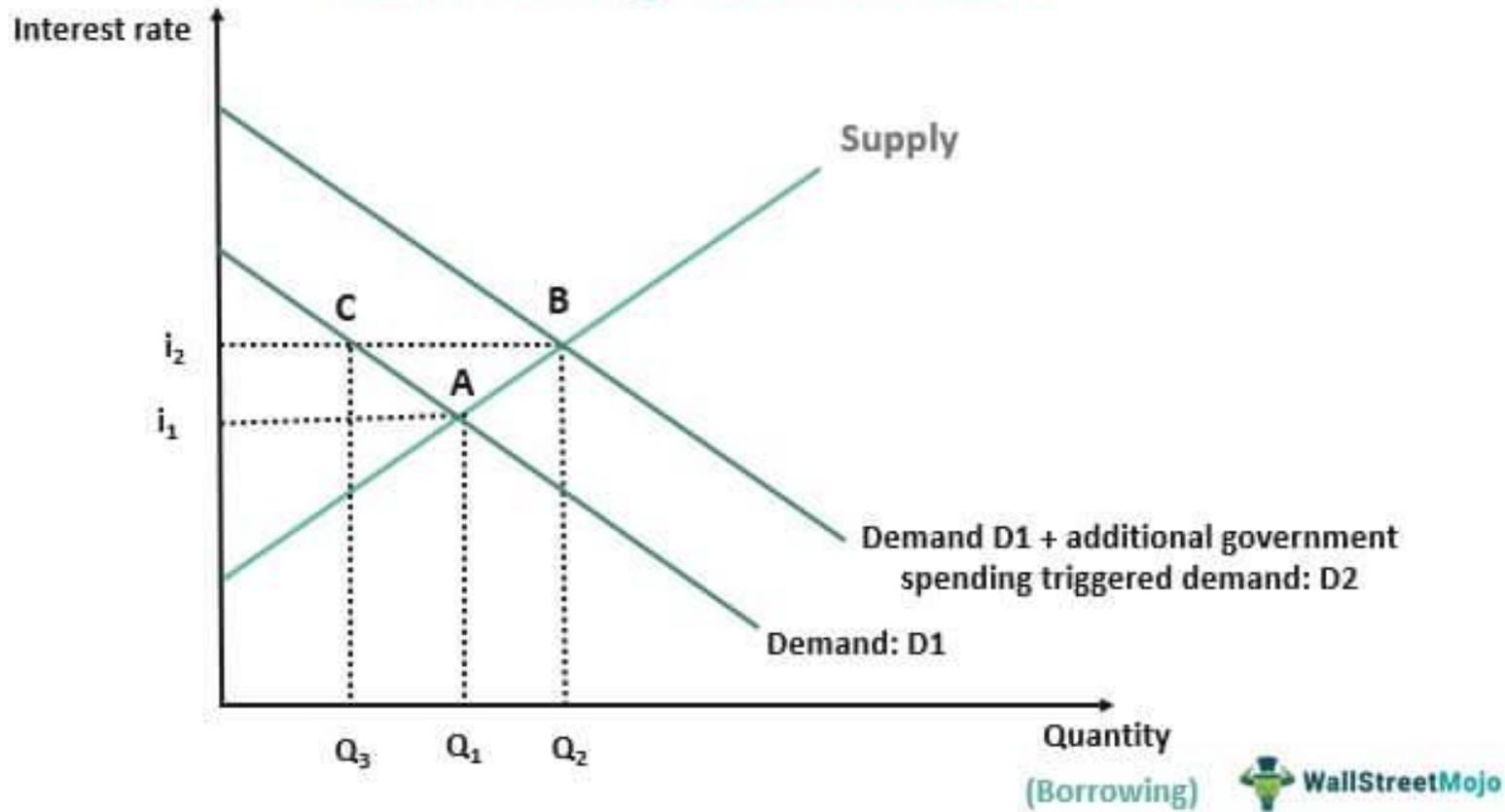


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Crowding Out Effect



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Difference between crowding out and crowding in

When the government pursues expansionary fiscal policy (higher spending financed by borrowing) there are two possible effects

• **Crowding out** – higher government spending financed by borrowing leads to a fall in private sector saving. This is for two main reasons

- With expansionary fiscal policy, private sector savers buy government bonds and so have fewer savings to fund private sector investment.
- Also, higher government borrowing tends to push up interest rates and these higher interest rates reduce investment.

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- **Crowding in** – this relates to how higher government spending encourages firms to invest more.
 - This is due to the income effect of higher government spending. If the economy is in a recession or below full capacity, expansionary fiscal policy can increase the economic growth rate and create a positive multiplier effect, which leads to greater private sector investment.
- Crowding in is more likely to occur in a recession when the private sector has unused savings. Crowding in may prove to be a temporary effect.
- Crowding out will occur when the economy is close to full capacity and limited spare savings.

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Q. The situation in an economy which is growing slowly along with rapid inflation (rising price level) is called

- A. Stagnation**
- B. Deflation**
- C. Stagflation**
- D. Recession**

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The correct answer is: **C. Stagflation**

A. Stagnation:

Definition: Stagnation refers to a period of slow or negligible economic growth, typically accompanied by high unemployment.

Explanation: While stagnation involves slow growth, it does not necessarily involve rising inflation. It's more about a lack of progress in the economy, but without the inflationary pressures.

B. Deflation:

Definition: Deflation is the opposite of inflation; it occurs when the general price level in an economy is falling.

C. Stagflation:

Definition: Stagflation is a situation where an economy experiences stagnant growth (or slow growth) along with high inflation.

D. Recession:

Definition: A recession is a significant decline in economic activity spread across the economy, lasting more than a few months. It is typically recognized by a fall in GDP, income, employment, manufacturing, and retail sales.

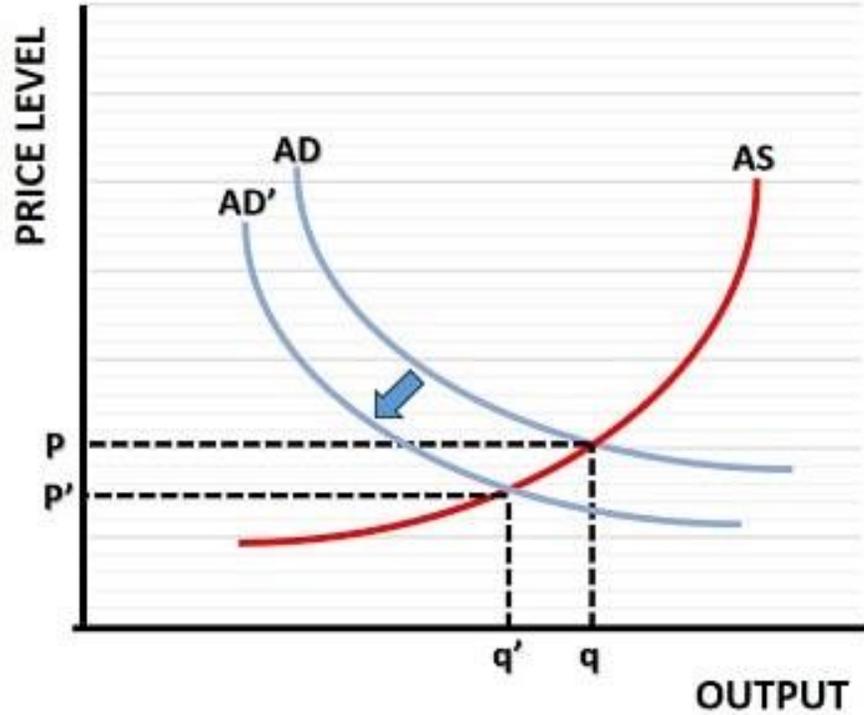


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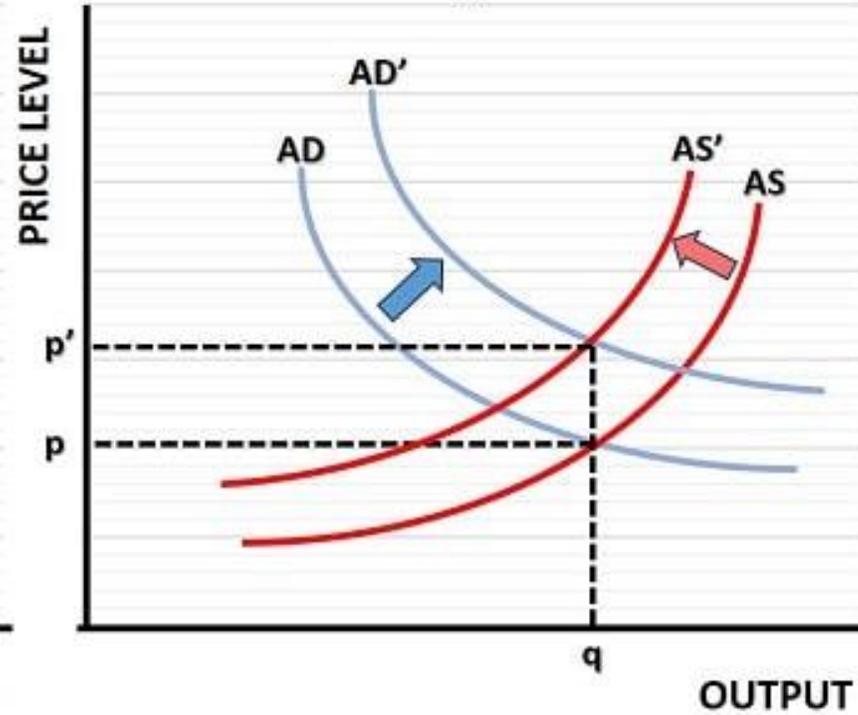


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Recession



Stagflation



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STAGFLATION

- Occurs when an economy experiences:
 - High inflation
 - Low level of production
 - High unemployment
- Individuals will:
 - Worry about losing their jobs
 - This causes less spending
 - Spending less money leads to an economic slowdown



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Q. The mismatch in the regional or occupational pattern of job vacancies and the pattern of worker availability results in

- A. Structural unemployment**
- B. Disguised unemployment**
- C. Altered unemployment**
- D. Cyclical unemployment**



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Ans. A. Structural unemployment

A. Structural Unemployment: Structural unemployment occurs when there is a mismatch between the skills or location of workers and the requirements or locations of available jobs.

Explanation: This type of unemployment happens when workers' skills do not match the jobs available, or when jobs are available in different regions than where the unemployed workers live. It is often caused by changes in the economy, such as technological advancements or shifts in industries.

B. Disguised Unemployment: Disguised unemployment refers to a situation where more people are employed in a job than is actually necessary.

C. Altered Unemployment: "Altered unemployment" is not a standard economic term and is likely incorrect in this context. It may refer to a modified form of unemployment but is not recognized as a formal category.

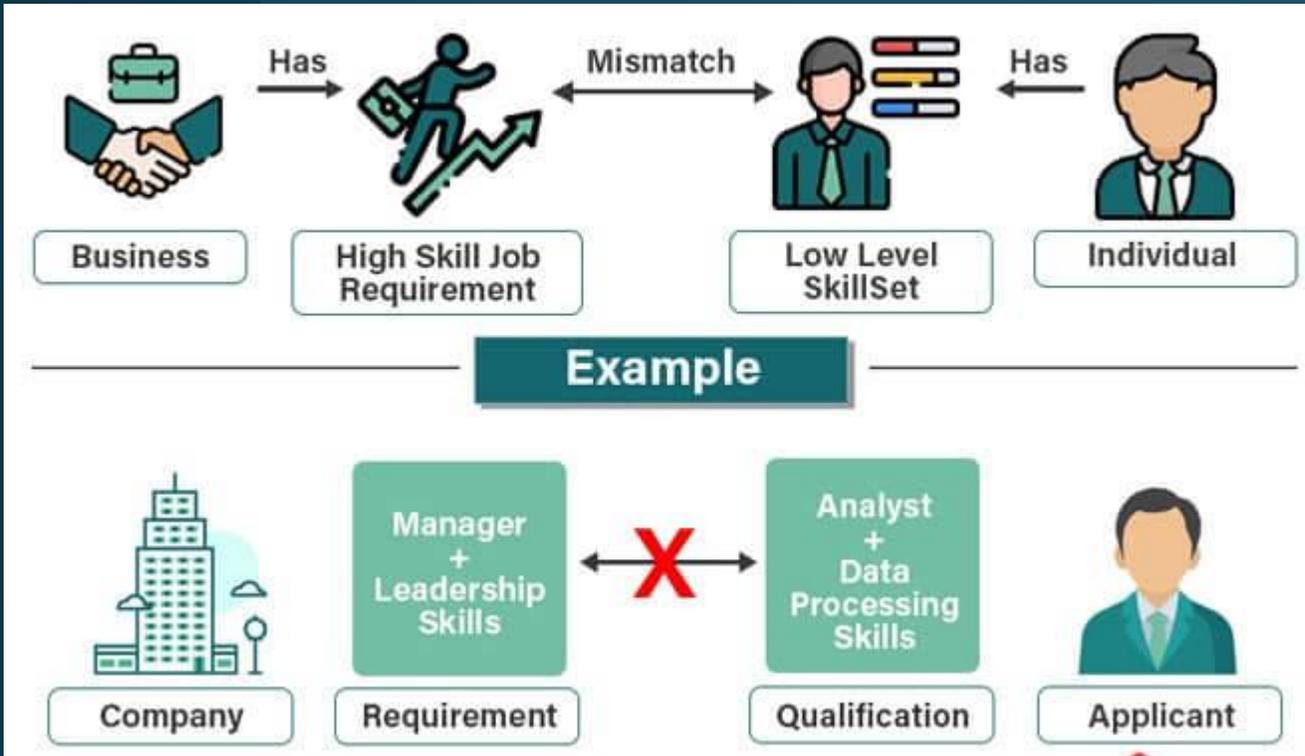
D. Cyclical Unemployment: Cyclical unemployment is related to the natural ups and downs of the economic cycle.



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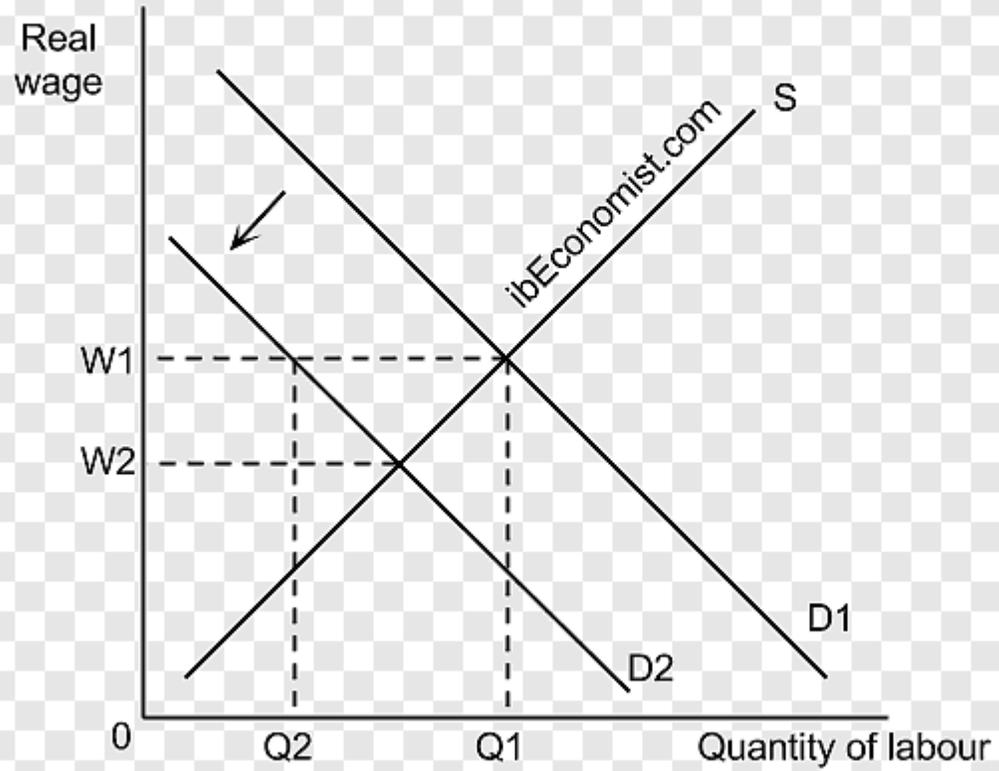


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Labour force diagram



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Q. Which one of the following statements is not correct?

- A. Real GDP is calculated by valuing outputs of different years at common prices.**
- B. Potential GDP is the real GDP that the economy would produce if its resources were fully employed.**
- C. Nominal GDP is calculated by valuing outputs of different years at constant prices.**
- D. Real GDP per capita is the ratio of real GDP divided by population.**



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Ans. C

Solution:

Nominal GDP measures a country's gross domestic product using current prices, without adjusting for inflation. Contrast this with real GDP, which measures a country's economic output adjusted for the impact of inflation.

Hence, option C is correct.



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Calculating GDP Deflator

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

$$\text{Nominal GDP} = \frac{(\text{Deflator}) \times (\text{Real GDP})}{100}$$



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Q. Which one of the following approaches of human development was initially proposed by the International Labor Organization (ILO) and emphasized on health, education, food, water supply, sanitation and housing?

- A. Welfare approach**
- B. Basic needs approach**
- C. Income approach**
- D. Capability approach**

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Ans. B

The 'basic needs' approach introduced by the International Labour Organization's World Employment Conference in 1976. According to ILO report, it indicates two crucial elements in the Basic Needs approach: “First, they include certain minimum requirements of a family for private consumption: adequate food, shelter and clothing, as well as certain household equipment and furniture. Second, they include essential services provided by and for the community at large, such as safe drinking water, sanitation, public transport and health, education and cultural facilities.”

Hence, option B is correct.



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- **Welfare Approach:** Focuses on the overall well-being and quality of life improvements, typically through social services and safety nets.
- **Basic Needs Approach:** Emphasizes ensuring that everyone's fundamental needs—such as food, shelter, and healthcare—are met to achieve a minimal standard of living.
- **Income Approach:** Measures poverty and development based on individuals' or households' income levels, assessing financial resources available.
- **Capability Approach:** Evaluates poverty and development by assessing individuals' ability to achieve valued functionings and opportunities, emphasizing freedom and choice.



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Q. Which of the following is/are social security scheme(s)?

- 1. Atal Pension Yojana**
- 2. Pradhan Mantri Jeevan Jyoti Bima Yojana**
- 3. Pradhan Mantri Suraksha Bima Yojana**

Select the correct answer using the code given below:

- A. 1 only**
- B. 2 and 3 only**
- C. 1, 2 and 3**
- D. 1 and 3 only**



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Ans. C

Solution:

* All three, i.e., Atal Pension Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana are social security scheme (s).

* Atal Pension Yojana is a pension scheme under the Govt. of India. This scheme replaces the Swavalamban Yojana and was set up to provide old age income security to the workers belonging to the unorganised sector. The scheme was launched by PM Modi on 9th May 2015 in Kolkata. The scheme mainly focuses on encouraging workers of unorganised sectors to save for their future.

Hence, option C is correct.



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• **Atal Pension Yojana (APY):** A government pension scheme providing a fixed monthly pension to individuals from the age of 60, based on their contributions during their working years.

• **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):** A life insurance scheme offering a coverage of ₹2 lakh in case of death due to any cause, with a nominal annual premium.

• **Pradhan Mantri Suraksha Bima Yojana (PMSBY):** A personal accident insurance scheme providing coverage of up to ₹2 lakh for accidental death or disability, with a very low annual premium.



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Q. Which mega public sector undertaking is designated with 'Navratna' status?

- A. Indian Oil Corporation Limited**
- B. Gas Authority of India Limited**
- C. Bharat Petroleum Corporation Limited**
- D. Bharat Electronics Limited**



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Ans. D

Solution:

There are currently 16 Navratna CPSEs like:

- * Bharat Electronics Limited (BEL)
- * Container Corporation of India Limited
- * Engineers India Limited
- * Hindustan Aeronautics Limited, etc.

Rest are Maharatnas.

Hence, option D is correct.



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1	Maharatna CPSEs	Navratna CPSEs
2	Bharat Heavy Electricals Limited	Bharat Electronics Limited
3	Bharat Petroleum Corporation Limited	Container Corporation of India Limited
4	Coal India Limited	Engineers India Limited
5	GAIL India Limited	Hindustan Aeronautics Limited
6	Hindustan Petroleum Corporation Limited	Mahanagar Telephone Nigam Limited
7	Indian Oil Corporation Limited	National Aluminium Company Limited
8	NTPC Limited	National Buildings Construction Corporation Limited
9	Oil & Natural Gas Corporation Limited	Neyveli Lignite Corporation Limited
10	Power Finance Corporation	NMDC Limited
11	Power Grid Corporation of India Limited	Rashtriya Ispat Nigam Limited
12	Steel Authority of India Limited	Shipping Corporation of India Limited
13	Rural Electrification Corporation Limited	Rail Vikas Nigam Limited
14	Oil India Ltd	ONGC Videsh Ltd
15		Rashtriya Chemicals & Fertilizers Limited
16		IRCON International Limited
17		RITES Limited



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Q. Exchange rates state the value of one currency in terms of other currencies. Which one of the following statements with respect to the exchange rate of currency is correct?

A. Floating exchange rates are rates in which the Governments interfere by buying or selling their currencies.

B. Fixed exchange rates are rates set by Government decisions and maintained by Government actions.

C. Under the Bretton Woods System, the exchange rates are floated in terms of rise or fall in price of gold.

D. Under the classical gold standard, the exchange rates are fixed in terms of price of dollar.



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Ans. B

Solution:

Typically, a govt. maintains a fixed exchange rate by either buying/selling its currency on the open market. This is one of the reasons why governments maintain reserves of foreign currencies. If the rate of exchange drifts too far below the desired rate, the govt. buys its currency in the market using its reserves. This results in greater demand on the market and pushes up the price of the currency. If the rate of exchange drifts too far above the desired rate, the govt. sells its currency, thus increasing its foreign reserves.

Hence, option B is correct.



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Floating exchange rates are rates in which the Governments interfere by buying or selling their currencies.

- Incorrect:** Floating exchange rates are determined by market forces without direct government intervention.

B. Fixed exchange rates are rates set by Government decisions and maintained by Government actions.

- Correct:** Fixed exchange rates are set by governments and maintained through interventions in the foreign exchange market to keep the currency's value stable.

C. Under the Bretton Woods System, the exchange rates are floated in terms of rise or fall in price of gold.

- Incorrect:** The Bretton Woods System had fixed exchange rates with currencies pegged to the US dollar, which was convertible to gold, not floating rates.

D. Under the classical gold standard, the exchange rates are fixed in terms of price of dollar.

- Incorrect:** Under the classical gold standard, currencies were fixed in terms of gold, not specifically the dollar, with exchange rates determined by the gold content.



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Q. The excess of total expenditure of Government over its total receipts, excluding borrowings, is known as

- A. Primary deficit**
- B. Fiscal deficit**
- C. Current deficit**
- D. Capital deficit**

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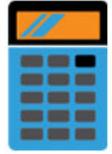
Ans. B

- Fiscal Deficit is the excess of total expenditure over total receipts excluding borrowings. In other words, it gives the amount needed by the government to meet its expenses. Therefore, a large Fiscal Deficit signifies a large borrowings.
- **Primary Deficit:** The primary deficit is the fiscal deficit minus interest payments on previous borrowings.
- **Current Deficit:** The current deficit is the shortfall in the government's current account, which includes its revenue expenditure and revenue receipts.
- **Capital Deficit:** The capital deficit is the gap between the government's capital expenditure and its capital receipts.



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**Fiscal Deficit
Formula** = Total Expenditure - Total Income



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	Revenue Deficit	Fiscal Deficit
Significance	Revenue deficit is the gap between the government revenue expenditure and the total revenue receipts, from both tax and non-tax sources.	Fiscal deficit is the excess of government spending over its earnings
Formula	Total Revenue Expenditure - Total Revenue receipts	Total Expenditure - Total Revenue (Excluding borrowings)

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Q. The situation where the equilibrium level of real GDP falls short of potential GDP is known as

- A. Recessionary gap**
- B. Inflationary gap**
- C. Demand-side inflation**
- D. Supply-side inflation**



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Ans. The correct answer is: **A. Recessionary gap**

A. Recessionary Gap:

Definition: A recessionary gap occurs when the equilibrium level of real GDP is lower than the potential GDP.

Explanation: This situation reflects an economy operating below its full capacity, leading to higher unemployment and unused resources. It indicates that aggregate demand is insufficient to bring the economy to its potential output level.

B. Inflationary Gap:

Definition: An inflationary gap arises when the equilibrium level of real GDP exceeds the potential GDP.

C. Demand-side Inflation:

Definition: Demand-side inflation, also known as demand-pull inflation, happens when the overall demand for goods and services in an economy exceeds the economy's capacity to produce those goods and services.

D. Supply-side Inflation:

Definition: Supply-side inflation, also known as cost-push inflation, occurs when production costs increase, leading to a decrease in the aggregate supply of goods and services.

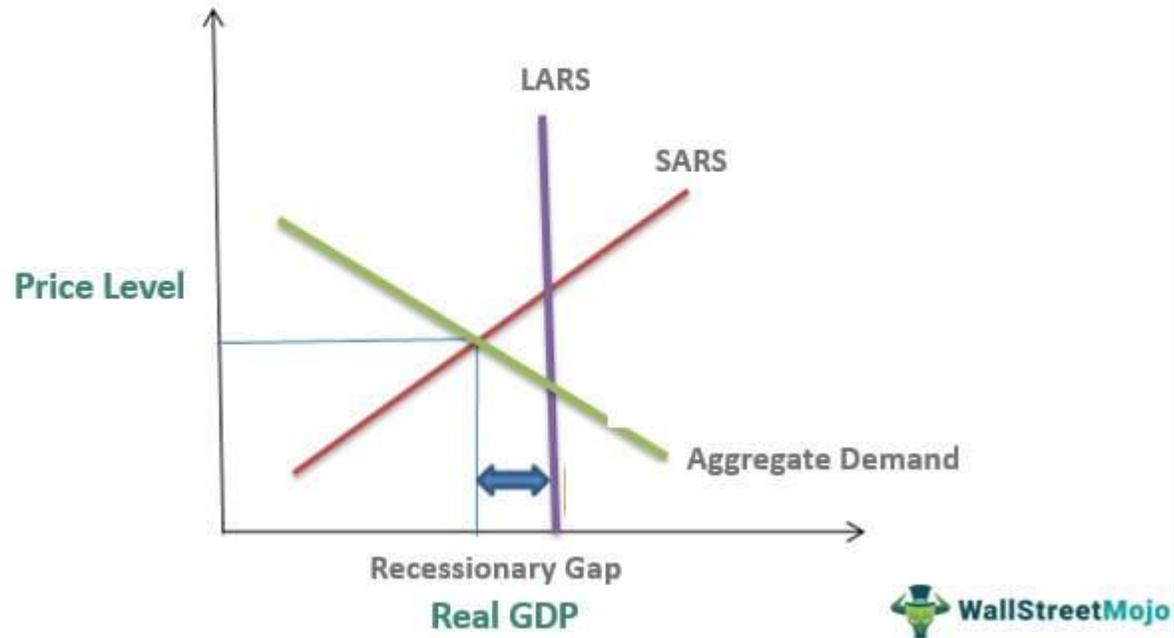


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Recessionary Gap



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Q. Which one of the following is not a function of money?

- A. Acts as an intermediate in the exchange process**
- B. Acts as a store of value**
- C. Used as the unit of account**
- D. Used for regulating consumption**



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Ans. D

Money has taken various forms through the ages, but money consistently has three functions, they are:

- Store of value
- Unit of account
- Medium of exchange

The present-day economies use fiat money-money that is neither a commodity nor represented or 'backed' by a particular commodity. Even forms of money which share these function may be more or less useful based on the characteristics of money.

Hence, option D is correct.



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Q. Which one of the following statements in the context of social sector spending in India during 2014-19 (both States and the Union Government together) is true?

- (a) Expenditure on education was 5% of GDP.
- (b) Expenditure on health was 4% of the social services expenditure.
- (c) There was a stagnation in the spending on education as a percent of GDP.
- (d) Health sector spending amounted to 10% of the total expenditure.



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(c) There was a stagnation in the spending on education as a percent of GDP.

•(a) Expenditure on education was 5% of GDP.

- **Incorrect:** During 2014-19, expenditure on education was generally below 5% of GDP. It was around 3-4% of GDP.

•(b) Expenditure on health was 4% of the social services expenditure.

- **Incorrect:** Health sector spending was significantly lower than 4% of the total social services expenditure; it was a smaller share of the overall social sector spending.

•(c) There was a stagnation in the spending on education as a percent of GDP.

- **Correct:** Education spending as a percentage of GDP showed limited growth and remained relatively stagnant during this period.

•(d) Health sector spending amounted to 10% of the total expenditure.

- **Incorrect:** Health sector spending was far less than 10% of total expenditure; it was a smaller proportion of total expenditure.



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Q. According to UNDP's Human Development Report 2020, in which of the HDI components has India improved in recent years?

- 1. Life expectancy at birth**
- 2. Expected years of schooling**
- 3. GNI per capita**
- 4. Mean years of schooling**

Select the correct answer using the code given below:

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



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The correct answer is: C

- **India's Performance in the UNDP's Human Development Report 2020**
- **Overall Performance:** India's HDI value for 2019 stands at 0.645, placing it in the medium human development category and ranking 131 out of 189 countries and territories. Between 1990 and 2019, India's HDI value rose from 0.429 to 0.645, reflecting a 50.3% increase.
- **Long and Healthy Life:** Life expectancy at birth in India was 69.7 years in 2019, which is slightly below the South Asian average of 69.9 years. From 1990 to 2019, India saw an increase of 11.8 years in life expectancy.
- **Access to Knowledge:** The expected years of schooling in India were 12.2 years, surpassing Bangladesh (11.2 years) and Pakistan (8.3 years). Mean years of schooling increased by 3.5 years, while expected years of schooling grew by 4.5 years between 1990 and 2019.
- **A Decent Standard of Living:** India's Gross National Income (GNI) per capita was USD 6,681 in 2019. Despite a decline from the previous year, India's GNI per capita increased by about 273.9% from 1990 to 2019.



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DIMENSIONS

INDICATORS

DIMENSION
INDEX

Long and
healthy life



• Life expectancy at birth

• Life expectancy index

Knowledge



• Expected years of schooling
• Mean years of schooling

• Education index

A decent
standard of living



• GNI per capita (PPP \$)

• GNI index

HDI
Human Development
Index

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Q. Which one of the following is true of a pure voluntary exchange between two parties A and B?

- (a) A can exploit B or vice versa
- (b) Both gain; it is a win-win situation
- (c) If A makes profit, it must be at the cost of B
- (d) Both can lose



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The correct answer is: **(b) Both gain; it is a win-win situation**

(b) Both gain; it is a win-win situation: This is correct. In a voluntary exchange, both parties engage in the transaction because they believe they will gain from it. Each party values what they receive more than what they give up, making it a win-win situation for both.

In a pure voluntary exchange between two parties, such as A and B, both parties enter into the transaction because they expect to benefit from it. This means that:

(a) A can exploit B or vice versa: This is not necessarily true in a voluntary exchange. Exploitation implies an unfair advantage, which contradicts the idea of a voluntary exchange where both parties agree to the terms and expect mutual benefit.

(c) If A makes profit, it must be at the cost of B: This is incorrect in the context of a voluntary exchange. Both parties benefit from the exchange, so a profit for one does not necessarily mean a loss for the other.

(d) Both can lose: In a voluntary exchange, both parties are expected to gain. If both parties end up losing, it would suggest that the exchange was not truly voluntary or that there was a misunderstanding or misjudgment about the benefits.

Q. Which one of the following target groups is the beneficiary of 'Garib Kalyan Rojgar Abhiyan' scheme?

- (a) All rural women
- (b) All returning migrants
- (c) All below poverty line households
- (d) All new migrants to town



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The correct answer is: **(b) All returning migrants**

Garib Kalyan Rojgar Abhiyan (GKRA) is a scheme launched by the Government of India to provide employment opportunities to migrant workers who returned to their native places due to the COVID-19 pandemic. The scheme focuses on creating job opportunities and improving livelihoods for these returning migrants. It aims to provide them with employment through various public works and infrastructure projects in rural areas.

(a) All rural women: This is not specific to the Garib Kalyan Rojgar Abhiyan, as the scheme targets returning migrants, not just rural women.

(b) All returning migrants: This is correct. The scheme specifically targets returning migrants who have come back to their rural homes due to the pandemic.

(c) All below poverty line households: The scheme is not focused on all below-poverty-line households but on returning migrants.

(d) All new migrants to town: The scheme does not target new migrants to towns; it focuses on those who have returned to their native places.



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GARIB KALYAN ROJGAR ABHIYAAN

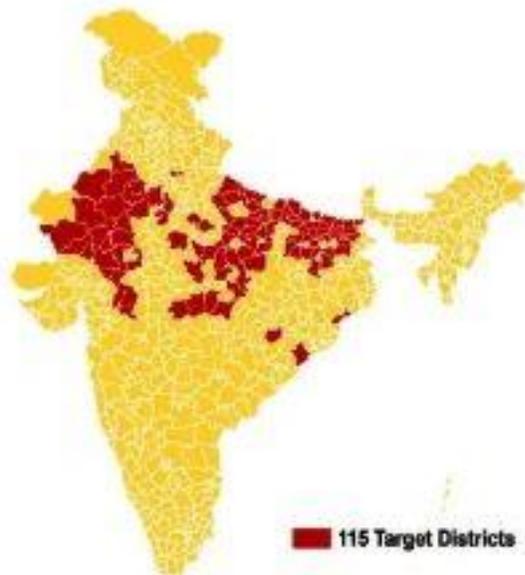
DURATION
125 DAYS

116 DISTRICTS
WITH MORE THAN
**25,000
MIGRANTS**

EMPLOYMENT AND
INFRASTRUCTURE
CREATION
25 WORKS

OUTLAY OF
**₹50,000
CRORES**

116 Districts account for ~67 Lakh migrant workers (approx. 2/3 of returnee migrants)



S.No.	State	Districts	Aspirational Districts
1	Bihar	32	12
2	Uttar Pradesh	31	5
3	Madhya Pradesh	24	4
4	Rajasthan	22	2
5	Odisha	4	1
6	Jharkhand	3	3
TOTAL DISTRICTS		116	27



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Q. Match List I with List II and select the correct answer using the code given below the lists:

List I (Curve)

List II (Indication)

- A. Lorenz curve**
- B. Phillips curve**
- C. Engel curve**
- D. Laffer curve**

- 1. Inflation and employment**
- 2. Tax rates and tax revenue**
- 3. Inequality in distribution of income or wealth**
- 4. Income and proportion of expenditure on food**

Code:

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



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The correct answer is: (c) 3 1 4 2

A. Lorenz Curve:

Indication: 3. Inequality in distribution of income or wealth

Explanation: The Lorenz curve is used to represent the distribution of income or wealth within a population and to illustrate income inequality.

B. Phillips Curve:

Indication: 1. Inflation and employment

Explanation: The Phillips curve shows the inverse relationship between inflation and unemployment, indicating the trade-offs between these two economic variables.

C. Engel Curve:

Indication: 4. Income and proportion of expenditure on food

Explanation: The Engel curve describes how the proportion of income spent on food changes as income levels vary, reflecting consumer spending behavior.

D. Laffer Curve:

Indication: 2. Tax rates and tax revenue

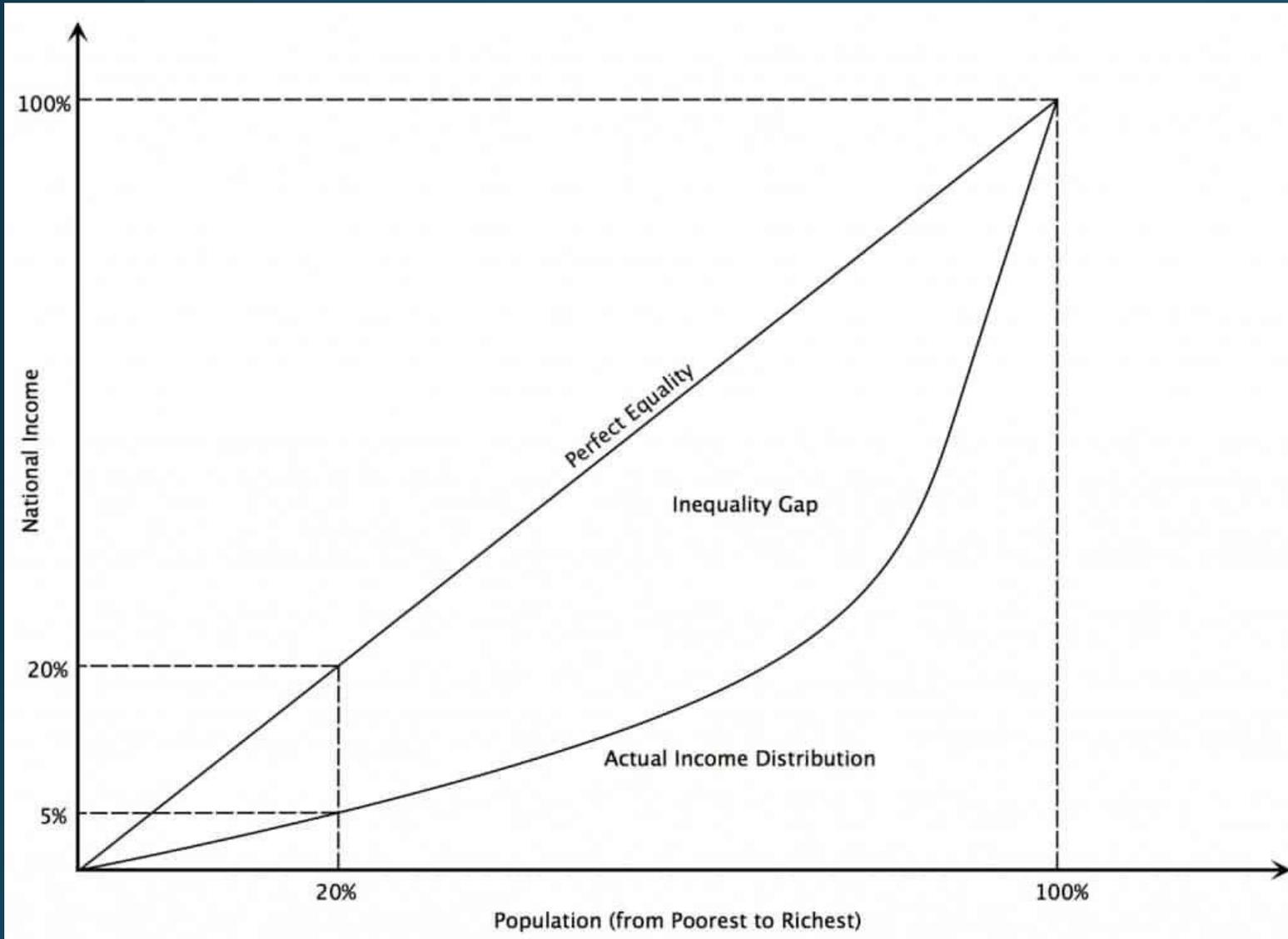
Explanation: The Laffer curve illustrates the relationship between tax rates and tax revenue, showing that there is an optimal tax rate that maximizes revenue without discouraging economic activity.



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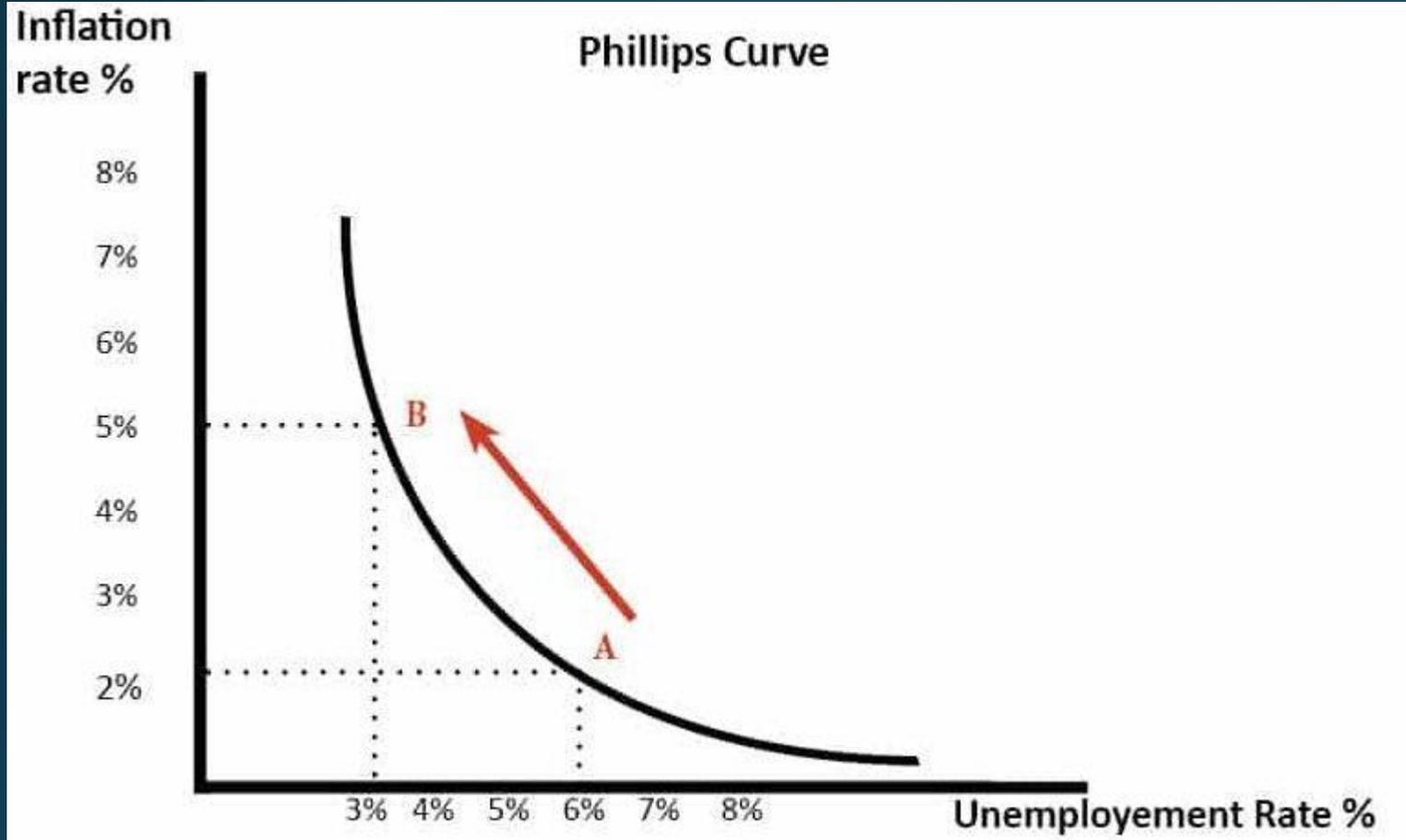


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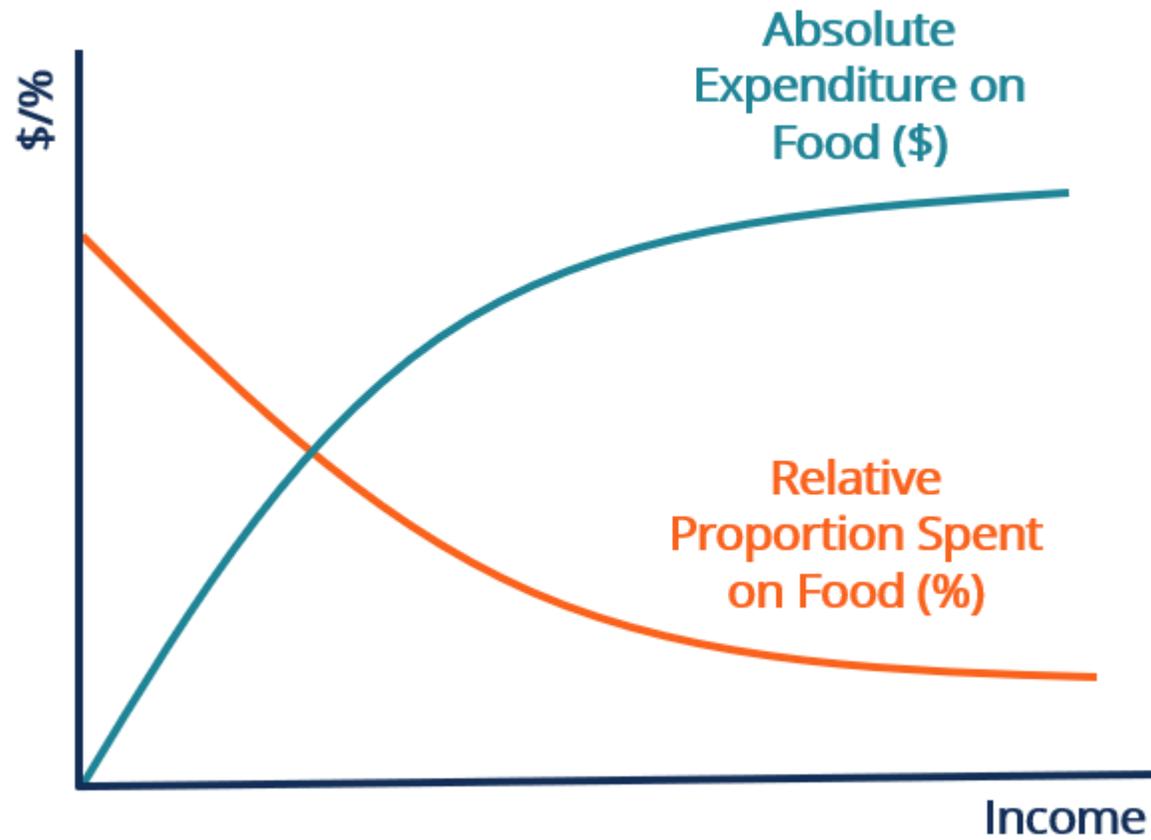
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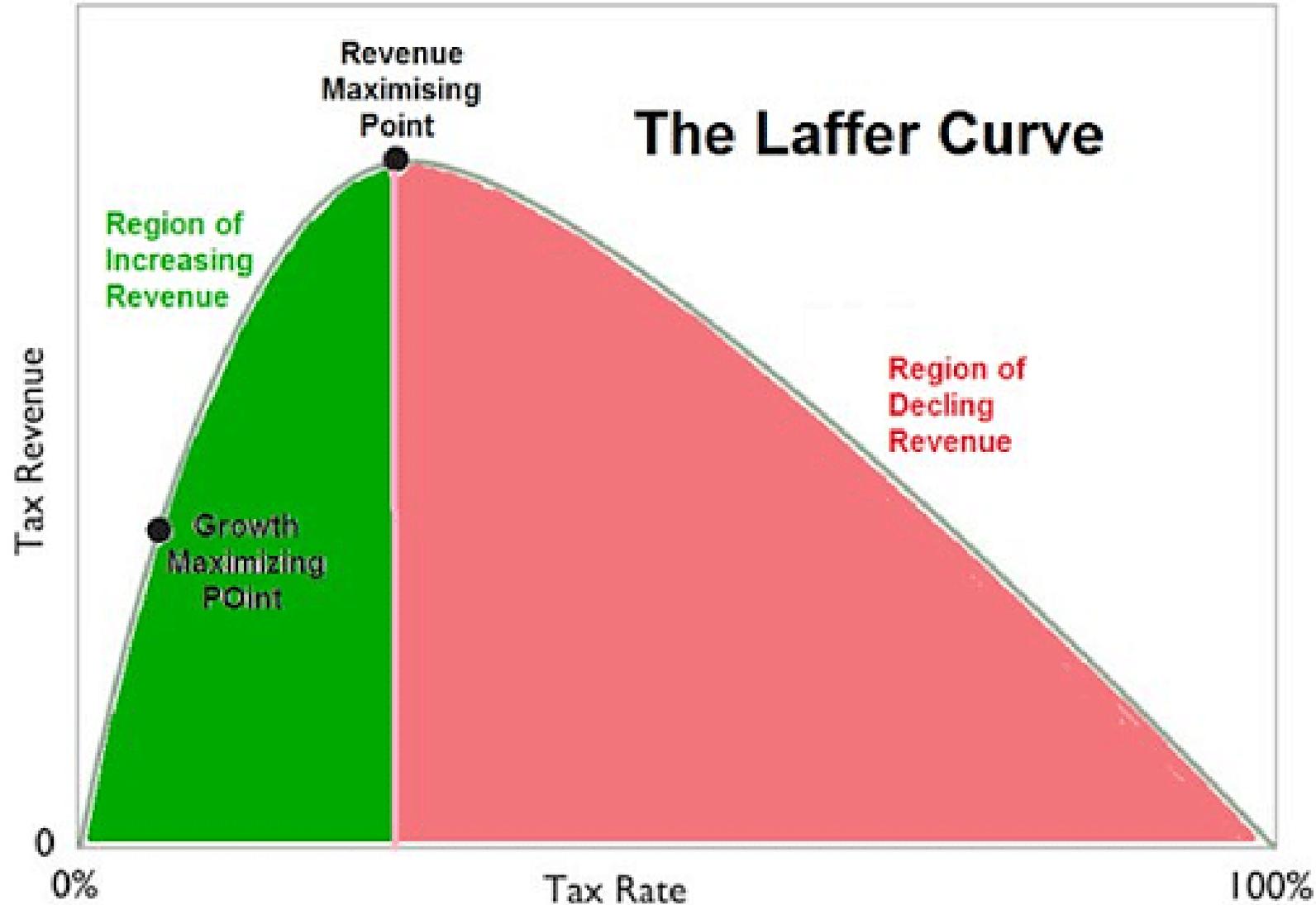
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The Laffer Curve



Q. Which one of the following is a typical example of monopolistic competition?

- (a) Retail vegetable markets
- (b) Market for soaps
- (c) Indian Railways
- (d) Labour market for software engineers



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The correct answer is: **(b) Market for soaps**

Monopolistic competition is a market structure characterized by:

Many sellers: There are many firms competing in the market.

Product differentiation: Each firm offers a product that is slightly different from the others, allowing them to have some control over their prices.

Free entry and exit: Firms can enter or exit the market relatively easily.

(a) Retail vegetable markets: These markets are typically more competitive and can resemble perfect competition rather than monopolistic competition, as the products are largely homogeneous and there is little differentiation.

(b) Market for soaps: This is a typical example of monopolistic competition. The soap market consists of many brands, each offering products with different features, scents, and packaging. Each brand has some degree of market power due to product differentiation.



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(c) Indian Railways: This is a public sector enterprise with a monopoly over rail transport services in India, so it does not fit the description of monopolistic competition.

(d) Labour market for software engineers: This market can exhibit characteristics of both monopolistic competition and oligopoly, depending on the region and the specific skills. However, it is not as clearly defined by product differentiation as the market for soaps.

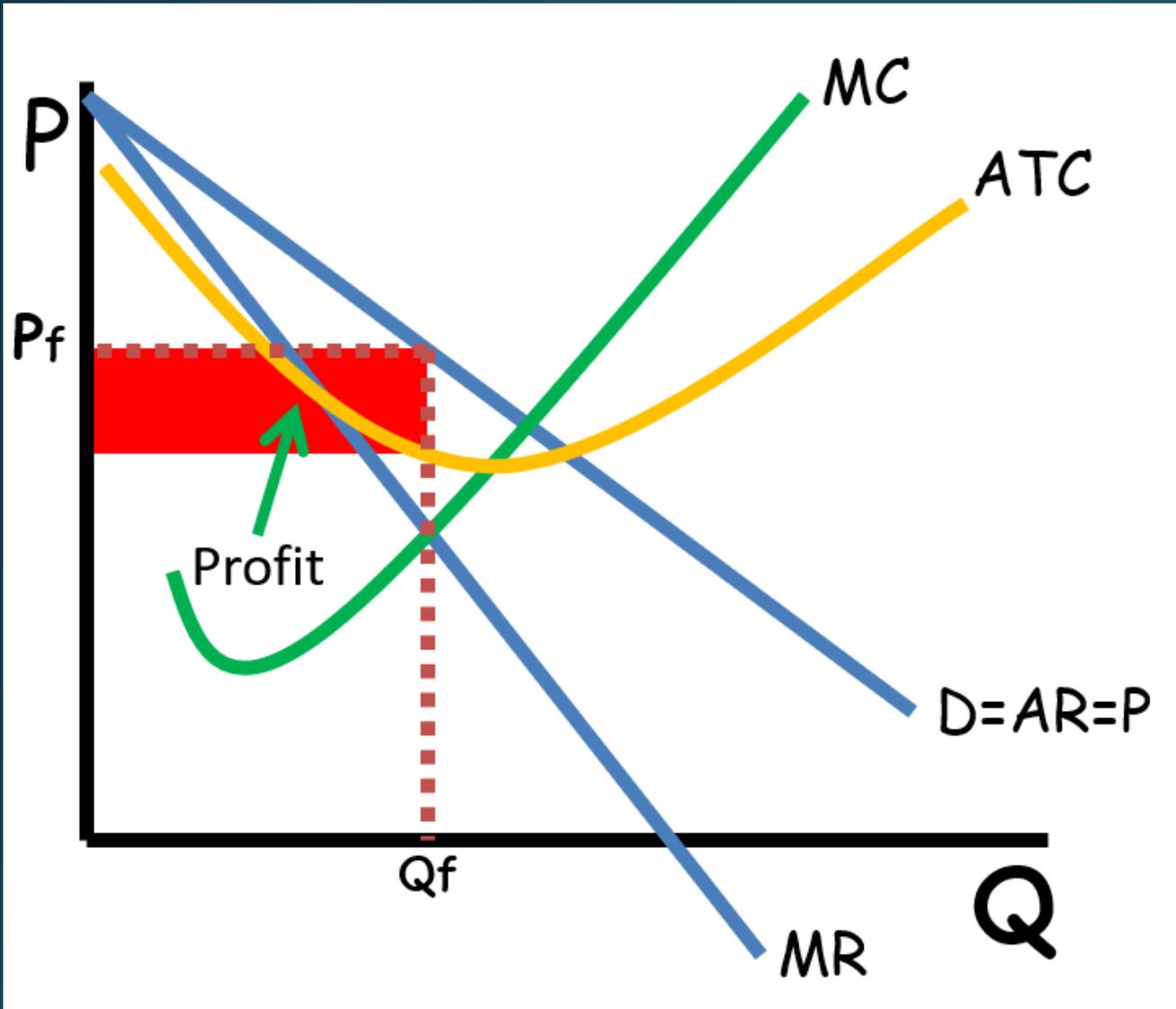


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Q. Which one of the following may lead to movement along the demand curve of a commodity?

- (a) Change in its price
- (b) Change in price of the other commodities
- (c) Change in income of the consumer
- (d) Change in tastes and preferences of consumers



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The correct answer is: **(a) Change in its price**

A movement along the demand curve of a commodity is caused by a change in the price of that commodity. Here's how each option affects the demand curve:

(a) Change in its price:

Correct: A change in the price of the commodity results in a movement along the demand curve. If the price of the commodity decreases, the quantity demanded increases, and if the price increases, the quantity demanded decreases. This change is illustrated as a movement along the same demand curve.

(b) Change in price of the other commodities:

Incorrect: Changes in the prices of related goods (substitutes or complements) affect the demand for the commodity, but this causes a shift in the demand curve rather than a movement along it.



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(c) Change in income of the consumer:

Incorrect: A change in the consumer's income affects the demand for the commodity, leading to a shift in the demand curve. Higher income can increase demand (shift the curve to the right), while lower income can decrease demand (shift the curve to the left).

(d) Change in tastes and preferences of consumers:

Incorrect: Changes in consumer tastes and preferences lead to shifts in the demand curve. If preferences change in favor of the commodity, demand increases (shifts right); if preferences decline, demand decreases (shifts left).



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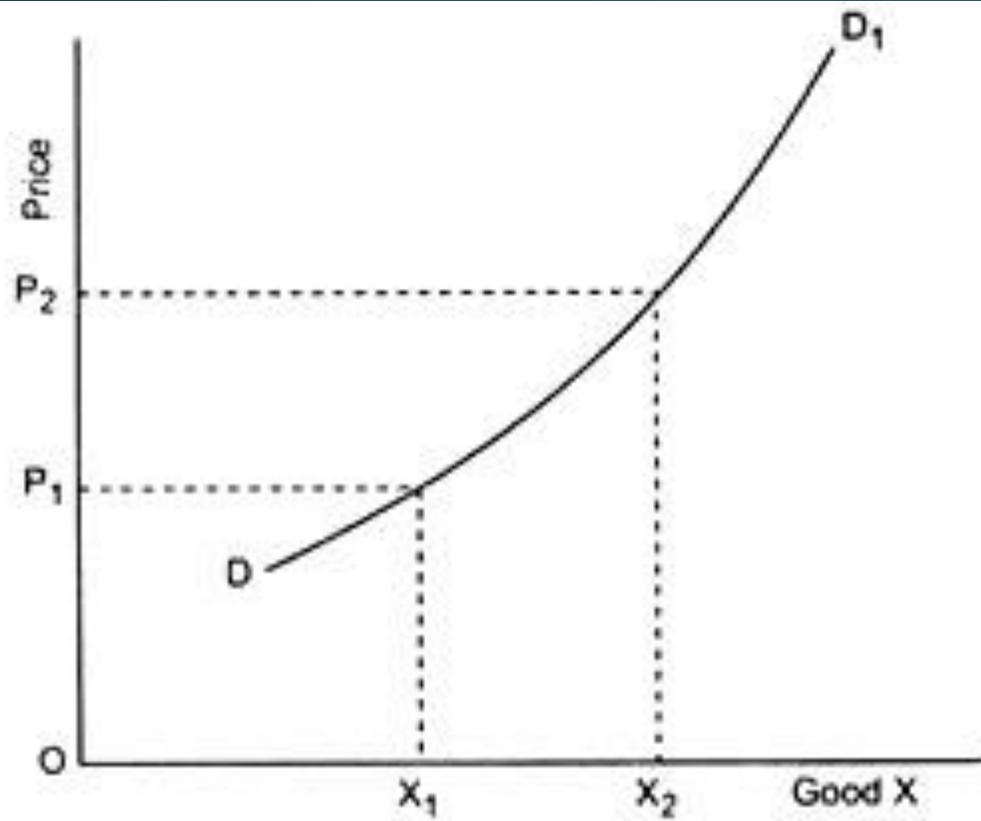


Fig. 17.2

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Q. Which one of the following is the opportunity cost of a chosen activity?

- (a) Out of pocket cost
- (b) Out of pocket cost plus cost incurred by the Government
- (c) Value of all opportunities forgone
- (d) Value of next best alternative that is given up



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The correct answer is: **(d) Value of next best alternative that is given up**
Opportunity cost refers to the value of the next best alternative that is given up when a decision is made to pursue a particular activity. It represents the benefits that could have been obtained if the resources were used in the next best alternative way.

Here's a breakdown of each option:

(a) Out of pocket cost:

Incorrect: Out-of-pocket costs are direct expenses paid for an activity, but they do not capture the full concept of opportunity cost, which includes what is forgone as well.

(b) Out of pocket cost plus cost incurred by the Government:

Incorrect: This option refers to specific costs related to an activity, including government costs, but opportunity cost is more about the value of what is given up rather than just out-of-pocket and additional costs.

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(c) Value of all opportunities forgone:

Incorrect: While this is related to the concept, opportunity cost specifically refers to the value of the next best alternative rather than all opportunities that are forgone.

(d) Value of next best alternative that is given up:

Correct: This is the precise definition of opportunity cost. It measures the benefit that could have been gained from the next best alternative that is not chosen.



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Q. Following the Constitution (One Hundred and First Amendment) Act, 2016, the Parliament of India enacted quite a few GST Acts in the year 2017. Which one of the following does not fall in this category?

- (a) The Central Goods and Services Tax Act
- (b) The Integrated Goods and Services Tax Act
- (c) The Goods and Services Tax (Compensation to States) Acts
- (d) The State Goods and Services Tax Act



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The correct answer is: D

- **Goods and Services Tax (GST)**

- **Nature of GST:** GST is a **value-added tax** imposed on most **goods and services** sold for domestic consumption. Although it is paid by consumers, businesses are responsible for remitting it to the government.

- **Scope of GST:** GST applies to the **'supply' of goods or services**, unlike the previous system which was based on the manufacture or sale of goods and the provision of services.

- **Taxation Principle:** GST is based on the principle of destination-based consumption taxation, as opposed to the former origin-based taxation system.

- **Dual GST System:** GST operates as a dual tax system where both the Central and State governments levy tax on a common base. The tax levied by the Central Government is termed Central GST (CGST), while the tax levied by State Governments is called State GST (SGST).



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- **Integrated GST (IGST):** For the import of goods or services, which is considered an inter-state supply, IGST is applied in addition to the applicable customs duties.
- **Compensation to States:** An Act was enacted to provide compensation to States for any revenue loss resulting from the implementation of GST, as outlined by the Constitution (One Hundred and First Amendment) Act, 2016.
- **Rate Determination:** CGST, SGST, and IGST rates are set by mutual agreement between the Centre and the States and are notified based on recommendations from the GST Council.
- **Initial GST Rates:** Initially, GST was imposed at four rates: 5%, 12%, 16%, and 28%. The GST Council determines the schedule or list of items falling under these various slabs.



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Q. Which one of the following is not correct in respect of Directorate of Enforcement?

- (a) It is a specialized financial investigation agency under the Department of Revenue, Ministry of Finance.
- (b) It enforces the Foreign Exchange Management Act, 1999.
- (c) It enforces the Prevention of Money Laundering Act, 2002.
- (d) It enforces the Prohibition of Benami Property Transaction Act, 1988.



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The correct answer is:

(d) It enforces the Prohibition of Benami Property Transaction Act, 1988.

The Directorate of Enforcement is a specialized financial investigation agency under the Department of Revenue, Ministry of Finance, and it has specific responsibilities:

(a) It is a specialized financial investigation agency under the Department of Revenue, Ministry of Finance:

Correct: The Directorate of Enforcement is indeed a specialized agency under the Department of Revenue, Ministry of Finance.

(b) It enforces the Foreign Exchange Management Act, 1999:

Correct: The Directorate of Enforcement is responsible for enforcing the Foreign Exchange Management Act (FEMA), 1999.

(c) It enforces the Prevention of Money Laundering Act, 2002:

Correct: The Directorate of Enforcement also enforces the Prevention of Money Laundering Act (PMLA), 2002.

(d) It enforces the Prohibition of Benami Property Transaction Act, 1988:

Incorrect: The Prohibition of Benami Property Transactions Act, 1988, is enforced by the Income Tax Department, not the Directorate of Enforcement.

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Q. Infant mortality ratio of which one of the following countries is comparable to that of India?

- (a) China
- (b) United States of America
- (c) Sri Lanka
- (d) None of the above



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The correct answer is: **(d) None of the above**

- India's infant mortality ratio (IMR) is generally higher compared to the countries listed:
- **China** has a significantly lower IMR compared to India.
- **United States of America** has a much lower IMR compared to India.
- **Sri Lanka** also has a considerably lower IMR than India.

As per the United Nations data, the most recent infant mortality ratios (deaths per 1,000 live births) are approximately:

1.China: 6.8

2.United States of America: 5.4

3.Sri Lanka: 8.2

4.India: 27.8



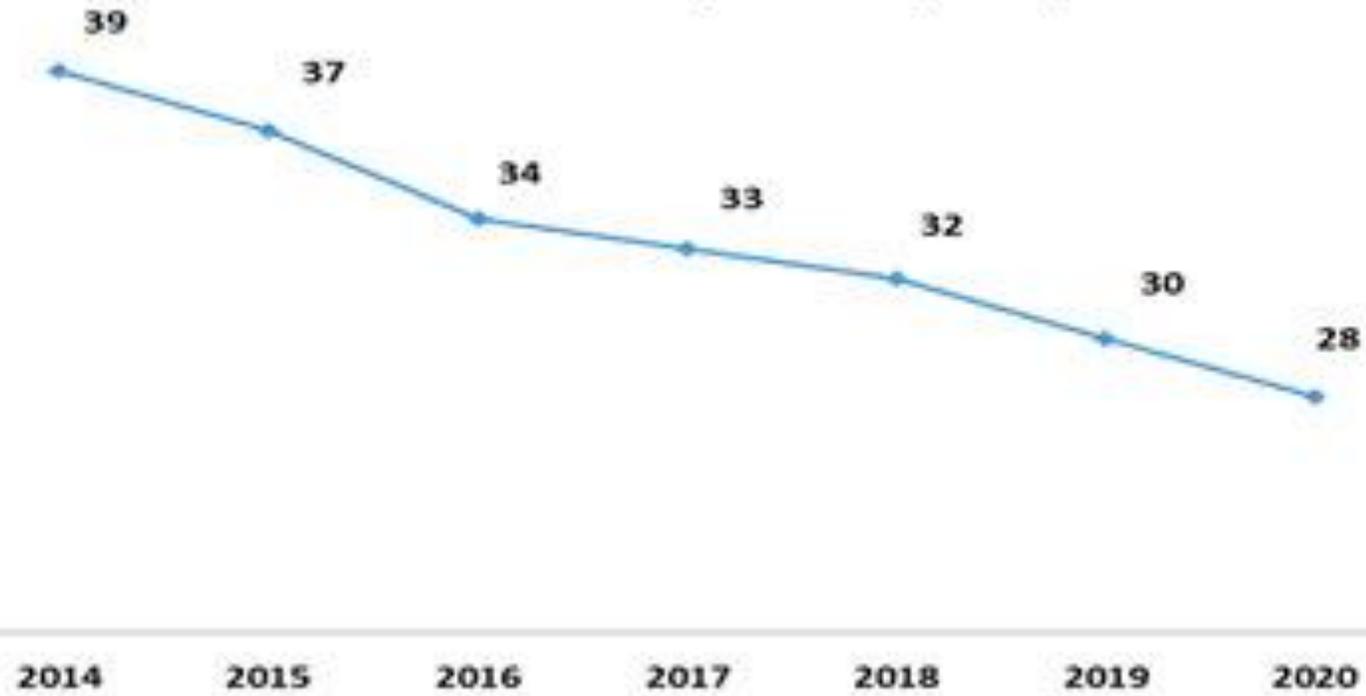
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Infant Mortality Rate (IMR)



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Q. Who among the following, first mooted the idea of deficit financing?

- (a) Adam Smith
- (b) Alfred Marshall
- (c) John Maynard Keynes
- (d) Milton Friedman



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The correct answer is: (c) John Maynard Keynes

- **John Maynard Keynes:** Keynes is credited with formally introducing the concept of deficit financing. In his work, particularly "The General Theory of Employment, Interest, and Money" (1936), he advocated for government spending to stimulate economic activity during periods of recession, even if it meant running budget deficits.
- **Adam Smith:** Often regarded as the father of economics, Smith's seminal work "The Wealth of Nations" (1776) laid the foundation for classical economics but did not focus on deficit financing.
- **Alfred Marshall:** A prominent economist known for his work on microeconomic theory and supply and demand, Marshall did not specifically introduce the concept of deficit financing.
- **Milton Friedman:** A leading figure in monetarist economics, Friedman focused on the role of money supply in economic activity and opposed Keynesian ideas, including deficit financing, particularly criticizing its long-term effectiveness.



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Deficit Financing



Financial Strategy



Applied by Government



To Cover Its Excess
Expenditure Over Revenue

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Q. Which one of the following terms denotes the inputs in terms of tools, machines, buildings, raw materials and money in hand required at any stage of production?

- (a) Fixed capital
- (b) Working capital
- (c) Physical capital
- (d) Human capital

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The correct answer is: (c) Physical capital

- **Physical capital** encompasses all the tangible assets used in the production process. This includes tools, machines, buildings, raw materials, and even money in hand (as it's a resource used for purchasing other inputs).
- Let's break down the other options:
- **Fixed capital:** This is a subset of physical capital, referring specifically to long-term assets like buildings and machinery.
- **Working capital:** This typically refers to the short-term assets used in operations, like raw materials and finished goods.
- **Human capital:** This refers to the knowledge, skills, and abilities of individuals, not physical assets.



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Types Of Physical Capital



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Physical Capital



Working Capital

(liquid assets, such as cash and inventory and can be swiftly changed into currency)

Fixed Capital



(physical investments in producing a good and cannot readily be converted to cash)

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Q. Who among the following formulated the concept of poverty development as a measurable indicator in the Indian subcontinent?

- (a) Dadabhai Naoroji
- (b) Romesh Chandra Dutt
- (c) V.K.R.V. Rao
- (d) M. Ranade



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The correct answer is: (a) Dadabhai Naoroji

- **Dadabhai Naoroji** is often referred to as the "Grand Old Man of India" for his significant contributions to Indian nationalism and economics. He was a pioneer in quantifying poverty in India. His book, "**Poverty and Un-British Rule in India**," presented detailed calculations of per capita income and compared it to poverty levels, laying the groundwork for using poverty as a measurable development indicator.
- **Romesh Chandra Dutt**: While he was a prominent economist and historian, his contributions primarily focused on **analyzing British economic policies and their impact on India**.
- **V.K.R.V. Rao**: A renowned economist, Rao made significant contributions to poverty estimation and planning in India. However, his work came later than Naoroji's pioneering efforts.
- **M.G. Ranade**: Known for his social reforms, Ranade's work did not specifically focus on quantifying poverty as a development indicator.



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Q. Which one of the following statements with regard to the National Rural Employment Guarantee Act, 2005 is correct?

- (a) It ensures 175 days of employment to needy persons in rural areas.
- (b) It gives higher wages to women workers.
- (c) People are generally given both skilled and unskilled jobs.
- (d) This is implemented only in rural areas of India.



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The correct answer is: **(d) This is implemented only in rural areas of India.**

- **(a) It ensures 175 days of employment to needy persons in rural areas:** This statement is incorrect. The National Rural Employment Guarantee Act (NREGA), now known as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), guarantees 100 days of employment per year to rural households.
- **(b) It gives higher wages to women workers:** This statement is incorrect. The act does not specify higher wages for women; wages are generally the same for all workers as per the minimum wage rates fixed by the government.
- **(c) People are generally given both skilled and unskilled jobs:** This statement is incorrect. MGNREGA primarily provides unskilled manual labor jobs. The focus is on creating unskilled work opportunities for rural households.
- **(d) This is implemented only in rural areas of India:** This statement is correct. MGNREGA is specifically aimed at providing employment opportunities in rural areas and does not apply to urban areas.



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Q. Which one of the following inputs is required in less quantity in case of non-farming activities?

- (a) Land
- (b) Labour
- (c) Capital
- (d) Raw material



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The correct answer is: **(a) Land**

- **Land:** Non-farming activities generally require less land compared to farming activities. Non-farming activities, such as manufacturing, services, or trade, typically need less land than agriculture, which relies heavily on land for cultivation.
- **Labour:** Non-farming activities still require labor, though the amount may vary depending on the industry. For instance, service and manufacturing sectors both employ significant amounts of labor.
- **Capital:** Non-farming activities often require substantial capital investment in machinery, equipment, and technology.
- **Raw material:** Non-farming activities also need raw materials, especially in manufacturing and processing industries.



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Q. Which one of the following items is not covered under GST?

- (a) Cosmetics
- (b) Medical grade oxygen
- (c) Jewellery
- (d) Petrol



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The correct answer is: **(d) Petrol**

- **Cosmetics:** These are covered under GST and are taxed accordingly based on the applicable GST rates.
- **Medical grade oxygen:** This is covered under GST, though it may be subject to different rates or exemptions depending on its use and classification.
- **Jewellery:** Jewellery is covered under GST, though it has specific tax rates applied to it.
- **Petrol:** Petrol (along with diesel and other petroleum products) is not covered under GST. Instead, it is taxed under the older system of excise duty and VAT.
- items are kept outside the purview of GST in India: 1) Alcohol for human consumption
- 2) Petroleum products: Petroleum Products such as petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel etc.



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Q. Which one of the following does not influence quantity demanded for a good?

- (a) Good's own price
- (b) Price of a complementary good
- (c) Price of a substitute good
- (d) Prices of inputs into production of the good



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The correct answer is: (d) **Prices of inputs into production of the good**

Prices of inputs into production of the good: This affects the supply side, not the demand side. Changes in the prices of inputs (such as labor, raw materials) affect production costs and supply, but they do not directly influence the quantity demanded of the good.

Good's own price: This directly influences the quantity demanded. Generally, as the price of a good increases, the quantity demanded decreases, and vice versa.

Price of a complementary good: The price of complementary goods (goods that are used together) affects the quantity demanded. If the price of a complementary good rises, the demand for the original good may decrease.

Price of a substitute good: The price of substitute goods (goods that can replace each other) also influences the quantity demanded. If the price of a substitute good rises, the demand for the original good may increase as consumers switch to the cheaper alternative.

SHAPING CAREERS WITH DEVOTION

Q. Which one of the following would be considered as Foreign Direct Investment?

- (a) A foreign company buying shares in stock exchanges in India
- (b) A foreign country pension fund investing in Indian stock markets
- (c) A foreign merchant banker buying shares from Indian stock markets
- (d) A foreign entity setting up an educational institution in India



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The correct answer is: **(d) A foreign entity setting up an educational institution in India**

(d) A foreign entity setting up an educational institution in India: This is an example of Foreign Direct Investment (FDI) because it involves a foreign entity investing directly in establishing and running a business or institution in India.

Foreign Direct Investment (FDI): This refers to investments made by a foreign entity directly into the productive assets of a country. This often involves establishing or acquiring businesses and assets within the country, such as setting up new enterprises or facilities.

(a) A foreign company buying shares in stock exchanges in India: This would be considered Foreign Portfolio Investment (FPI), not FDI. FPI involves purchasing shares or securities in the financial markets, rather than investing directly in the operations or assets of a business.

(b) A foreign country pension fund investing in Indian stock markets: This also falls under Foreign Portfolio Investment (FPI), where investment is made in financial assets rather than directly in business operations.

(c) A foreign merchant banker buying shares from Indian stock markets foreign entity: This transaction is related to Foreign Portfolio Investment (FPI), as it involves purchasing financial assets.



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Q. Which of the following factors signify monopolistic competition?

- 1. Differentiated products**
- 2. Large number of buyers and sellers**
- 3. Barriers to entry**
- 4. Homogeneous products**

Select the correct answer using the code given below:

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



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The correct answer is: **(a) 1 and 2 only**

- **Differentiated products:** In monopolistic competition, firms sell products that are differentiated from each other, meaning they are not identical but rather have unique features or attributes.
- **Large number of buyers and sellers:** Monopolistic competition is characterized by a large number of buyers and sellers, each having some degree of market power due to product differentiation.
- **Barriers to entry:** This is not a characteristic of monopolistic competition. In monopolistic competition, there are low barriers to entry and exit, allowing new firms to enter the market relatively easily.
- **Homogeneous products:** This characteristic is more aligned with perfect competition, where firms sell identical or homogeneous products. In monopolistic competition, products are differentiated.



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Q. Which one of the following statements about a borrower from a Microfinance Company is not correct?

- (a) The borrower should not have annual income beyond a limit.
- (b) The borrower should not seek loan amount beyond a limit.
- (c) The borrower should not refuse to offer a collateral.
- (d) The borrower should not refuse to pay any rate of interest offered.



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The correct answer is : C

- Microfinance provides small loans, credit, insurance, savings accounts, and money transfers to small business owners and entrepreneurs in underserved areas.
- It is designed to promote financial inclusion by offering financial services to poor and low-income households, helping them escape poverty, increase income, and improve living standards.
- **Target Beneficiaries:** Microfinance serves individuals who lack access to traditional financial resources.
- **Interest Rates:** Interest rates on microloans are typically higher than traditional loans due to the small loan amounts.

Loan Features:

- Borrowers usually come from low-income backgrounds.
- Loans are generally small (microloans) and have short tenures.
- Collateral is not required for microfinance loans.
- Repayment is often made at higher frequencies.
- The primary purpose is income generation and helping recipients qualify for traditional bank loans in the future.



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Q. Which one of the following statements about Non-Banking Financial Companies (NBFCs) is not correct?

- (a) NBFCs cannot accept demand deposits.
- (b) NBFCs cannot give loans.
- (e) NBFCs cannot issue cheques drawn on themselves.
- (d) NBFCs cannot offer deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation.



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The correct answer is: **(b) NBFCs cannot give loans.**

Non-Banking Financial Companies (NBFCs) have specific regulations and restrictions:

(a) NBFCs cannot accept demand deposits:

Correct: NBFCs are not allowed to accept demand deposits, which are deposits that can be withdrawn on demand, like savings or checking accounts.

(b) NBFCs cannot give loans:

Not correct: NBFCs are indeed allowed to provide loans and advances. They play a significant role in lending to individuals and businesses.

(c) NBFCs cannot issue cheques drawn on themselves:

Correct: Unlike banks, NBFCs cannot issue cheques drawn on themselves because they are not part of the traditional banking system.

(d) NBFCs cannot offer deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation:

Correct: NBFCs are not covered by deposit insurance from the Deposit Insurance and Credit Guarantee Corporation (DICGC), unlike banks.



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Q. The Department for Promotion of Industry and Internal Trade (DPIIT) has revised the base year index of Eight Core Industries having a combined weight of about 40.27 percent in the Index of Industrial Production. Which one of the following is not one of the Eight Core Industries?

- (a) Coal
- (b) Refinery products
- (c) Rubber products
- (d) Cement



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The correct answer is: **(c) Rubber products**

- The Eight Core Industries, which are part of the Index of Industrial Production (IIP) and have a significant combined weight, include:
 - **(a) Coal:** One of the Eight Core Industries.
 - **(b) Refinery products:** One of the Eight Core Industries.
 - **(c) Rubber products:** **Not** one of the Eight Core Industries. Rubber products are not included in the Eight Core Industries.
 - **(d) Cement:** One of the Eight Core Industries.



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Eight Core Industries (Weightage)



Coal (10.33%)



Crude Oil (8.98%)



Natural Gas (6.88%)



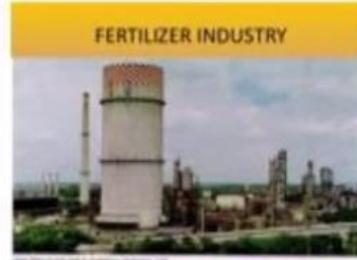
Refinery (28.04%)



Steel (17.92%)



Cement (5.37%)



Fertilizer (2.63%)



Electricity (19.85%)

SHAPING CAREERS WITH DEVOTION

Q. Consider the following statements about the Micro, Small and Medium Enterprises (MSMEs):

- 1. The MSMEs comprise a dynamic sector of the Indian economy providing large employment opportunities.**
- 2. MSMEs require low capital cost and help industrialization of backward regions.**
- 3. MSMEs contribute enormously to socio-economic development.**

How many of the above statements is/are correct?

- (a) None
- (b) 1
- (c) 2
- (d) 3



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The correct answer is: (d) 3

All three statements about Micro, Small, and Medium Enterprises (MSMEs) are correct:

- **The MSMEs comprise a dynamic sector of the Indian economy providing large employment opportunities:**

- **Correct:** MSMEs play a crucial role in the Indian economy by providing substantial employment opportunities and contributing to economic growth.

- **MSMEs require low capital cost and help industrialization of backward regions:**

- **Correct:** MSMEs typically have lower capital requirements compared to large enterprises and are instrumental in promoting industrialization in less developed regions, thus aiding in balanced regional development.

- **MSMEs contribute enormously to socio-economic development:**

- **Correct:** MSMEs significantly contribute to socio-economic development by fostering entrepreneurship, generating employment, and supporting local economies.



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EXISTING AND REVISED DEFINATION OF MSMEs

EXISTING MSME CLASSIFICATION

CRITERIA: INVESTMENT IN PLANT & MACHINERY EQUIPMENT

Classification	Micro	Small	Medium
Manufacturing Enterprises	Investment <₹25 lakh	Investment <₹5 crore	Investment <₹10 crore
Service Enterprise	Investment <₹10 lakh	Investment <₹2 crore	Investment <₹5 crore

REVISED MSME CLASSIFICATION

COMPOSITE CRITERIA: INVESTMENT & ANNUAL TURNOVER

Classification	Micro	Small	Medium
Manufacturing & Services	Investment <₹1 crore & Turnover <₹5 crore	Investment <₹10 crore & Turnover <₹50 crore	Investment <₹20 crore & Turnover <₹100 crore



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Q. Which one of the following forms of money supply is considered as the most widely used in the Indian monetary system?

- (a) M1
- (b) M2
- (c) M3
- (d) M4



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The correct answer is: (c) M3

Most Liquid
(Narrow Money)



M1 = CU+DD

Currency Notes
Coins
Demand Deposits with bank
(Savings, Current)

M2 =CU+DD+ PO Savings

Currency Notes
Coins
Demand Deposits with bank
(Savings, Current)
Post Office Savings Deposit

Less Liquid
(Broad Money)



M3 =CU+DD+TD

Currency Notes
Coins
Demand Deposits
with bank
(Savings, Current)
Time Deposit of banks

M4 =CU+DD+All PO-NSC

Currency Notes
Coins
Demand Deposits with bank
(Savings, Current)
*All Deposits of Post office
(except NSC)*

*These 2 Contain only Bank
Deposits (Not post office)*

*These 2 Contain both Bank
and post office deposits*

Which method mostly used by RBI?

M3

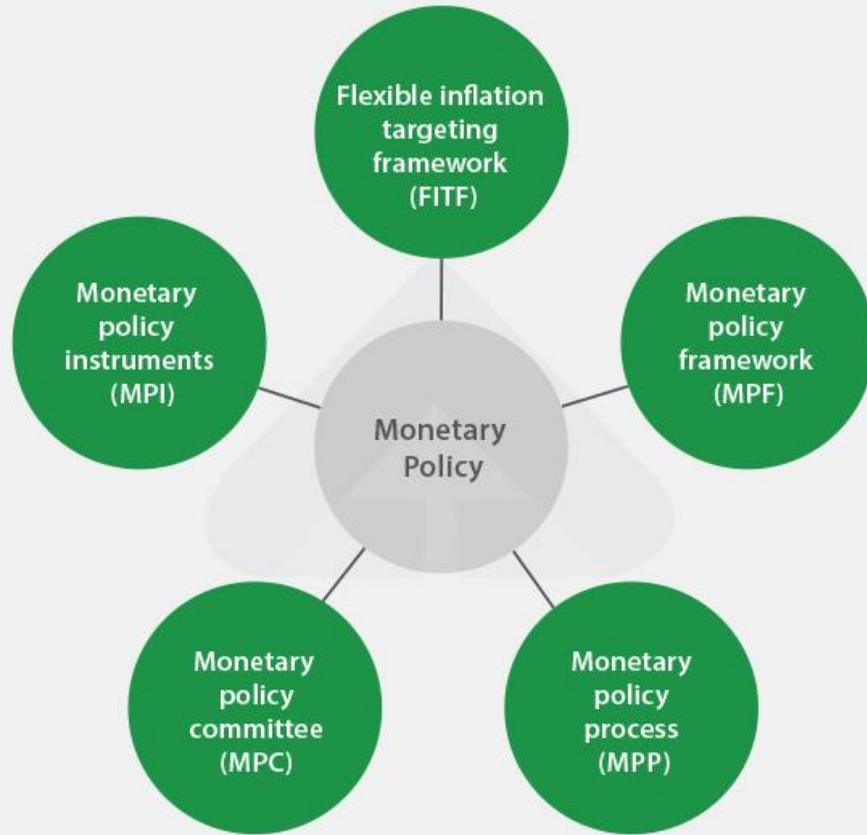
It is also called

Aggregate Money Resource



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Monetary Policy In India



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Q. Which one of the following is considered as an agency function of commercial banks in India?

- (a) Acceptance of deposits
- (b) Investment of surplus funds
- (c) Acceptance of income tax payments
- (d) Providing overdraft facilities



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The correct answer is: **(c) Acceptance of income tax payments**

In India, commercial banks perform several functions, which can be broadly categorized into:

(a) Acceptance of deposits: This is a primary function of commercial banks, not an agency function.

(b) Investment of surplus funds: This is part of the commercial banking function related to managing bank assets and investments.

(c) Acceptance of income tax payments: This is considered an agency function. Banks act as agents of the government in collecting income tax and other payments on its behalf.

(d) Providing overdraft facilities: This is a core banking function related to providing credit facilities to customers.



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Q. Which one of the following Labour Codes notified by the Government of India incorporated various provisions of the Central Labour Acts such as the Factories Act, 1948 and Plantations Labour Act, 1951?

- (a) The Occupational Safety, Health and Working Conditions Code, 2020
- (b) The Industrial Relations Code, 2020
- (c) The Code on Wages, 2019
- (d) The Code on Social Security, 2020



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The correct answer is: (a) **The Occupational Safety, Health and Working Conditions Code, 2020**

- The Labour Codes in India were introduced to consolidate and simplify various existing labor laws. The **Occupational Safety, Health and Working Conditions Code, 2020** incorporates provisions from several Central Labour Acts, including:
 - **Factories Act, 1948**: Relates to the working conditions and safety in factories.
 - **Plantations Labour Act, 1951**: Deals with the welfare and working conditions of labor in plantations.



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Q. If you were to browse a table of a recent period showing life expectancy at birth for all categories of rural-urban and male-female divisions for all States of India, you are not likely to observe that

1. Urban life expectancy is higher than the rural one.

2. Male life expectancy is higher than the female one.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2



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The correct answer is: **(b) 2 only**

- **Urban life expectancy is higher than the rural one:**

- This is typically observed as urban areas often have better healthcare facilities, infrastructure, and living conditions compared to rural areas.

- **Male life expectancy is higher than the female one:**

- This is generally not observed. In many regions, including India, female life expectancy is often higher than male life expectancy due to various factors including biological advantages and lower mortality rates among females in many age groups.



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Q. India is still a young country as the median age of its population is

- (a) Less than 25 years
- (b) Between 25 to 30 years
- (c) Between 30 to 35 years
- (d) Between 35 to 40 years



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The correct answer: B Between 25 to 30 years

The median age of a country is the age that divides its population into two equal halves: half of the people are younger than this age, and half are older. It's a useful demographic indicator that can help understand the age distribution and the potential social and economic implications for a country.

- India is indeed a young country with a median age falling between 25 to 30 years.
- This demographic characteristic has significant implications for the country's economic development and social structure.



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Q. Which one of the following central features is not associated with Capitalist Economy?

- (a) There is generalized commodity production- it has market value.
- (b) Productive wealth is held predominantly in private hands.
- (c) Economic life is organized according to market principles.
- (d) Economic organization is based on planning, a supposedly rational process of resource allocation.



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The correct answer is: **(d) Economic organisation is based on planning, a supposedly rational process of resource allocation.**

In a **Capitalist Economy**, the central features typically include:

(a) There is production generalised commodity it has market value:

Correct: In a capitalist economy, goods and services are produced for the market, and their value is determined by market principles.

(b) Productive wealth is held predominantly in private hands:

Correct: Capitalist economies are characterized by private ownership of the means of production.

(c) Economic life is organised according to market principles:

Correct: Capitalist economies rely on market mechanisms for the allocation of resources and regulation of economic activities.

(d) Economic organisation is based on planning, a supposedly rational process of resource allocation.

Not correct: This feature is more associated with a **Planned Economy** or **Socialist Economy**, where central planning guides the allocation of resources. In a capitalist economy, economic organization is typically driven by market forces rather than centralized planning.

Capitalist Economy



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Q. The Insolvency and Bankruptcy Board of India (IBBI) was established in the year

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



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The correct answer is: **(c) 2016**

- The Insolvency and Bankruptcy Board of India (IBBI) was established in October 2016 under the **Insolvency and Bankruptcy Code (IBC), 2016**.
- The IBBI is responsible for overseeing the implementation of the insolvency and bankruptcy laws and regulating insolvency professionals, agencies, and information utilities.



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Q. Which one of the following situations can lead to inflation?

- (a) Rapid growth of aggregate demand outweighing supply
- (b) Sluggish growth of aggregate demand
- (c) Reduction in the money supply
- (d) Higher levels of unemployment



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Answer :- The correct answer is:

(a) Rapid growth of aggregate demand outweighing supply

Inflation is typically driven by:

(a) Rapid growth of aggregate demand outweighing supply:

Correct: When aggregate demand grows faster than aggregate supply, it leads to demand-pull inflation. This occurs because the increased demand for goods and services pushes prices up when supply cannot keep pace.

(b) Sluggish growth of aggregate demand:

Not correct: Sluggish growth of aggregate demand generally does not lead to inflation. It might lead to deflation or stagnation instead.

(c) Reduction in the money supply:

Not correct: A reduction in the money supply typically leads to deflation, not inflation, as there is less money available for spending.

(d) Higher levels of unemployment:

Not correct: Higher unemployment generally leads to lower inflationary pressures or even deflation, as there is less demand for goods and services.



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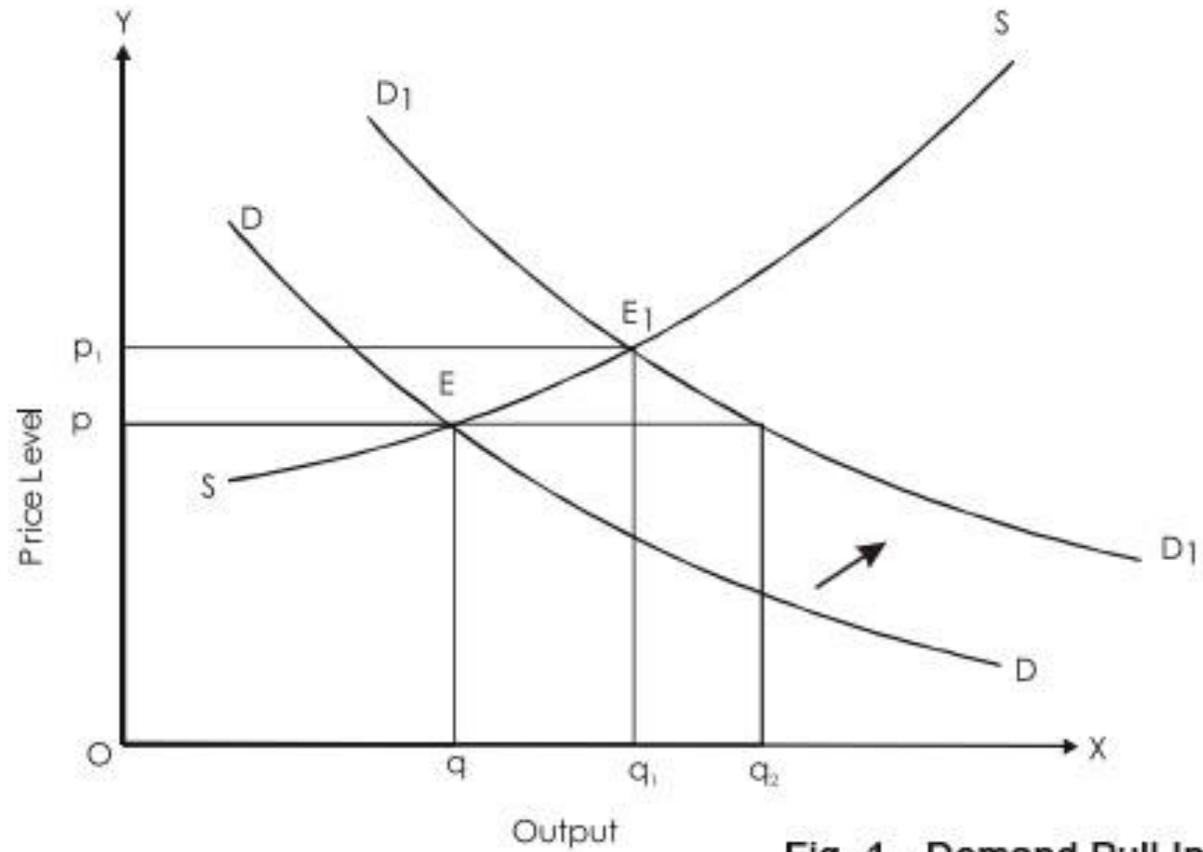
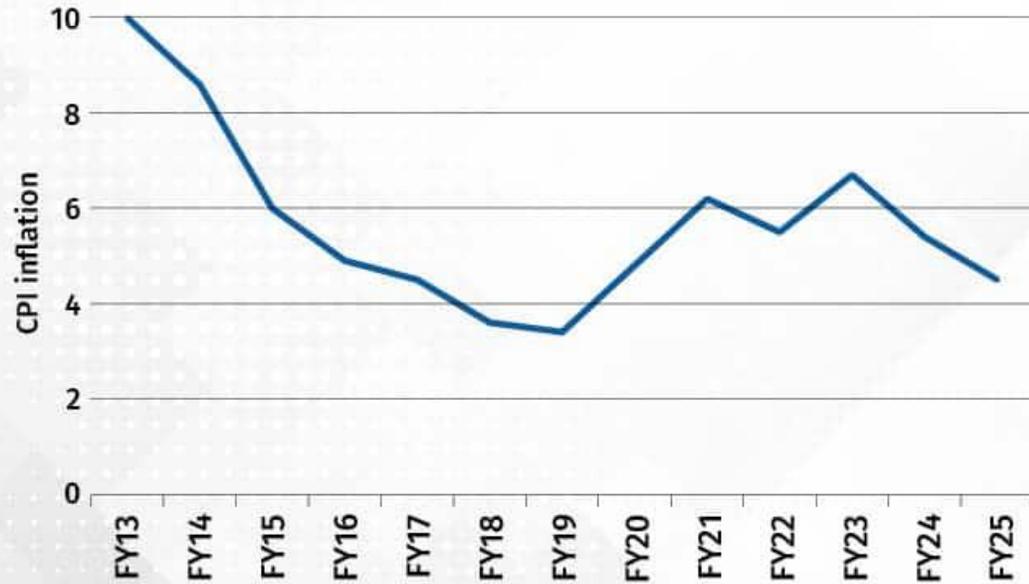


Fig. 1 - Demand Pull Inflation

INDIA'S MODERATING INFLATION TRAJECTORY



Note: Average CPI inflation for FY24 and FY25 are RBI forecasts
Source: Ministry of Statistics and Programme Implementation, RBI



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Q. Which of the following policies help to raise interest rate unambiguously and thereby lead to appreciation of currency?

- (a) Expansionary fiscal and monetary policy
- (b) Contractionary fiscal and monetary policy
- (c) Contractionary fiscal policy and expansionary monetary policy
- (d) Contractionary monetary policy and expansionary fiscal policy



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Answer :- (D)

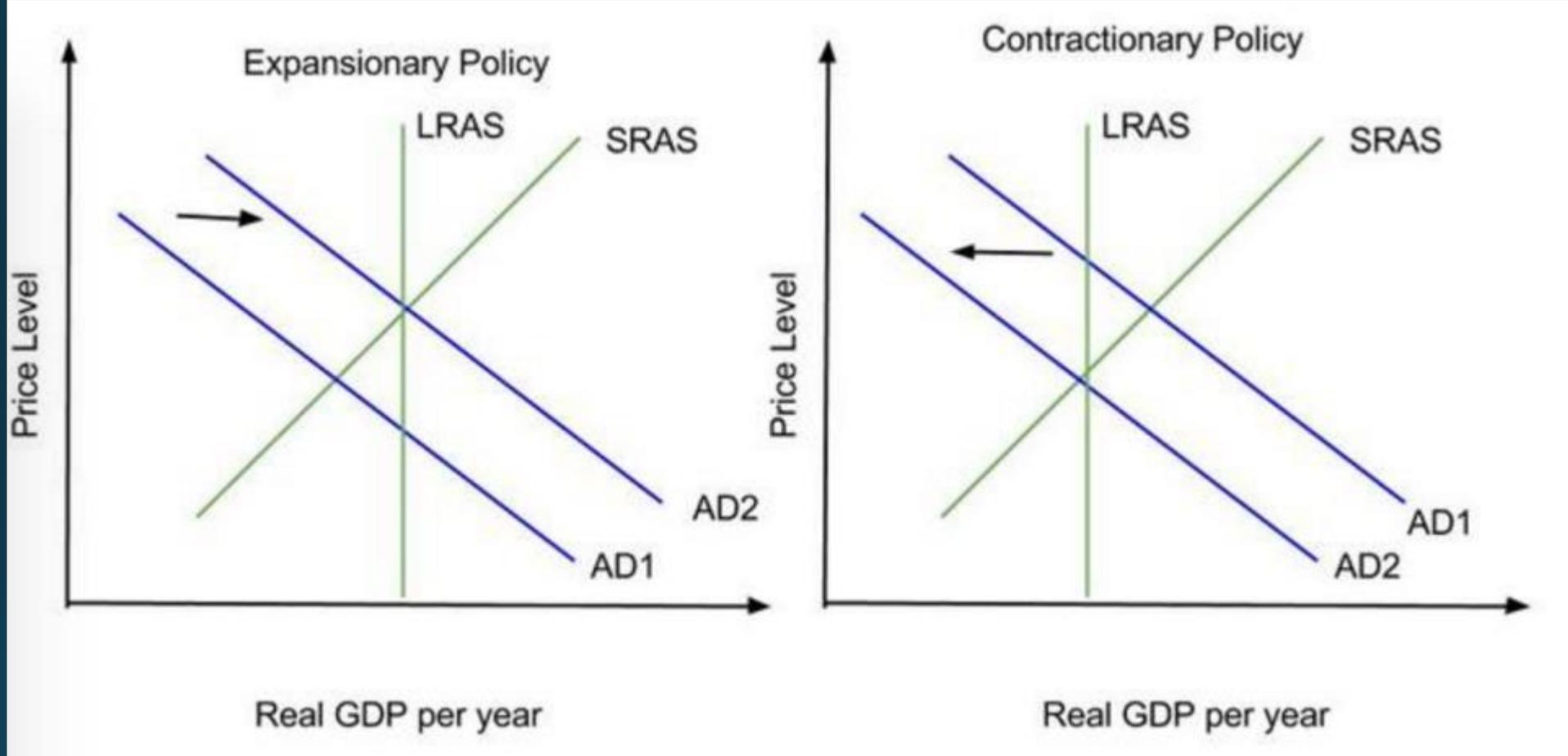
- Contractionary monetary policy and expansionary fiscal policy can lead to an increase in interest rates, which, in turn, may cause currency appreciation.
- Contractionary monetary policy involves reducing the money supply and raising interest rates to control inflation. By making borrowing more expensive, it slows economic activity and typically strengthens the currency.
- On the other hand, expansionary fiscal policy involves increasing government spending or cutting taxes.
- While this approach is generally used to address recessionary gaps, it can create inflationary pressure.
- To prevent the economy from overheating, higher interest rates may be necessary. This combination of policies can result in a rise in interest rates and an appreciation of the currency.



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Q. The contraction of private investment spending due to deficit spending by the Government is called

- (a) crowding out
- (b) crowding in
- (c) pump priming
- (d) dumping



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Answer :- The correct answer is: A **Crowding out**

(a) Crowding out occurs when increased government spending (particularly deficit spending) leads to a reduction in private investment. This happens because government borrowing can drive up interest rates, making it more expensive for businesses and individuals to borrow money for private investment. As a result, private investment spending may contract.

Crowding in is the opposite effect, where government spending stimulates additional private investment.

Pump priming refers to government spending intended to stimulate the economy during a downturn, particularly by increasing public works projects.

Dumping is unrelated to investment; it refers to the practice of selling goods in a foreign market at a price lower than their cost in the domestic market or below their cost of production.



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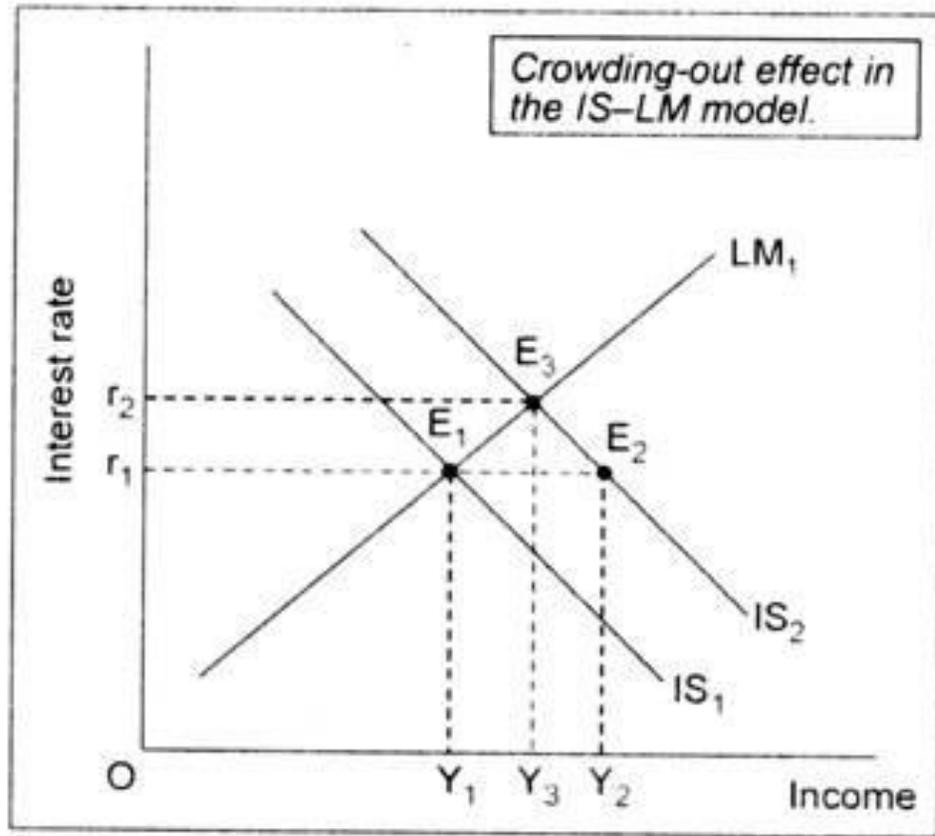


Fig. 3.38: Crowding-out Effect

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Q. Which among the following is/are the objective/objectives of the NITI Aayog?

- 1. Imposing policies on the States/UTs**
- 2. Allocation of funds at National and State levels**
- 3. Design strategies and long term policies and programme frame works**

Select the correct answer using the code given below.

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



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Answer :- The correct answer is: **(d) 3 only**

- **Statement 1:** NITI Aayog does not impose policies on the States/UTs. Instead, it works as a think tank and a collaborative platform that fosters cooperative federalism by involving the states in the policy-making process.
- **Statement 2:** NITI Aayog does not have the authority to allocate funds at the National and State levels. The allocation of funds is typically the responsibility of the Finance Commission and the Union Budget.
- **Statement 3:** One of the key objectives of NITI Aayog is to design strategies, long-term policies, and program frameworks to guide the country's development in a sustainable and inclusive manner.



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#NITIaayog is based on the 7 Pillars of Effective Governance



Source: PIB.NIC.IN



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Q. The computation of poverty in terms of Monthly Per Capita Consumption Expenditure (MPCE) based on the Mixed Reference Period was recommended by the

- (a) Lakdawala Committee
- (b) Tendulkar Committee
- (c) Dandekar Committee
- (d) Alagh Committee



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The correct answer is: **(b) Tendulkar Committee**

- The **Tendulkar Committee** recommended the computation of poverty in terms of Monthly Per Capita Consumption Expenditure (MPCE) based on the Mixed Reference Period (MRP).
- The committee suggested changes to the method of estimating poverty, including shifting to MPCE based on the MRP, which takes into account expenditure data collected over a 30-day and 7-day recall period for different items.



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MRP: The estimate of MPCE is based on household consumption expenditure on – (i) clothing and bedding, footwear, education, institutional medical care, and durable goods recorded for a reference period of “last 365 days”, and (ii) expenditure on all other items recorded for a reference period of “last 30 days”.

MMRP: The estimate of MPCE is based on household consumption expenditure on edible oil, egg, fish and meat, vegetables, fruits, spices, beverages, refreshments, processed food, pan, tobacco and intoxicants recorded for a reference period of “last 7 days”, and for all other items, recorded for the same reference period as in case of Mixed Reference Period (except for milk & milk products for which 7-days reference period has been considered in HCES:2022-23).



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- **Lakdawala Committee:** Recommended the use of state-specific poverty lines and consumption baskets for calculating poverty.
- **Tendulkar Committee:** Recommended using MPCE based on MRP and adjusted the poverty line to reflect the cost of living and health expenditure.
- **Dandekar Committee:** Focused on the income criteria for poverty estimation.
- **Alagh Committee:** Suggested the concept of poverty lines based on calorie intake and consumption baskets.



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INDIA'S POVERTY ANALYSIS

Poor as percentage of Indian population in 2011-12



Note: Poverty line in the Suresh Tendulkar methodology was expenditure of ₹33 a day in urban areas and ₹27 a day in rural areas. In the Rangarajan methodology, it was ₹47 a day in urban areas and ₹30 a day in rural areas. IN WORLD BANK REPORT (a) expenditure of \$1.25 a day per person on purchasing power parity of ₹18.75, and (b) expenditure of \$1.90 a day per person on purchasing power parity of ₹28.5. As the methodology differs between a and b, the number of poor drastically went down instead of moving up.

Sources: Erstwhile Planning Commission, World Bank



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Q. Which of the following is/are the sub 'mission/sub-missions of the National Skill Development Mission (NSDM)?

- 1. Institutional training**
- 2. Overseas employment**
- 3. Leveraging of public infrastructure**

Select the correct answer using the code given below.

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



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The correct answer is: (c) 1, 2, and 3

- The **National Skill Development Mission (NSDM)** has several sub-missions, which include:
 - **Institutional training:** Focuses on providing formal training through various institutions to enhance skill levels in different sectors.
 - **Overseas employment:** Aims to equip the Indian workforce with skills that are in demand internationally, facilitating overseas employment opportunities.
 - **Leveraging of public infrastructure:** Utilizes existing public infrastructure for skill development initiatives to maximize resource efficiency.



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Q. Which of the following strategies is/are adopted for implementing the POSHAN Abhiyaan?

- 1. Inter-sectoral convergence for better service delivery**
- 2. Use of technology (ICT) for real-time growth monitoring of women and children**

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2



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Answer :- The correct answer is: (c) **Both 1 and 2**

- The **POSHAN Abhiyaan** (National Nutrition Mission) is a flagship program aimed at improving nutritional outcomes for children, pregnant women, and lactating mothers in India. The strategies adopted for implementing the POSHAN Abhiyaan include:
 - **Inter-sectoral convergence for better service delivery:** The program seeks to ensure coordinated action across various sectors such as health, nutrition, sanitation, and education to improve the delivery of services.
 - **Use of technology (ICT) for real-time growth monitoring of women and children:** The mission leverages Information and Communication Technology (ICT) to monitor the growth and nutritional status of women and children in real-time, which helps in timely interventions.



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POSHAN Abhiyaan

PM's Overarching Scheme for Holistic Nourishment

सही पोषण - देश रोशन



The scheme

seeks to improve the nutritional status of children, adolescent girls, pregnant women and lactating mothers



9 lakh

Anganwadi centres in the country have been provided mobile phones



Rs 8,800 crore

Transferred to bank accounts of over 2 crore poor, pregnant women



9 crore

Pregnant women, lactating mothers and children are being monitored with the help of Poshan Tracker



10 lakh

Anganwadis have been provided with growth monitoring devices under the Poshan Abhiyaan

Source: Union Ministry of Women and Child Development



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Q. Which one of the following is a measure that can be used by the Government for combatting inflation?

- (a) Increasing the non-planned expenditure on defence, police, etc.
- (b) Providing more subsidies on exports
- (c) Increasing the rate of interest on savings and fixed deposits
- (d) Reduction in the cash reserve ratio (CRR)



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Answer :- The correct answer is:

(c) Increasing the rate of interest on savings and fixed deposits

- **Increasing the rate of interest on savings and fixed deposits** encourages people to save more rather than spend, which reduces the money supply in the economy. This can help combat inflation by lowering demand, which can put downward pressure on prices.
- Other options would generally increase demand or money supply, which could exacerbate inflation rather than combat it.
- **Increasing non-planned expenditure** (option a) typically increases demand.
- **Providing more subsidies on exports** (option b) might not directly affect inflation within the country but could increase government expenditure.
- **Reduction in the cash reserve ratio (CRR)** (option d) increases the money supply, which could fuel inflation further.



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Q. The sustained decrease in the general price level is called as

- (a) deflation
- (b) stagflation
- (c) devaluation
- (d) recession

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Answer :- (A)

The correct answer is: **(a) Deflation**

Deflation refers to a sustained decrease in the general price level of goods and services in an economy. It is the opposite of inflation.

Stagflation (option b) is a situation where the economy experiences stagnant growth, high unemployment, and high inflation simultaneously.

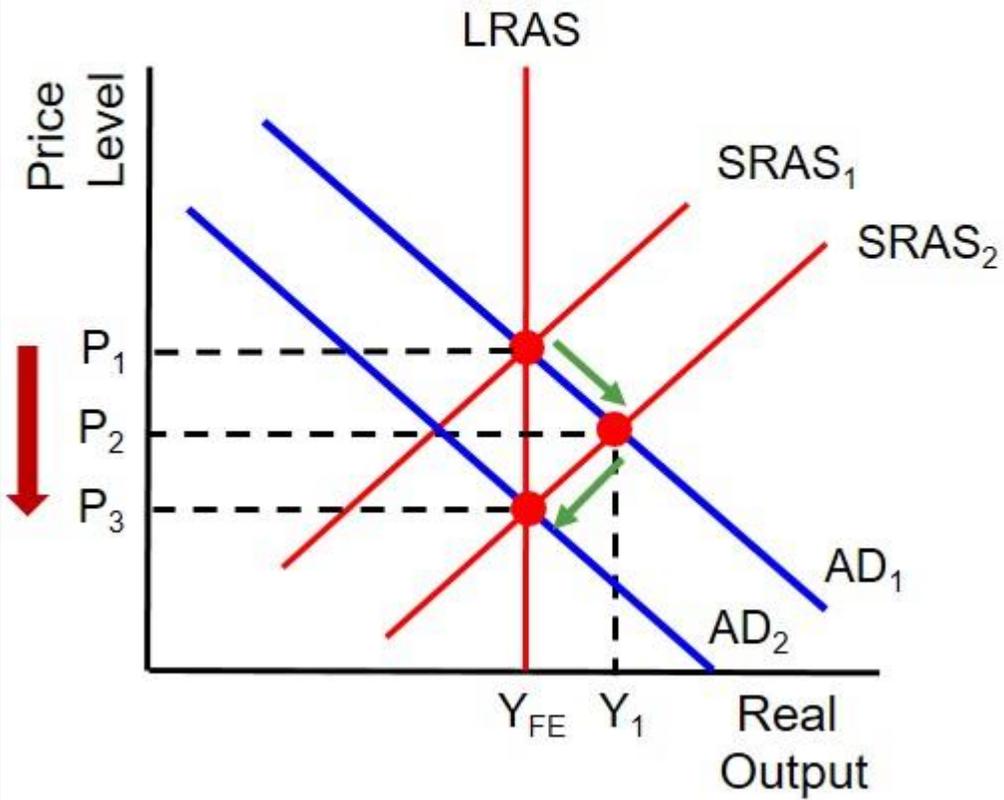
Devaluation (option c) refers to a deliberate reduction in the value of a country's currency relative to other currencies.

Recession (option d) is a significant decline in economic activity across the economy that lasts for an extended period, typically marked by a decrease in GDP, employment and investment.



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Deflation



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Q. Which one of the following indicators is included in the National Multidimensional Poverty Index (MPI)?

- (a) Years of schooling
- (b) Literacy rate
- (c) Life expectancy
- (d) Per capita income



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Answer :- The correct answer is: **(a) Years of schooling**

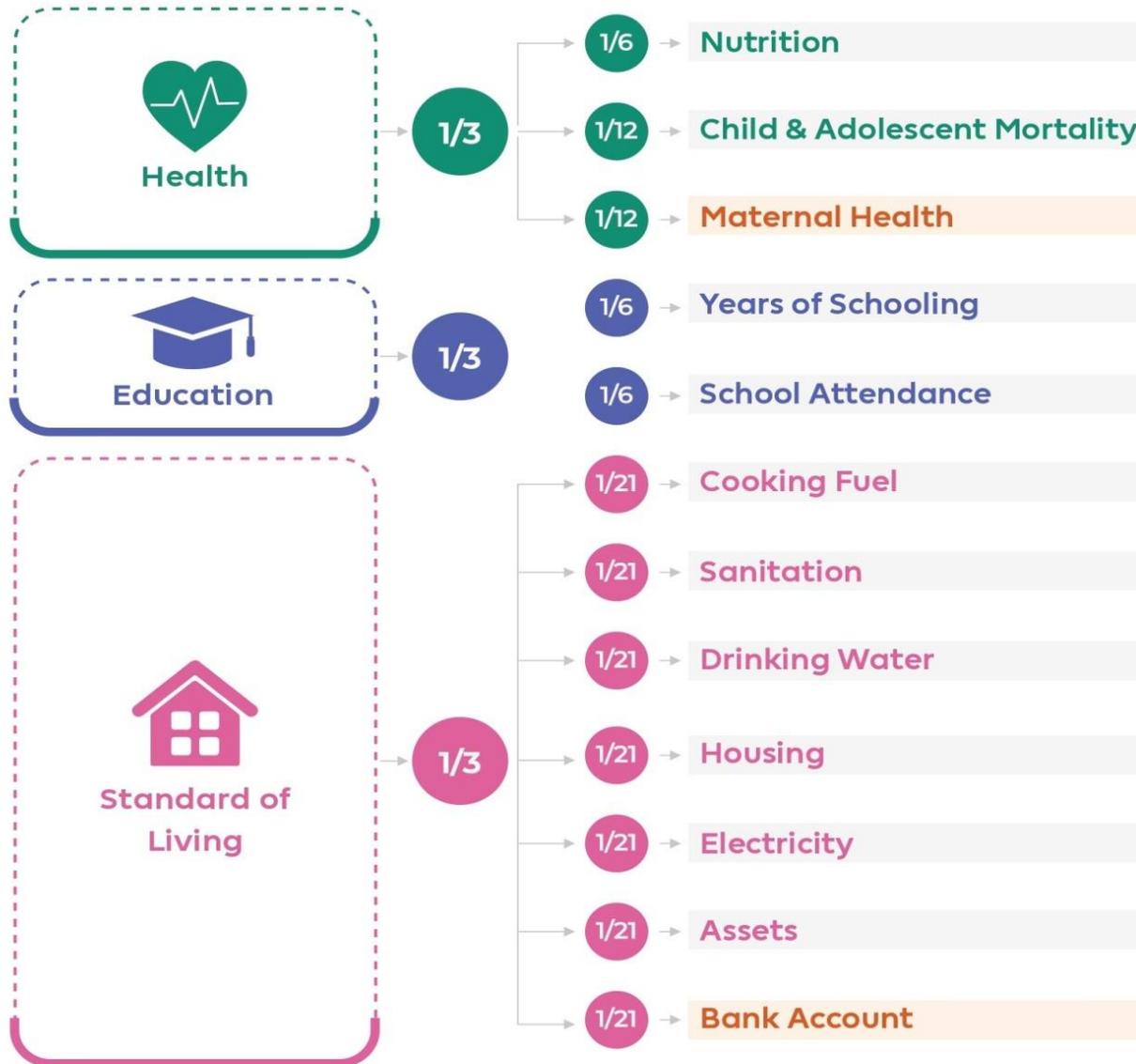
- The National Multidimensional Poverty Index (MPI) includes several indicators across different dimensions such as education, health, and standard of living. "Years of schooling" is an indicator used under the education dimension of the MPI.
- **Literacy rate** (option b), **life expectancy** (option c), and **per capita income** (option d) are not directly included as indicators in the National MPI.
- The MPI focuses more on deprivation in basic needs rather than these broad measures.



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Indicators and their weights



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Q. The unemployment that occurs due to changes in the technology or in the demand for particular products is called

- (a) frictional unemployment
- (b) structural unemployment
- (c) cyclical unemployment
- (d) disguised unemployment



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Answer :- The correct answer is:
(b) Structural unemployment

Structural unemployment occurs when there is a mismatch between the skills of the workforce and the skills needed by employers due to changes in technology or shifts in the demand for certain products or industries.

Frictional unemployment (option a) Frictional unemployment occurs when individuals are temporarily without work while transitioning between jobs or entering the labor market for the first time.

Cyclical unemployment (option c) is caused by economic downturns or recessions, where there is a lack of demand for goods and services.

Disguised unemployment (option d) occurs when more people are employed than necessary, often in jobs where their productivity is low or unnecessary.



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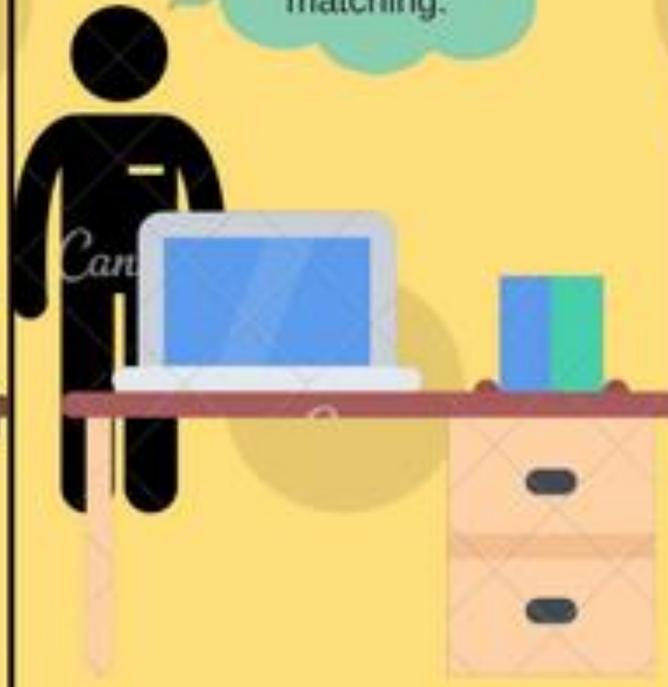
Structural Unemployment

Technology or Cheap labor took my Job.



Frictional Unemployment

Job location is not OK, my skills are not matching.



Cyclic Unemployment

We need Jobs.



SHAPING CAREERS WITH DEVOTION

Q. Which of the following is/are the objective/objectives of the Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)?

- 1. Correcting regional imbalances in the availability of tertiary health care services**
- 2. Providing universal access to public health services and universal immunization**
- 3. Augmenting facilities for quality medical education in the country**

Select the correct answer using the code given below.

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



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Answer :- The correct answer is:(a) **1 and 3 only**

Objective 1: Correcting regional imbalances in the availability of tertiary health care services — This is an objective of PMSSY, which aims to improve access to quality tertiary health care services across different regions in India by setting up institutions like AIIMS in various states.

Objective 3: Augmenting facilities for quality medical education in the country — PMSSY also focuses on enhancing medical education by establishing new medical institutions and upgrading existing ones.

Objective 2: Providing universal access to public health services and universal immunization — This is not an objective specific to PMSSY. It aligns more with broader health programs like the National Health Mission (NHM).



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Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)

Aiming to create balance in healthcare system



Components of PMSSY



Highlights of PMSSY

- ✓ 6 Institutions like AIIMS set up in Patna, Raipur, Bhopal, Bhubaneswar, Jodhpur & Rishikesh
- ✓ All existing AIIMS have functional medical & Nursing colleges
- ✓ Upgradation of 39 Medical colleges / institutions approved by CCEA
- ✓ Cost of Rs.150 crore approved for upgrading each medical college

#TransformingIndia



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•**Primary Health Care Services:** Basic, first-contact care provided by general practitioners or family doctors, focusing on overall health maintenance, prevention, and treatment of common illnesses and injuries.

•**Secondary Health Care Services:** Specialized care provided by medical specialists and sub-specialists, usually following a referral from primary care providers, including services like surgeries, hospitalizations, and advanced diagnostic procedures.

•**Tertiary Health Care Services:** Highly specialized and complex care often provided in major medical centers or academic hospitals, including advanced treatments and surgeries for rare or severe conditions, typically requiring significant expertise and technology.



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Q. According to the National Multi- dimensional Poverty Index (MPI) constructed by the NITI Aayog, a household is considered deprived if

- 1. a single member of the household is identified as undernourished**
- 2. the body mass index of a woman member, between 15 years and 49 years of age, is below 18.5 kg/m^2**

Select the correct answer using the code given below.

- (a) 1 only**
- (b) 2 only**
- (c) Both 1 and 2**
- (d) Neither 1 nor 2**



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Answer :- (C) The correct answer is: (c) Both 1 and 2

Statement 1: A household is considered deprived if a single member of the household is identified as undernourished —

This is correct as undernutrition is one of the indicators used in the National Multidimensional Poverty Index (MPI) to assess deprivation in nutrition.

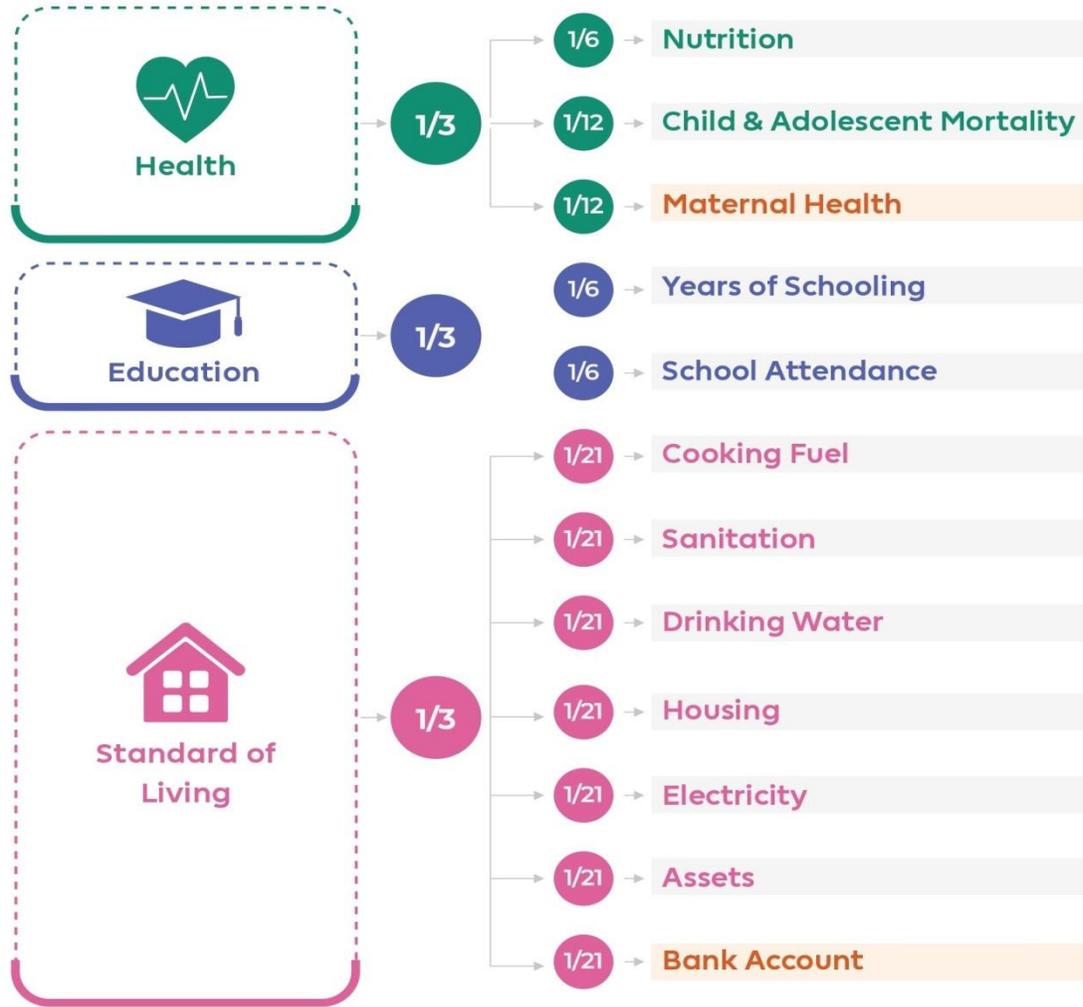
Statement 2: A household is considered deprived if the body mass index (BMI) of a woman member, between 15 years and 49 years of age, is below 18.5 kg/m^2 — This is also correct, as a low BMI is an indicator of undernutrition, which contributes to the overall assessment of poverty in the MPI.



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Indicators and their weights



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THA
DEVOTION

Global Multidimensional Poverty Index

Components



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Q. As per the Cabinet Resolution of 1st January, 2015, the NITI Aayog consists of:

- 1. Prime Minister of India**
- 2. Governing Council comprising of Chief Minister of all the Lieutenant Territories States and Governors of Union**
- 3. Rural Development Minister**
- 4. Chief Executive Officer to be appointed by the Prime Minister**

Select the correct answer using the code given below:

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



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Answer :- The correct answer is **(b) 1, 2 and 4.**

Prime Minister of India (1) is the Chairperson of the NITI Aayog.

Governing Council (2) consists of the Chief Ministers of all the States and Union Territories with legislatures, and Lieutenant Governors of Union Territories without legislatures.

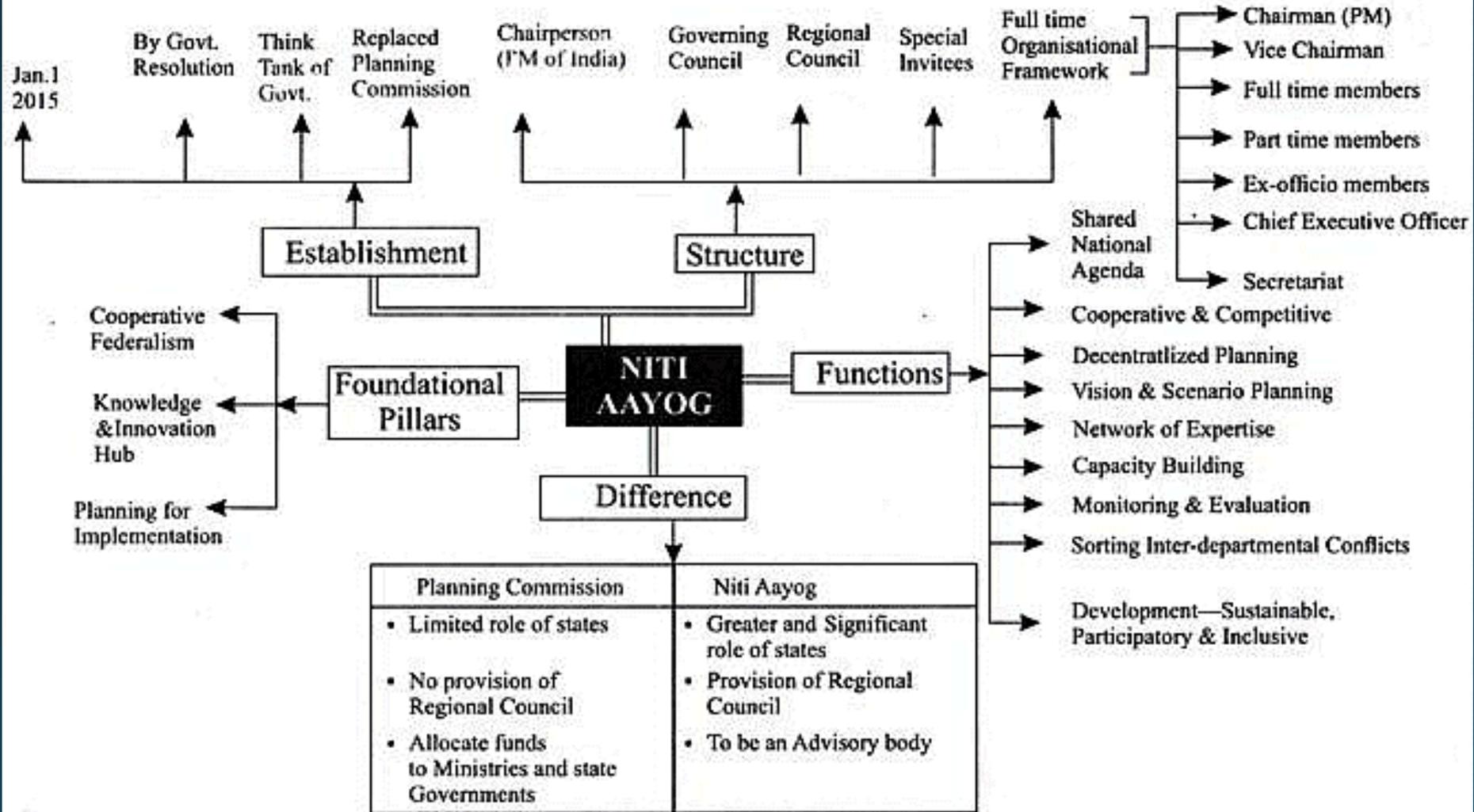
Chief Executive Officer (4) is appointed by the Prime Minister.

The **Rural Development Minister (3)** is not a part of the NITI Aayog's composition as per the Cabinet Resolution of 1st January, 2015.



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Chairperson: Prime Minister

Governing Council: CM's (States) & Lieutenant Governors (Union Territories)

Regional Councils: Formed on need-basis, incorporates CM's & Lt Governors of the region

Ex-officio Members: Max 4 from council of ministers, nominated by PM

Part-Time Members: Max 2, Rotational, from relevant institutions

Members: Full-time basis

Special Invitees: Experts, specialists, practitioners with domain knowledge

CEO: Appointed by PM for fixed tenure

Secretariat: If necessary



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Q. The executive is given an advance grant to meet temporary and running requirements of Government of India in the beginning of the new financial year until the demands are voted by the legislature. This is known as:

- (a) Vote of Credit
- (b) Vote on Account
- (c) Appropriation Bill
- (d) Advance Account



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Answer :- The correct answer is **(b) Vote on Account.**

Vote on Account is a grant made by the legislature to the executive to cover the government's expenses until the full budget is passed. This allows the government to meet its financial obligations during the interim period.

Vote of Credit is granted for meeting an unexpected demand upon the resources of India, usually for unforeseen expenditures, such as a national emergency.

Appropriation Bill is the legal instrument that authorizes the government to withdraw funds from the Consolidated Fund of India for the expenses approved in the budget.

Advance Account is not a term commonly used in this context.



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Q. Which of the following action(s) by the Government would lead to contraction of money supply in the economy?

- 1. Purchase of Treasury Bills by the central bank from public.**
- 2. Sale of Treasury Bills by the central bank to public.**
- 3. Sale of foreign exchange by the central bank.**
- 4. Purchase of foreign exchange by the central bank.**

Select the correct answer using the code given below:

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



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Answer :- The correct answer is (c) 2 and 3 only.

Purchase of Treasury Bills by the central bank from the public:

This action injects money into the economy, leading to an increase in the money supply. Therefore, it does not lead to a contraction of money supply.

Sale of Treasury Bills by the central bank to the public: This action absorbs money from the economy, thereby reducing the money supply. This leads to a contraction of money supply.

Sale of foreign exchange by the central bank: When the central bank sells foreign exchange, it usually receives domestic currency in return, which reduces the money supply in the economy.

Purchase of foreign exchange by the central bank: This action involves the central bank injecting domestic currency into the economy to buy foreign exchange, which increases the money supply.



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The Impact of Treasury Bills on Money Supply



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Activate Windows
Go to Settings to activate Windows

Q. Which of the following are included in the definition of Narrow Money?

- 1. Currency with the public**
- 2. Demand deposits**
- 3. 'Other' deposits with Reserve Bank of India**
- 4. Banker's deposits with Reserve Bank of India**

Select the correct answer using the code given below:

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



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Answer :- The correct answer is (c) 1, 2 and 3.

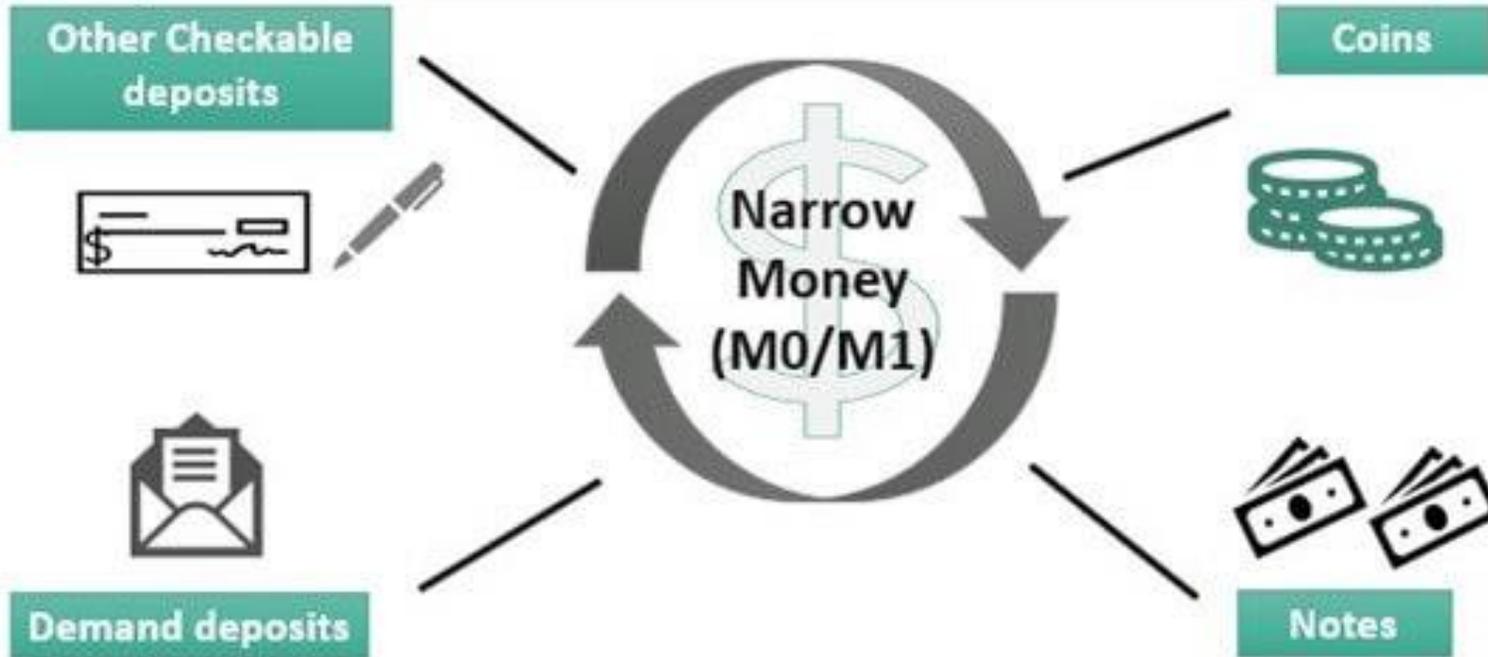
- **Narrow Money** (denoted as **M1**) is a measure of the most liquid forms of money in the economy. It includes the following components:
 - **Currency with the public:** This is the physical currency (notes and coins) held by the general public.
 - **Demand deposits:** These are deposits in banks that can be withdrawn on demand without any prior notice, such as current account deposits.
 - **'Other' deposits with the Reserve Bank of India (RBI):** This refers to deposits held by the RBI that are accessible on demand, such as those from the government, foreign central banks, and certain other institutions.
 - **Banker's deposits with the Reserve Bank of India** (Option 4) are not included in Narrow Money (M1), as these are considered part of the central bank's liabilities but not accessible to the general public for immediate spending.



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Narrow Money

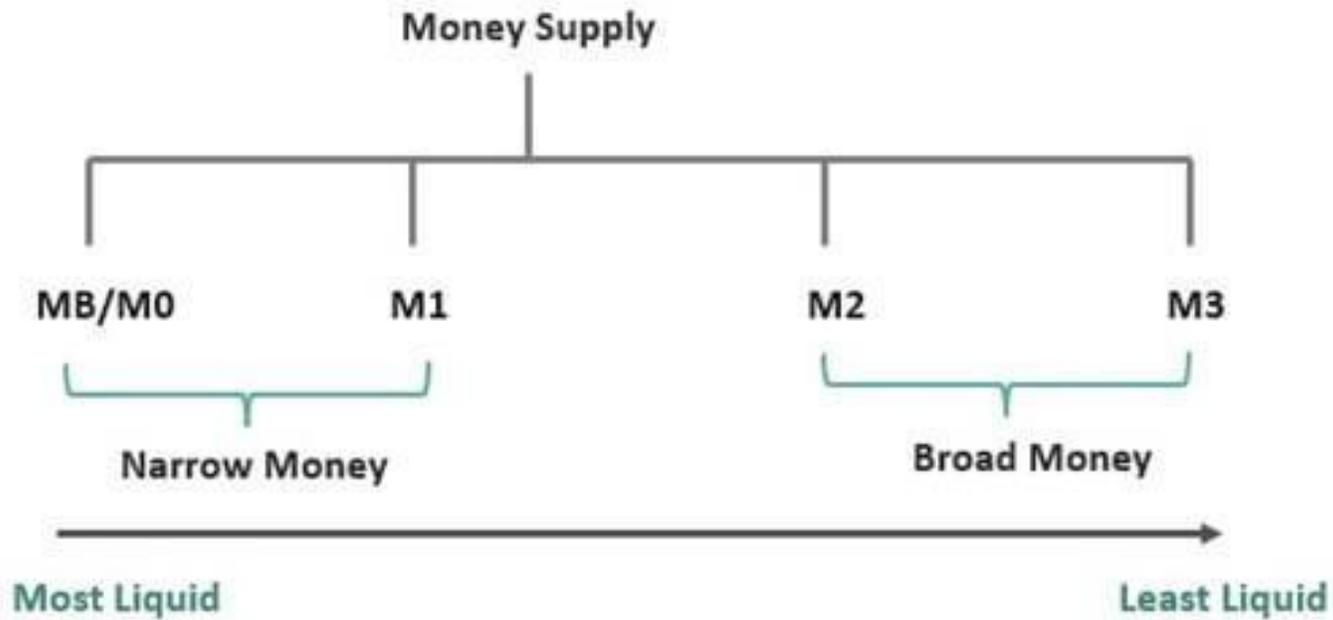
Narrow money is the most liquid form of money circulating in an economy.



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Broad Money & Narrow Money



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Q. Which of the following is/are the effects of devaluation or depreciation of currency?

- 1. It leads to increase in imports and decrease in exports.**
- 2. It leads to increase in exports and decrease in imports.**
- 3. It leads to increase in domestic inflation.**
- 4. It leads to decrease in domestic inflation.**

Select the correct answer using the code given below:

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



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Answer :- The correct answer is **(c) 2 and 3 only.**

- **Effect on Exports and Imports:**

- **Depreciation or Devaluation of Currency** makes a country's goods and services cheaper for foreign buyers (increasing exports) and makes foreign goods and services more expensive for domestic consumers (decreasing imports). Therefore, **Statement 2** is correct, and **Statement 1** is incorrect.

- **Effect on Domestic Inflation:**

- When a currency depreciates, the cost of imported goods and services rises. This can lead to an increase in the overall price level within the country, contributing to domestic inflation. Therefore, **Statement 3** is correct, and **Statement 4** is incorrect.



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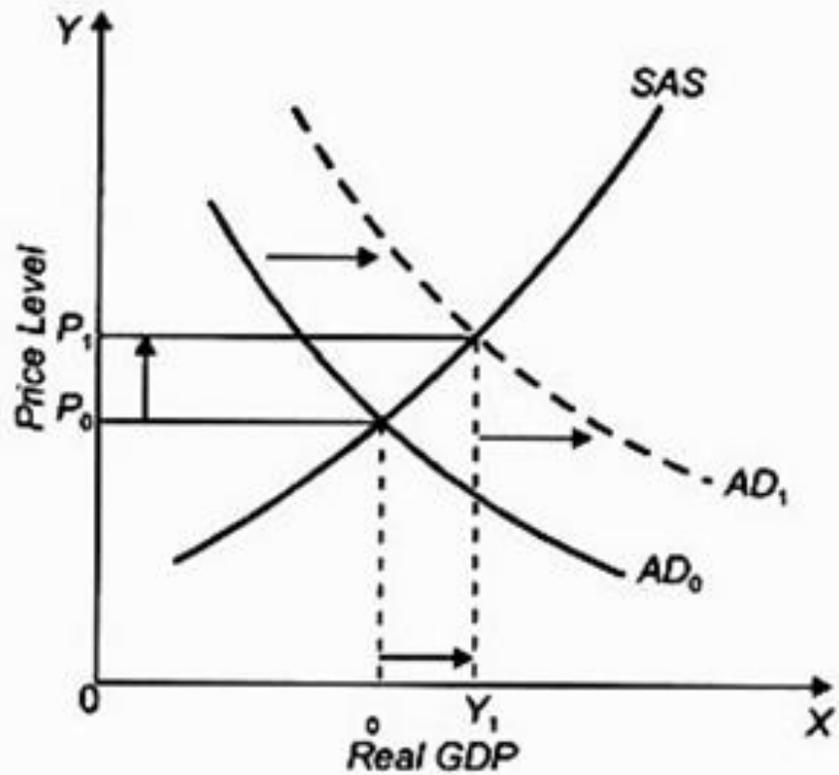


Fig. 28.6. Depreciation causes net exports to rise which leads to the increase in both GDP and price level.

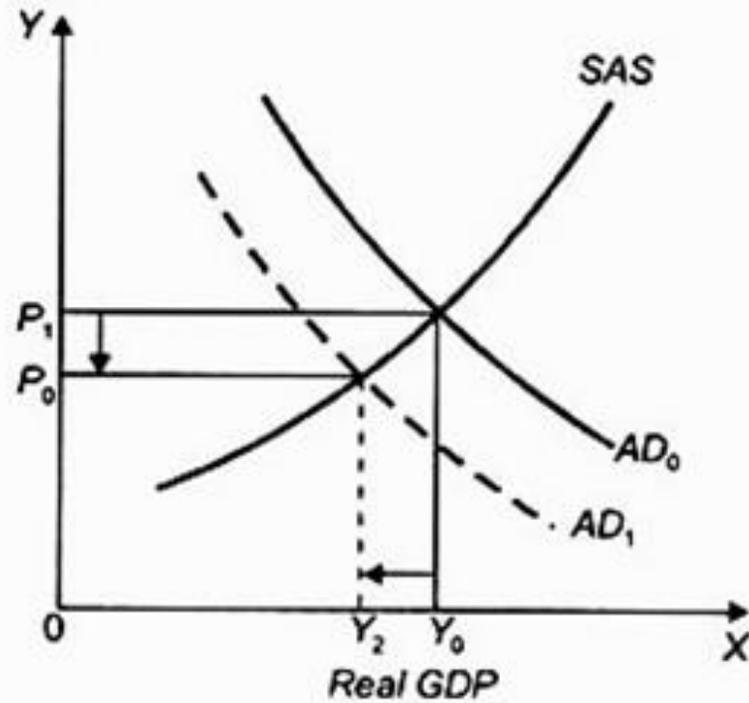


Fig. 28.7. Appreciation of national currency causes fall in net exports and leads to decline in both GDP and price level.

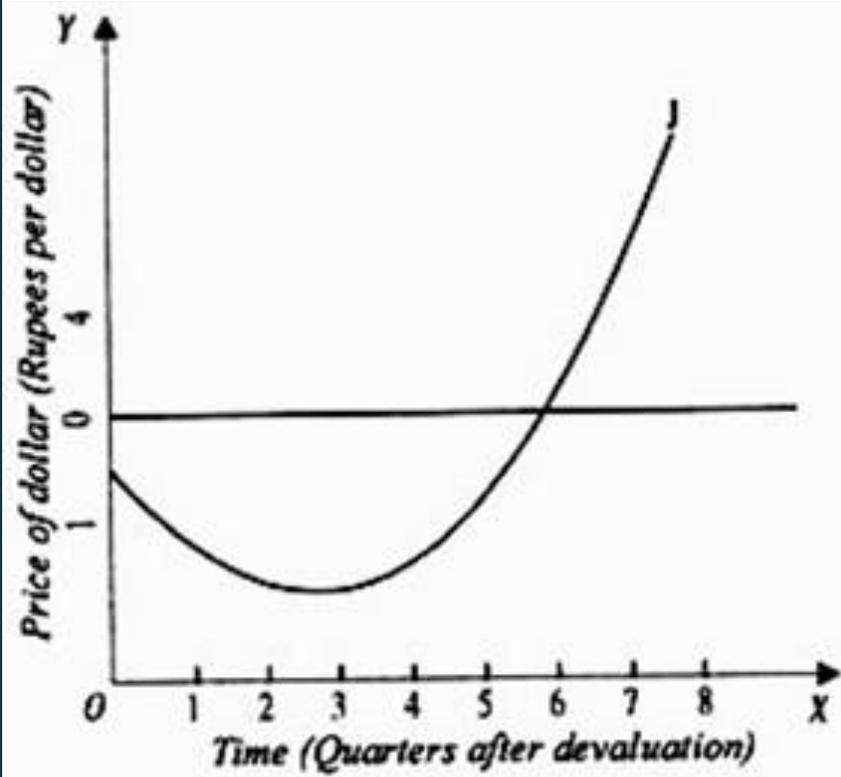


Fig. 28.8. *The Effect of Devaluation on the Balance of Trade : The J curve*



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Q. Which one of the following taxes is not subsumed under the Goods and Services Tax in India?

- (a) Customs Duties
- (b) Central Excise Duties
- (c) Service Tax
- (d) Taxes on Petroleum and Petroleum Products



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Answer :- (D)

The Goods and Services Tax (GST) in India includes taxes like Central Excise, Service Tax, VAT, and several others. However, direct taxes such as income tax and customs duties on imports are not part of GST.

There are two primary taxes not included in GST:

Basic Customs Duty (BCD): This is a tax levied on goods imported into India and remains outside the GST framework, being charged as a separate tax.

Petroleum Products: Items like petrol, diesel, crude oil, aviation turbine fuel, and natural gas are currently excluded from the GST regime.

Goods and Services Tax (GST):

It is a destination-based taxation system.

GST was established by the 101st Constitutional Amendment Act.

It is classified as an indirect tax.

GST Council:

The council includes representatives from the Centre, 28 states, and the Union Territories of Delhi and Puducherry.

The Centre holds one-third of the voting rights, while the states hold two-thirds.

Decisions within the council are made based on a majority vote.



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Q. Consider the following statements about the Public Distribution System:

- 1. The Public Distribution System is operated under the joint responsibility of Centre and State/Union Territories.**
- 2. Food Corporation of India has assumed the responsibility for procurement, storage and transportation of food grains to the State Governments.**
- 3. Both Centre and State have the joint responsibility beneficiaries to identify eligible beneficiaries.**
- 4. Some States also distribute additional items of mass consumption through the PDS outlets such as pulses, edible oil, etc.**

Which of the statements given above are correct?

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

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Answer :- The correct answer is **(b) 1, 2 and 4.**

Statement 1: The Public Distribution System (PDS) operates under the joint responsibility of the Central and State/Union Territory governments. The Centre is responsible for procurement, storage, transportation, and bulk allocation of food grains, while the States/UTs are responsible for distributing these to the eligible beneficiaries.

Statement 2: The Food Corporation of India (FCI) is responsible for the procurement, storage, and transportation of food grains to the State Governments. **This statement is correct.**

Statement 3: The responsibility to identify eligible beneficiaries lies with the State/Union Territory governments, not jointly with the Centre. Therefore, **this statement is incorrect.**

Statement 4: Some States also distribute additional items of mass consumption like pulses, edible oil, etc., through PDS outlets. **This statement is correct.**

Q. Which of the following concepts are considered as pillars of Human Development?

- 1. Equity**
- 2. Sustainability**
- 3. Productivity**
- 4. Security**

Select the correct answer using the code given below:

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



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Answer :- The correct answer is: (c) 1, 2 and 3 only

The core pillars of Human Development, as defined by the Human Development Index (HDI) and the United Nations Development Programme (UNDP), are:

Equity: Ensuring fair opportunities and access to resources for all members of society.

Sustainability: Promoting development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Productivity: Enhancing the efficiency and output of individuals and economies.

While security is undoubtedly important for human development, it is not explicitly considered one of the core pillars in the HDI framework.

Therefore, the correct options are 1, 2, and 3.



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The United Nations Development Programme (UNDP) and the Human Development Index (HDI) define the pillars of human development as equity, sustainability, productivity, and empowerment. These pillars are considered to be the foundation of human development, which is the process of improving well-being, livelihood, and opportunities.

Equity- Ensuring that everyone has equal access to opportunities to improve their standard of living in all areas of life

Sustainability- Ensuring that opportunities are available continuously and that growth and development are sustainable in the long term

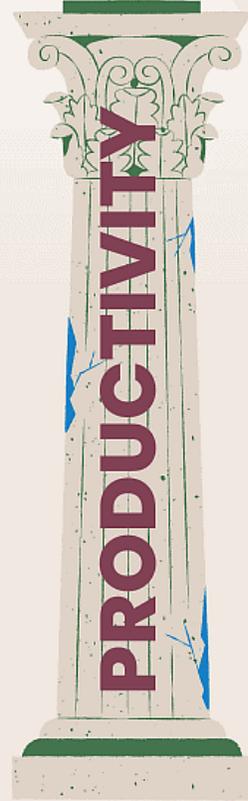
Productivity- Using scarce resources efficiently to increase production and better satisfy human needs

Empowerment- Giving people more power so they can strengthen themselves economically and socially and make choices



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Pillars of Human Development



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HUMAN DEVELOPMENT INDEX (HDI):

In 2021

135 out of 191 countries
(Score: 0.633)

In 2022

134 out of 193 countries
(Score: 0.644)

INDIA RANKINGS



HDI INDICATORS

- Life expectancy: **67.7 years**
- Expected years of schooling: **12.6 years**
- Gross National Income per capita: **\$6,591**

GENDER INEQUALITY INDEX

- In 2021: 122 out of 191 countries (Score: 0.490)
- In 2022: 108 out of 193 countries (Score: 0.437)

GENDER GAP IN LABOUR FORCE PARTICIPATION



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Q. Which one of the following expenditures is subtracted from Fiscal Deficit to arrive at Primary Deficit?

- (a) Defence expenditure
- (b) Expenditure on subsidies
- (c) Interest payments
- (d) Pension



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Answer :- The correct answer is **(c) Interest payments.**

- **Primary Deficit** is calculated by subtracting **interest payments** from the **Fiscal Deficit**. The formula is:
 - $\text{Primary Deficit} = \text{Fiscal Deficit} - \text{Interest Payments}$
- **Fiscal Deficit** represents the total borrowing requirements of the government, including interest payments. By subtracting interest payments, the primary deficit reflects the deficit excluding the cost of servicing past debt.
- **Defence expenditure, Expenditure on subsidies, and Pensions** are part of the government's overall expenditures, but they are not subtracted to arrive at the primary deficit. Only interest payments are subtracted for this purpose.



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Difference between Primary Deficit and Fiscal Deficit

Basis	Primary Deficit	Fiscal Deficit
Meaning	It is the difference between the fiscal deficit (total income – total expenditure of the government) of the current year and the interest paid on the borrowings of the previous year.	It is the excess of total expenditure over total receipts/income, excluding borrowings in a fiscal year.
Indicator	Primary Deficit indicates the government's total borrowing requirements, except interest.	Fiscal Deficit indicates the government's total borrowing requirements, including interest.
Formula	Primary Deficit = Fiscal Deficit – Interest Payment	Fiscal Deficit = Total Expenditure – Total Receipts (except borrowings)



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Q. The Wholesale Price Inflation has increased in India during 2021-2022 due to which of the following factors?

- 1. Sharp increase in international prices of crude oil**
- 2. Decrease in economic activity post-Covid**
- 3. Disruption of global supply chain**
- 4. High freight cost**

Select the correct answer using the code given below:

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



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Answer :- The correct answer is (b) 1, 3 and 4.

Sharp increase in international prices of crude oil: The increase in international crude oil prices significantly affects the cost of goods and services due to higher transportation and production costs, contributing to higher wholesale price inflation.

Decrease in economic activity post-Covid: While a decrease in economic activity could have short-term effects, it was more associated with supply chain disruptions and economic contraction rather than directly causing increased wholesale price inflation.

Disruption of global supply chain: The global supply chain disruptions, exacerbated by the COVID-19 pandemic, led to shortages and increased costs for various goods, contributing to inflation.

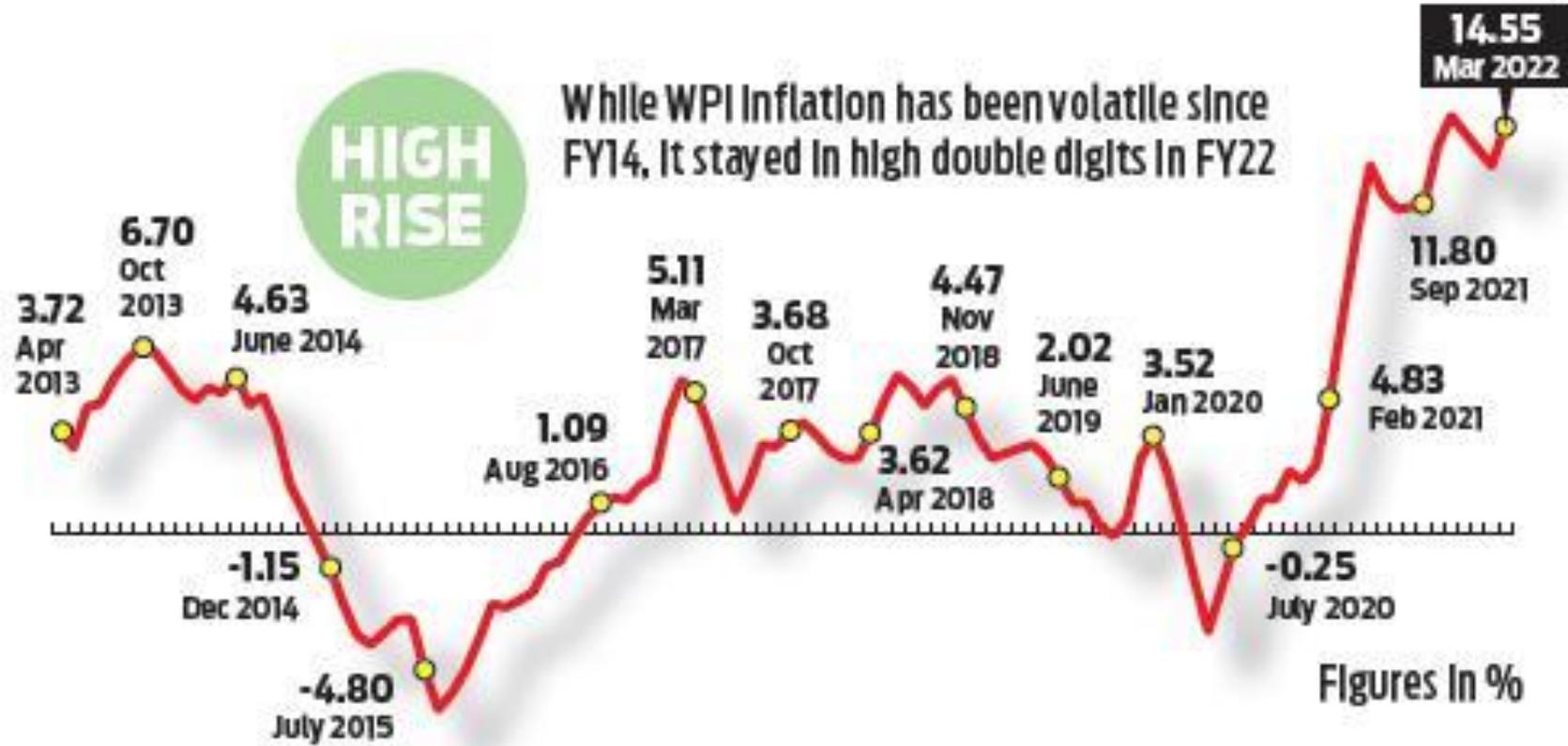
High freight cost: Increased freight costs, driven by global supply chain issues and rising oil prices, contributed to higher overall costs for goods, impacting wholesale price inflation.



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**HIGH
RISE**

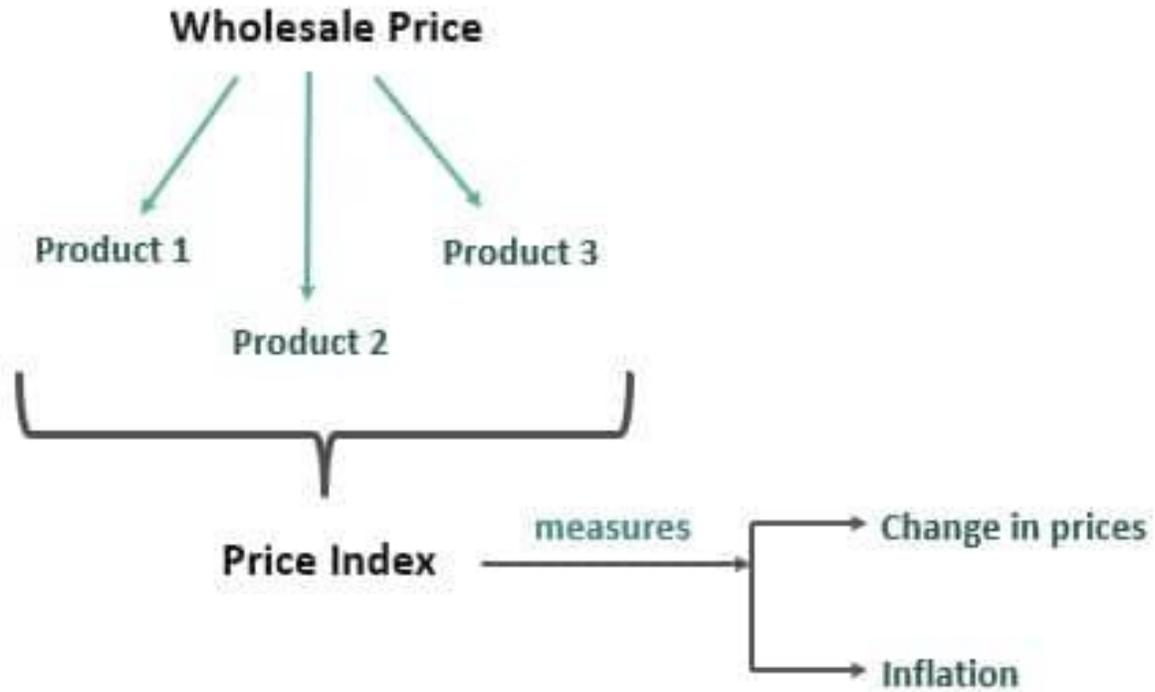
While WPI Inflation has been volatile since FY14, It stayed in high double digits in FY22



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Wholesale Price Index

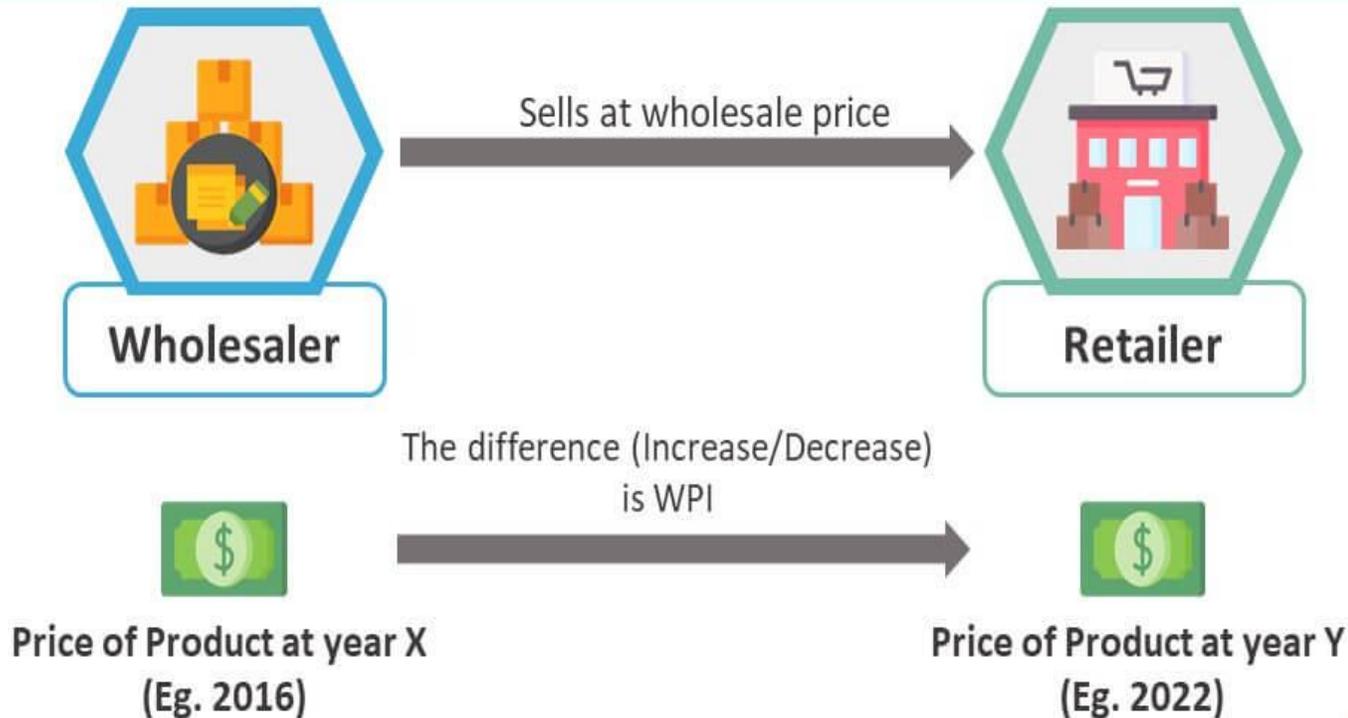


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Wholesale Price Index (WPI)

Wholesalers sell bulk products to retailers at a lower market cost, known as the **wholesale price**. This price is subject to change every month/year due to various factors. Therefore, this price movement is calculated using the **WPI**, which can indicate inflation.



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Q. What would be the impact on the economy if people start holding more currency in hand and less in deposits?

- (a) Money demand will increase
- (b) Money multiplier will decrease
- (c) Money multiplier will increase
- (d) Money demand will decrease



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Answer :- The correct answer is **(b) Money multiplier will decrease.**

- **Money Multiplier:** The money multiplier effect is the ratio of the amount of money circulating in the economy to the amount of base money (like reserves) held by banks. It is influenced by the behavior of deposit holders and banks.
- **Holding More Currency:** When people hold more currency and keep less in deposits, banks have fewer reserves available to lend out. This reduces the amount of money banks can create through lending, thereby decreasing the money multiplier.
- **Impact on Money Demand:** Holding more currency means an increase in the demand for physical money.
- **Impact on Money Multiplier:** With fewer deposits, banks have less capacity to create additional money through loans. This reduced lending ability leads to a decrease in the money multiplier.



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Q. SDG India Index, developed by NITI Aayog, includes 17 SDGs for each State. Which one of the following is not included in that index?

- (a) Zero hunger
- (b) Reduced unemployment
- (c) Life below water
- (d) Responsible consumption and production



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Answer :- The correct answer is (b) Reduced unemployment.

- The SDG India Index developed by NITI Aayog measures progress on the 17 Sustainable Development Goals (SDGs) established by the United Nations. The goals included in the index are:
 - **Zero Hunger**
 - **Life Below Water**
 - **Responsible Consumption and Production**
 - **Reduced Unemployment** is not one of the 17 SDGs. Instead, SDGs related to employment fall under broader goals such as **Decent Work and Economic Growth (SDG 8)**, but there is no specific SDG titled "Reduced Unemployment."



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1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



SUSTAINABLE DEVELOPMENT GOALS



Q. Other things remaining constant, the market supply for a good increases if:

- 1. its price increases.**
- 2. price of its factors of production decreases.**
- 3. price of other goods decreases.**

Select the correct answer using the code given below:

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



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Answer :- (A)

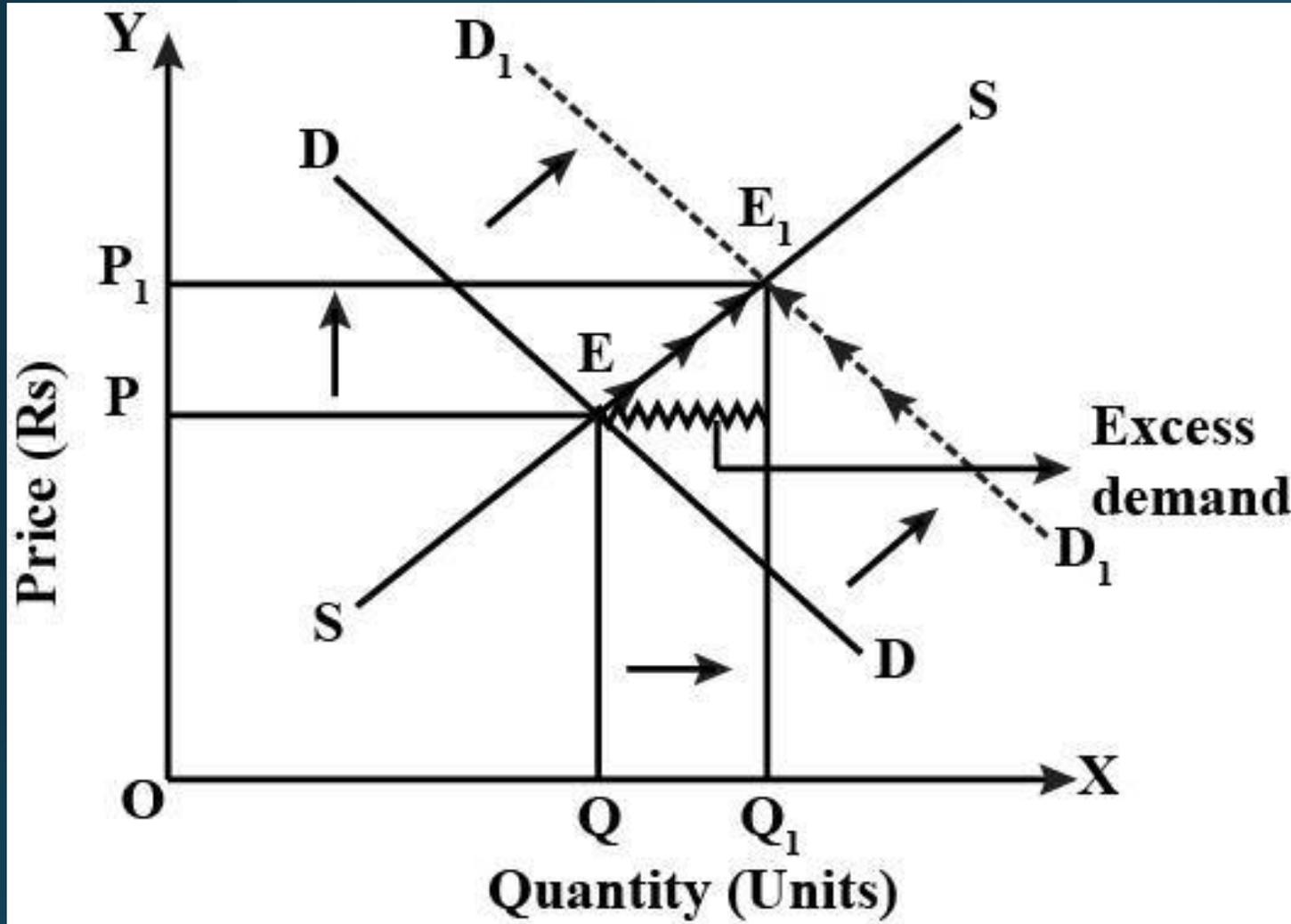
- 1. its price increases:** This is the law of supply. When the price of a good increases, producers are incentivized to supply more of it to maximize profits.
 - 2. price of its factors of production decreases:** If the cost of inputs (labor, capital, raw materials) decreases, the production becomes cheaper, encouraging producers to supply more.
 - 3. price of other goods decreases:** This change would typically affect the demand for the good, not its supply.
- Therefore, only options 1 and 2 lead to an increase in market supply.



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Q. Consider the following statements regarding poverty in India:

1. While determining poverty line in India, a minimum level of food requirement, clothing, footwear, fuel and light, educational and medical requirements. etc. are determined for subsistence.

2. The average accepted calorie requirement in India is 2400 calories per person per day in rural areas and 2100 calories per person per day in urban areas.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

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Answer :- The correct answer is **(c) Both 1 and 2.**

- **Statement 1:** When determining the poverty line in India, a minimum level of various basic needs such as food, clothing, footwear, fuel, light, educational, and medical requirements is considered to ensure subsistence. This approach is part of the methodology to assess the poverty line.
- **Statement 2:** The average calorie requirements used to determine the poverty line in India are generally set at 2400 calories per person per day for rural areas and 2100 calories per person per day for urban areas. These calorie norms are used to estimate the minimum nutritional requirements for determining the poverty threshold.



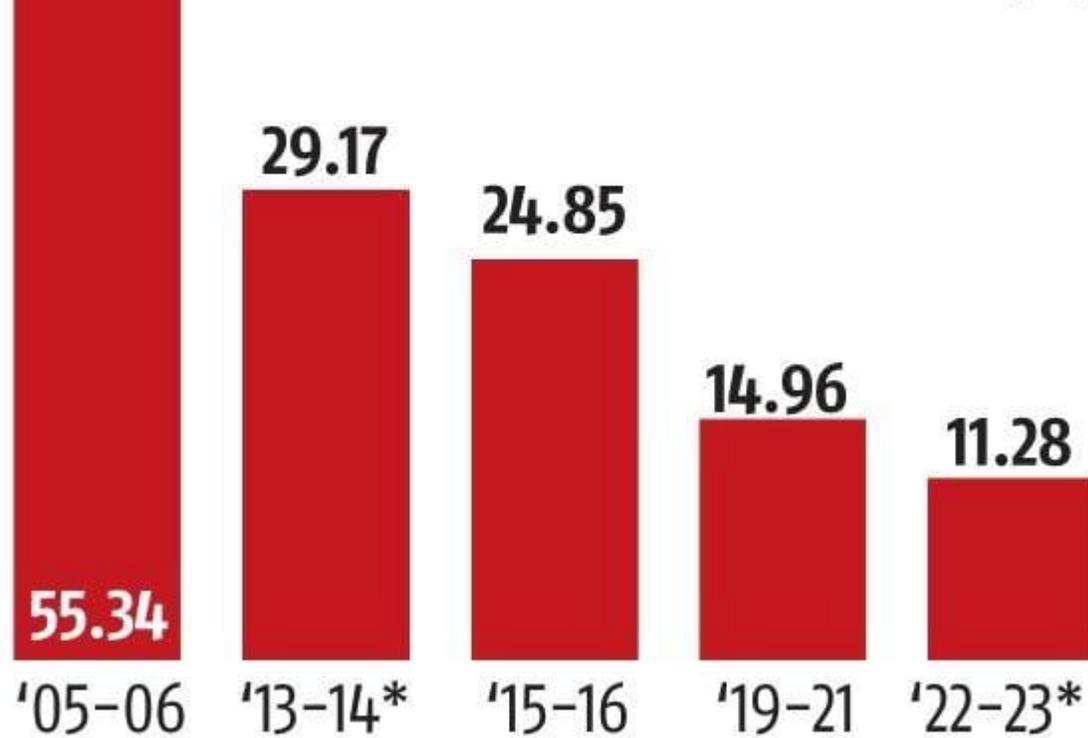
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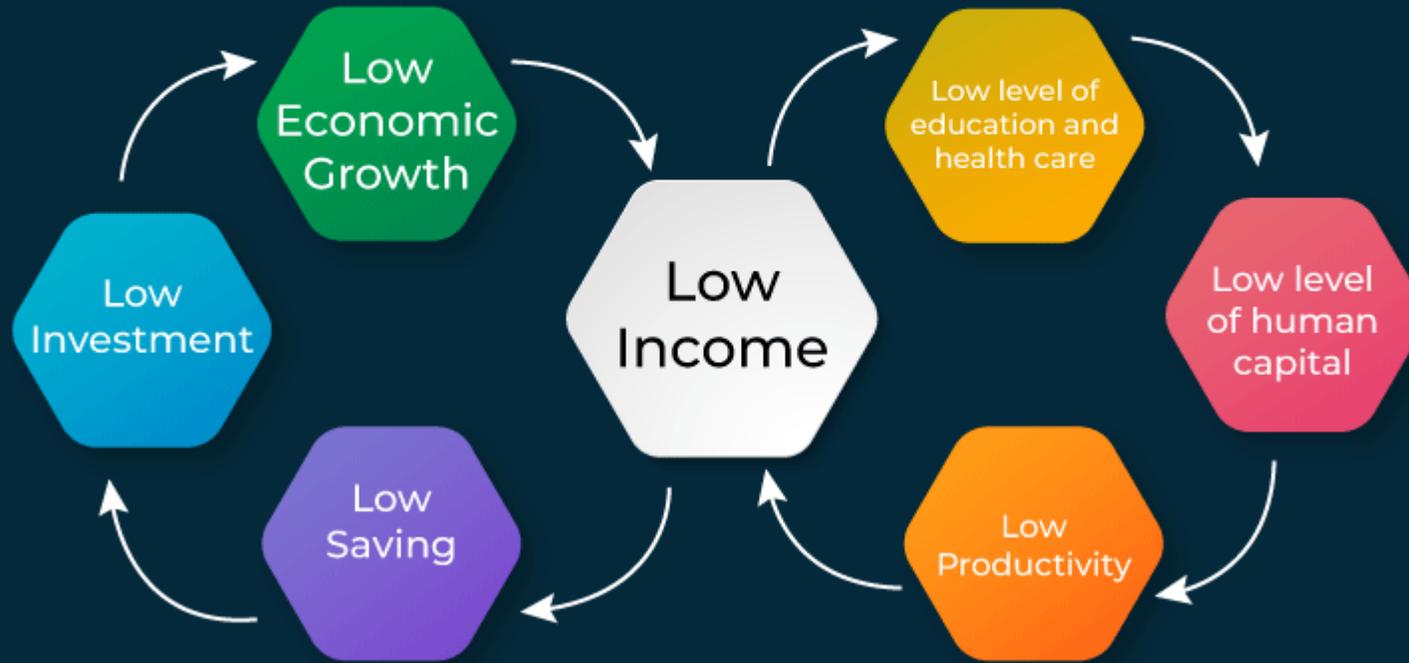
Proportion of population facing multidimensional poverty Headcount ratio (%)



*Projected  Source: NITI Aayog discussion paper

HTHA
H DEVOTION

POVERTY TRAP



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CDS- 1 2024



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Q. Which of the following indicators is/are used to observe the monetary transmission in the mechanism economy?

1. Weighted average lending rate
2. Weighted average domestic term deposit rate
3. 1-year median MCLR
4. SDF rate X

Select the correct answer using the code given below.

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

9-1.
↓
67-6%
↓
5% →
10%
8-9%
Repo rate
Reverse repo rate

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Answer :- B

The following indicators are used to observe the monetary transmission mechanism in an economy:

Weighted Average Lending Rate (WALR): This measures the average interest rate charged by banks on loans, adjusted for the volume of loans. It's a key indicator of how changes in policy rates are transmitted to the actual lending rates.

Weighted Average Domestic Term Deposit Rate (WADTDR): This measures the average interest rate offered by banks on term deposits, adjusted for the volume of deposits. It helps to observe how deposit rates react to policy rate changes.



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1-year Median MCLR (Marginal Cost of Funds Based Lending Rate): This is the minimum interest rate below which a bank cannot lend. It is closely watched to see how changes in the policy rate are affecting borrowing costs.

4. SDF rate (Standing Deposit Facility rate): This is not typically used to observe monetary transmission. It is a tool for managing liquidity in the banking system, not a direct indicator of transmission. Therefore, this option is not included in the correct answer.

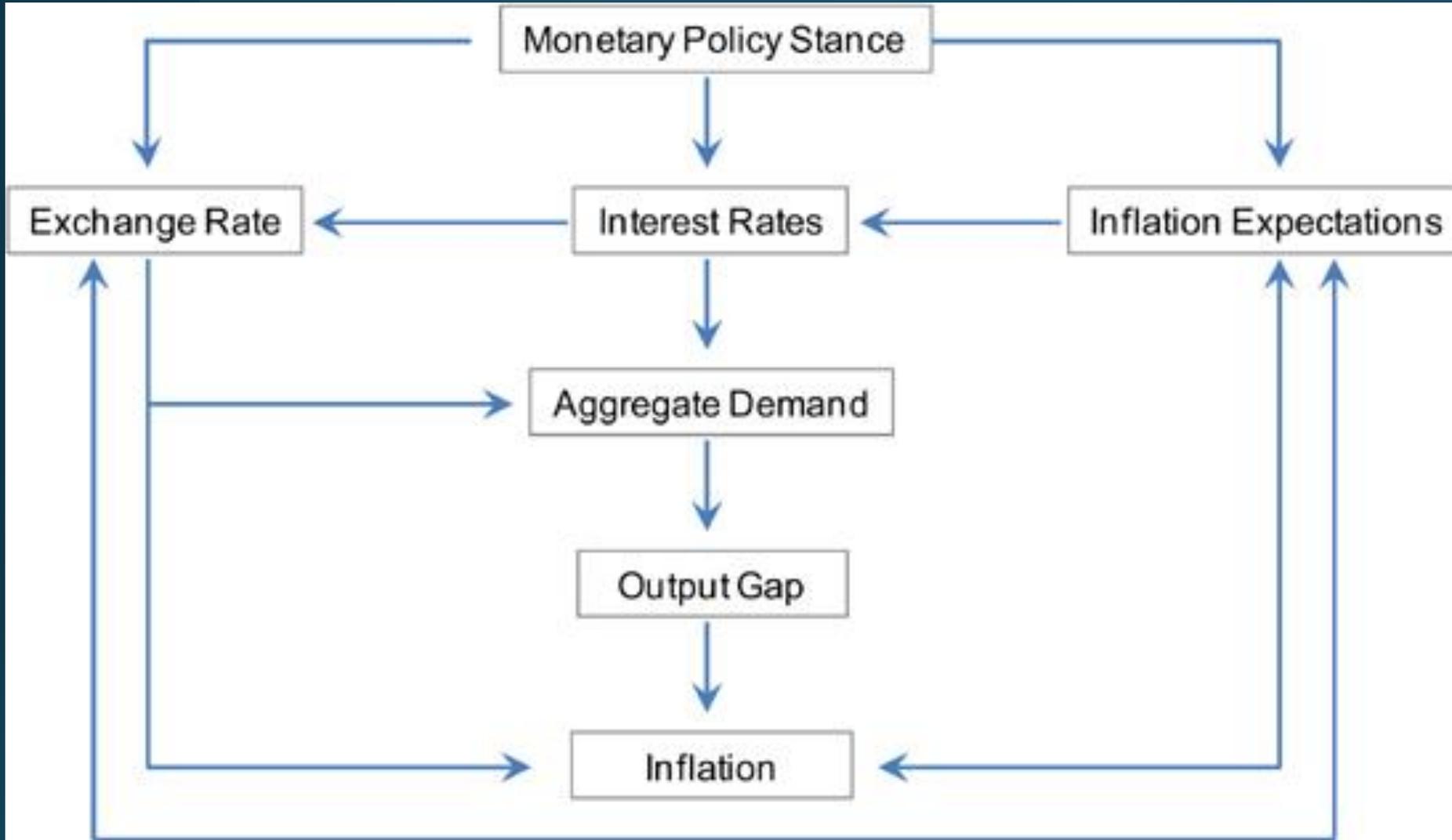


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Q. Consider the following statements regarding instruments of monetary policy:

1. Standing deposit facility (SDF) rate was introduced in April 2022.

2. SDF rate replaced fixed reverse repo rate as the floor of the LAF corridor.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2



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Answer :- C

- **Standing Deposit Facility (SDF) rate was introduced in April 2022:** This statement is correct. The Reserve Bank of India (RBI) introduced the Standing Deposit Facility (SDF) in April 2022 as part of its monetary policy tools.
- **SDF rate replaced the fixed reverse repo rate as the floor of the LAF corridor:** This statement is also correct. The SDF rate now serves as the floor of the Liquidity Adjustment Facility (LAF) corridor, replacing the fixed reverse repo rate in this role. The SDF is a tool for absorbing liquidity from the banking system without requiring the central bank to provide collateral in return.



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Monetary Policy

Qualitative Tools

Margin Requirements

Selective Credit Control

Moral Suasion

Quantitative Tools

Direct

CRR

SLR

Refinance facility

Indirect

Repo Rate

Reverse Repo Rate

Bank Rate

MSF

Base Rate

MCLR

OMO

MSS

LAF



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Q. Consider the following statements regarding weightage, of different articles in Wholesale Price Index (WPI) :

1. Fuel and power have higher weightage in WPI than that of primary articles.
2. Weightage of manufactured products in WPI is higher than that of fuel and power.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only ✓
- (c) Both 1 and 2
- (d) Neither 1 nor 2



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Answer :- B

- **Fuel and power have higher weightage in WPI than that of primary articles:** This statement is incorrect. In the Wholesale Price Index (WPI), primary articles have a higher weightage than fuel and power.
- **Weightage of manufactured products in WPI is higher than that of fuel and power:** This statement is correct. Manufactured products have the highest weightage in the WPI compared to other categories like fuel and power and primary articles.



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WHOLESALE PRICE INDEX

Manufactured products

Fuel and Power

Weight in basis points

64.97

14.91

20.12

Primary articles

Total

100

Primary Articles

20.12

Food Articles

14.34

Non-Food and Minerals

5.78

Manufactured Products

64.97

Food Products

9.97

Non-Food Products

55

Fuel and Power

14.91

Q. If India enters into Free Trade Agreements (FTAs) with other nations, then the growth of exports of India would depend upon which of the following?

1. Extent of tariff reduction vis-à-vis MFN tariffs ✓
2. Extent of relaxation in terms of rules of origin ✓
3. Extent of relaxation in sanitary and phytosanitary measures ✓
4. Level of infrastructure in India ✓
5. Income in nations with which India enters into FTAs ✓

Select the correct answer using the code given below.

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



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Answer :- The correct answer is:

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

The growth of India's exports under Free Trade Agreements (FTAs) would depend on the following factors:

Extent of tariff reduction vis-à-vis MFN tariffs: The reduction in tariffs under FTAs compared to the Most Favored Nation (MFN) tariffs will make Indian goods more competitive in partner countries, thereby boosting exports.

Extent of relaxation in terms of rules of origin: Rules of origin determine the national source of a product and affect the eligibility for preferential tariff rates under FTAs. More relaxed rules can enhance the exportability of Indian goods.



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Extent of relaxation in sanitary and phytosanitary measures: These measures relate to food safety, animal and plant health standards. Easing these can facilitate smoother export processes for Indian products.

Level of infrastructure in India: Adequate infrastructure (like transport, logistics, ports) is crucial for the efficient export of goods. Better infrastructure leads to lower costs and faster delivery times, making Indian products more competitive.

Income in nations with which India enters into FTAs: Higher income levels in FTA partner countries can increase demand for imported goods, including those from India.

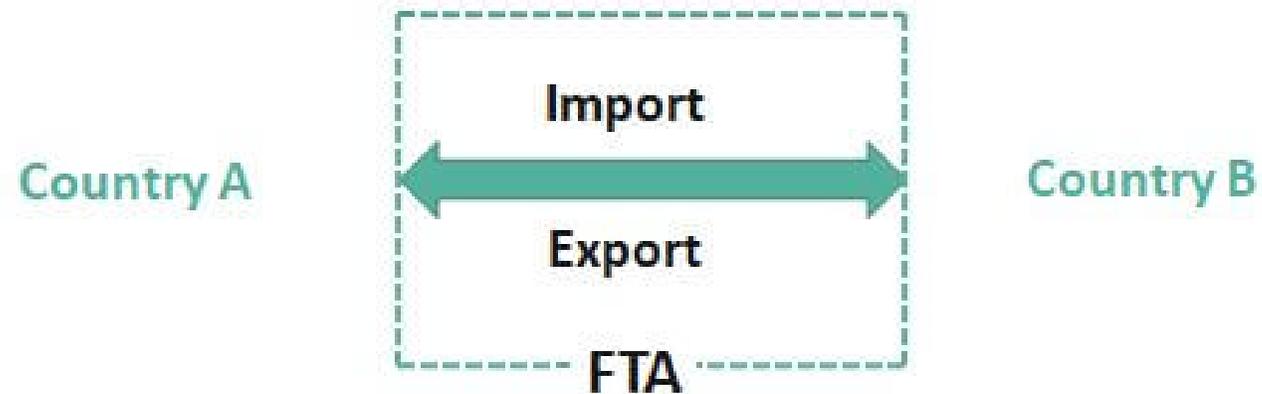


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Free Trade Agreements



(Less Restrictions, Reduced Barriers)



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Free Trade Agreement Pro and Cons

PROS

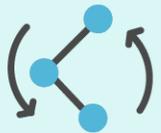
CONS



Increased economic growth



Lower government spending



Technology transfer

Increased job outsourcing



Poor working conditions



Degradation of natural resources



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Q. Which of the following statements is/are correct?

1. GDP deflator captures the average price of an unchanging basket of commodities that constitutes the GDP of the country.
2. GDP deflator can be used to measure the real GDP of the economy but not the inflation rate. X

Select the correct answer using the code given below.

- (a) 1 only ✓
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

WPI
CPI

GDP deflator = $\frac{\text{Nominal}}{\text{Real}} \times 100$

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Answer :- A

- **Statement 1 is correct:** The GDP deflator indeed measures the average price level of all goods and services included in GDP. It is a broad-based price index that reflects the prices of all goods and services produced domestically.
- **Statement 2 is incorrect:** The GDP deflator is used to measure the inflation rate. It does this by comparing nominal GDP (calculated at current prices) to real GDP (calculated at constant prices). The percentage difference between these two values represents the rate of inflation.



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5.4 Real vs. Nominal

GDP deflator

The price level of the overall economy.

GDP deflator

The ratio of nominal GDP to real GDP:

$$\text{GDP deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$



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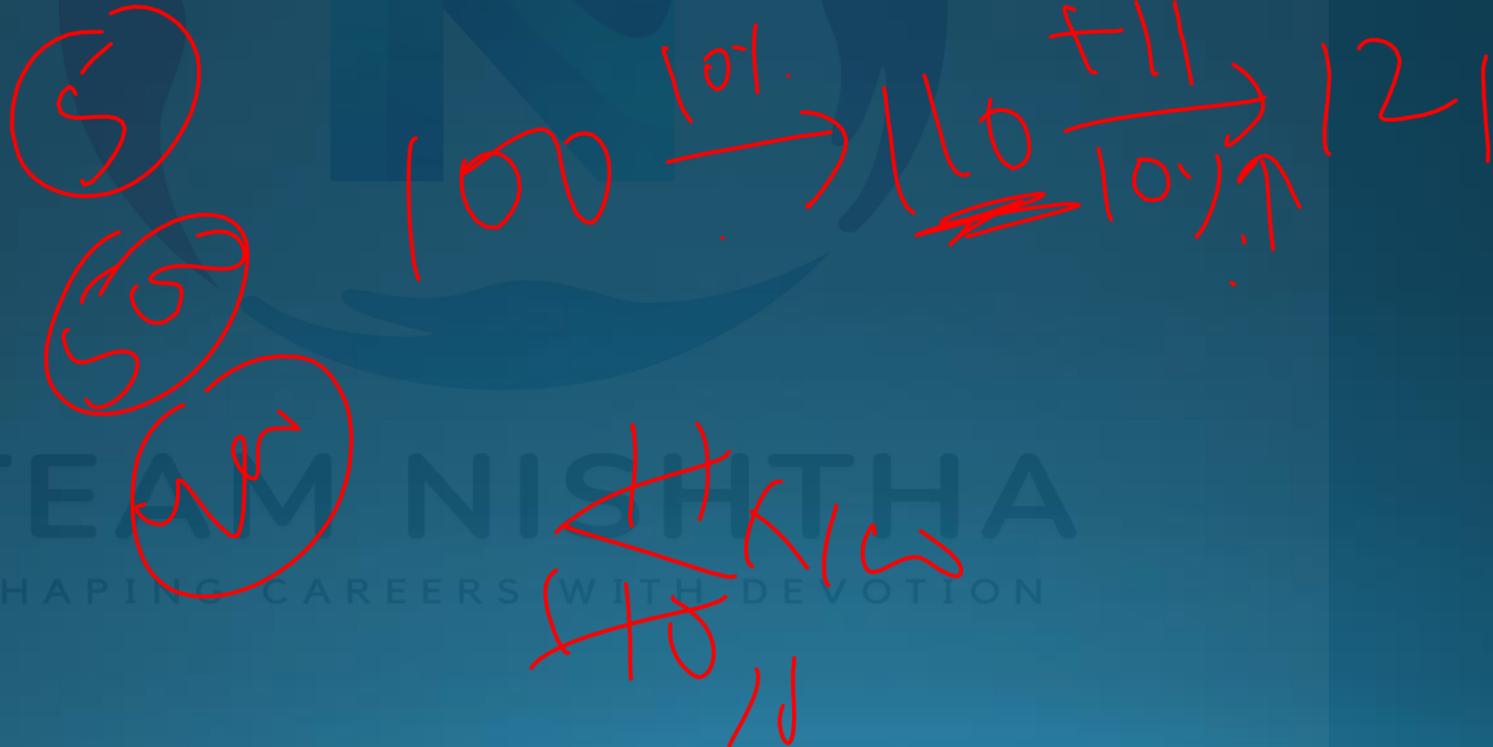
Q. Which of the following statements is/are correct?

1. A price index captures the change in the average price of a constant basket of commodities.

2. If the price index takes values 100, 110 and 121 in three consecutive years respectively, then the inflation rates in the 2nd and 3rd years are 10% and 21% respectively.

Select the correct answer using the code given below.

- (a) 1 only ✓
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2



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Answer :- A

- **A price index captures the change in the average price of a constant basket of commodities:** This statement is correct. A price index, such as the Consumer Price Index (CPI), measures the average change over time in the prices paid by consumers for a fixed basket of goods and services.
- **If the price index takes values 100, 110, and 121 in three consecutive years respectively, then the inflation rates in the 2nd and 3rd years are 10% and 21% respectively:** This statement is incorrect.
- Therefore, only the first statement is correct.

$$\text{Inflation Rate} = \frac{\text{Index in Current Year} - \text{Index in Previous Year}}{\text{Index in Previous Year}} \times 100$$

1. Inflation rate for the 2nd year:

$$\text{Inflation Rate} = \frac{110 - 100}{100} \times 100 = \frac{10}{100} \times 100 = 10\%$$

2. Inflation rate for the 3rd year:

$$\text{Inflation Rate} = \frac{121 - 110}{110} \times 100 = \frac{11}{110} \times 100 \approx 10\%$$

So, the inflation rate for the 3rd year should be approximately 10%, not 21%.



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Understanding the Price Index



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Q. Which of the following statements is/are correct?

1. Most of India's reserves is held in the form of foreign currency.

2. There is no cost of holding foreign currency as reserves by a nation.

Select the correct answer using the code given below.

- (a) 1 only ✓
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

~~\$600 Billion~~
Sept - 2023
\$530 Billion

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Answer :- A

- **Most of India's reserves is held in the form of foreign currency:** This statement is correct. The majority of India's foreign exchange reserves are held in the form of foreign currency assets, primarily U.S. dollars, which are managed by the Reserve Bank of India (RBI).
- **There is no cost of holding foreign currency as reserves by a nation:** This statement is incorrect. There is a cost associated with holding foreign currency reserves.
- The opportunity cost arises because the reserves could have been used for other investments that might generate higher returns. Additionally, holding large reserves involves management costs and potential losses due to exchange rate fluctuations.
- Therefore, only the first statement is correct.



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Q. Which one of the following statements is not correct?

(a) ~~The market mechanism~~ over-produces a good that generates positive externality.

(b) A cap and trade of pollution permits can be used by the government to achieve the social optimum.

(c) The optimal amount of subsidy in the case of an activity that produces a positive externality is the difference between the social benefit and the private benefit at the optimum.

(d) Tragedy of Commons is an example of negative externality.



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Answer :- A

The incorrect statement is: (a) The market mechanism over-produces a good that generates a positive externality.

Explanation:

- **Positive externality:** This occurs when the production or consumption of a good or service benefits third parties who are not involved in the transaction. Examples include education, vaccination, and research.
- **Market failure:** In the case of positive externalities, the market tends to **underproduce** the good or service because the private benefit to the producer is less than the social benefit.
- **Government intervention:** To correct this market failure, the government often provides subsidies or public goods to encourage production of goods with positive externalities.
- Therefore, option (a) is incorrect. The other options accurately describe economic concepts related to externalities.



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Q. Which one of the following statements regarding GST is not correct?

- (a) Amendment 115 to the Constitution of India kept alcohol for human use and five petroleum products outside the ambit of GST.
- (b) Amendment 122 to the Constitution of India kept only alcohol for human use outside the ambit of GST.
- (c) Precious metals are taxed at a rate of 1% under GST.
- (d) Unworked diamond is taxed at a rate of 0.25%.



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Answer :- C

- Amendment 115 to the Constitution of India kept alcohol for human use and five petroleum products outside the ambit of GST.
- Amendment 122 to the Constitution of India kept only alcohol for human use outside the ambit of GST.
- A GST of 3% is charged on gold in India. Moreover, jewellers charge 5% of the price as GST making charge. **(Hence, statement C is incorrect).**
- Unworked diamond is taxed at a rate of 0-25%.



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Q. Which of the following statements with regard to the Report of Tendulkar Committee (2009) on poverty estimates is/are correct?

1. The Committee had used an all-India urban poverty line basket as a reference to derive both rural and urban poverty levels.

2. The Committee had anchored the poverty line to the official food calorie norms.

Select the correct answer using the code given below.

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2



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Answer :- A

- **The Committee had used an all-India urban poverty line basket as a reference to derive both rural and urban poverty levels:** This statement is correct. The Tendulkar Committee (2009) used the all-India urban poverty line basket as a reference to derive poverty lines for both rural and urban areas, ensuring a consistent comparison between them.
 - **The Committee had anchored the poverty line to the official food calorie norms:** This statement is incorrect. Unlike previous methods, the Tendulkar Committee did not anchor the poverty line strictly to calorie intake norms.
 - Instead, it used a broader consumption basket that included food, education, health, and other necessities, acknowledging that poverty encompasses more than just inadequate calorie intake.
- Therefore, only the first statement is correct.



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A FRESH LOOK AT POVERTY

RANGARAJAN PANEL LIKELY
TO SUBMIT REPORT ON
POVERTY TODAY

MARCH 20, 2012: Planning Commission draws flak for scaling down India's poverty ratio by 7 per cent to 29.8 per cent for 2009-10

MAY 24, 2012: Expert group formed to review Tendulkar Committee's methodology for estimating poverty

RECENT PANELS

- **Alagh Committee (1977)**
- **Lakdawala Committee (1989)**
- **Tendulkar Committee (2005)** Submits recommendations in December 2009

1 Panel moves away from a calorie intake-based approach

2 Includes consumption expenditure on health and education

HIGHLIGHTS OF REPORT

- 1** To recommend a significantly higher poverty line
- 2** If the Rangarajan formula is accepted, number of BPL Indians will go up by more than 100 million (for 2011-12)
- 3** In 2011-12, more than 370 million Indians would have been below the Rangarajan Poverty Line against 270 million below the Tendulkar Poverty Line

Monthly Per Capita Consumption Expenditure

MPCE	Rangarajan Poverty Line	Tendulkar Poverty Line
URBAN	Rs. 1,500-1,600	Rs. 1,000
RURAL	Rs. 1,000	Rs. 816



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Q. Which of the following components of Central Government taxes on petroleum products is/are not shareable with the States?

1. Basic Excise Duty ✓
2. Additional Excise Duty ✓
3. Special Additional Excise Duty ✓

Select the correct answer using the code given below.

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



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Answer :- B

b) 1, 2 and 3

- All three components of Central Government taxes on petroleum products - Basic Excise Duty, Additional Excise Duty, and Special Additional Excise Duty - are **not** shared with the States.
- These are exclusively retained by the Central Government.

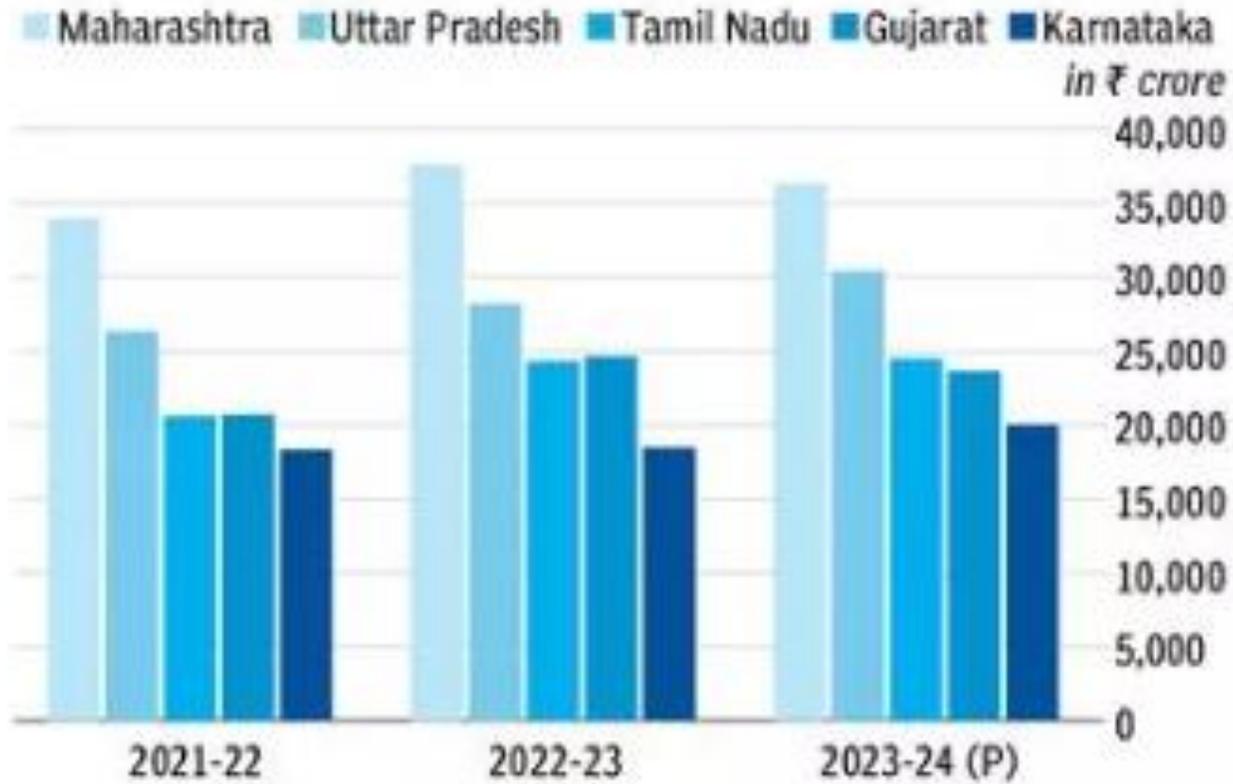


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Large States gain big from petroleum tax

Petroleum tax of top five States in India



Source: CAG Monthly Bulletin, PPAC



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Q. Level of per capita GDP depends upon which of the following?

- 1. Proportion of population in the working age**
- 2. Work participation rate**
- 3. Per worker productivity**

Select the correct answer using the code given below.

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



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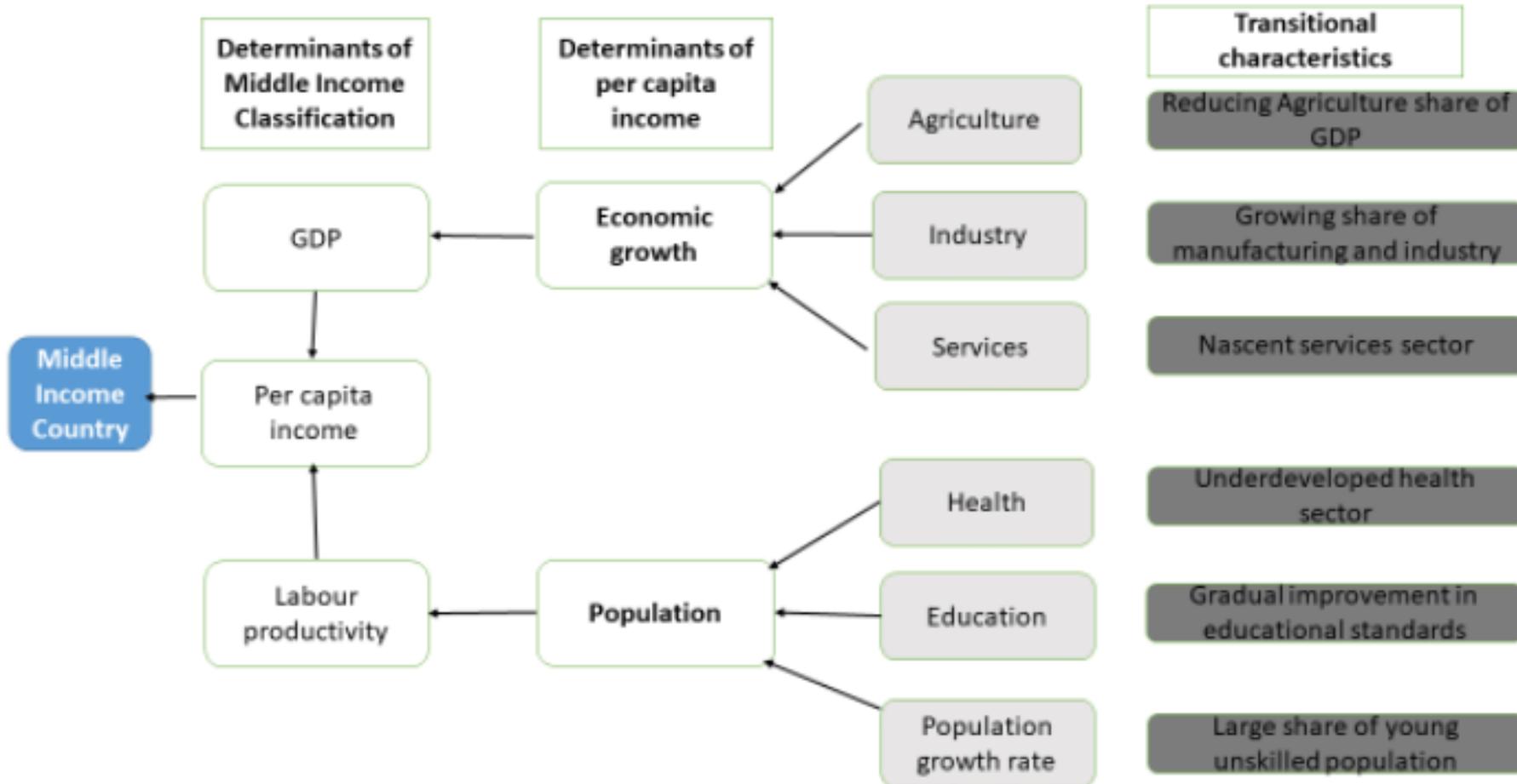
Answer :- D

- The level of per capita GDP depends on the following factors:
- **Proportion of population in the working age:** A higher proportion of the population in the working age group (typically 15-64 years) increases the potential labor force, which can contribute to higher GDP.
- **Work participation rate:** This refers to the proportion of the working-age population that is actually employed or actively seeking employment. A higher work participation rate leads to more people contributing to economic output.
- **Per worker productivity:** This is the amount of output produced per worker. Higher productivity means that each worker is contributing more to the GDP, which raises the per capita GDP.
- All three factors influence the level of per capita GDP, so the correct answer is (d) 1, 2, and 3.



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Determinants of GDP and GDP per capita (Source: Author)



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Q. Which of the following are included in M1 definition of money for the Indian economy?

1. Reserves ✗
2. Currency ✓
3. Time deposits ✗
4. Demand deposits ✓

Select the correct answer using the code given below.

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



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Answer :- The correct answer is: **(c) 2 and 4**

- In the Indian economy, the M1 definition of money includes the following components:
- **Currency:** This refers to all the physical money in circulation, including coins and paper money held by the public (excluding the money held by the banking system).
- **Demand deposits:** These are deposits in banks that can be withdrawn on demand, such as checking accounts. They are considered part of M1 because they can be quickly converted into cash for transactions.
- **M1** does not include **time deposits** (which are part of M2, M3, etc.) or **reserves** held by banks in the central bank.
- Thus, the correct components for M1 are **currency** and **demand deposits**.



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Different Measures of Money Supply

- M1** → CU+ DD
(Currency Notes and Coins + Demand Deposits of Commercial banks)
- M2** → M1 + Savings Account with Post Office
(Currency Notes and Coins + Demand Deposits of Commercial Banks+ Savings Account of Post Office)
- M3** → M1 + Net Time Deposit of Banks
(Currency Notes and Coins + Demand Deposits of Commercial Banks+ Term Deposits of Bank)
- M4** → M3 + Total Deposits of Post Office (Excluding NSC)
(Currency Notes and Coins + Demand Deposits of Commercial Banks+ Term Deposits of Bank)+ All deposits of Post office



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Q. Which one of the following statements is not correct for National Income Accounting for India?

- (a) Imports are subtracted in calculating Gross Domestic Product. ✓
- (b) Net factor payments earned from abroad are included in Gross Domestic Product. ✗
- (c) Purchase and sale of second-hand goods are not included in Gross Domestic Product.
- (d) Inventories are included in Gross Domestic Capital Formation. ✓

NFIAD
GDP +

SNP



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Answer :- The correct answer is: **(b) Net factor payments earned from abroad are included in Gross Domestic Product.**

(a) Imports are subtracted in calculating Gross Domestic Product (GDP): This statement is correct. Imports are subtracted from GDP because they represent spending on goods and services not produced domestically.

(b) Net factor payments earned from abroad are included in Gross Domestic Product (GDP): This statement is not correct. Net factor payments earned from abroad are included in Gross National Product (GNP), not GDP. GDP measures the total output within a country's borders, while GNP adjusts GDP by adding net factor income from abroad.



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c) Purchase and sale of second-hand goods are not included in GDP: This statement is correct. The sale of second-hand goods is not included in GDP because these goods were counted when they were first sold as new; counting them again would be double-counting.

(d) Inventories are included in Gross Domestic Capital Formation: This statement is correct. Inventories, which represent unsold goods, are considered part of Gross Domestic Capital Formation because they are part of investment in the economy.



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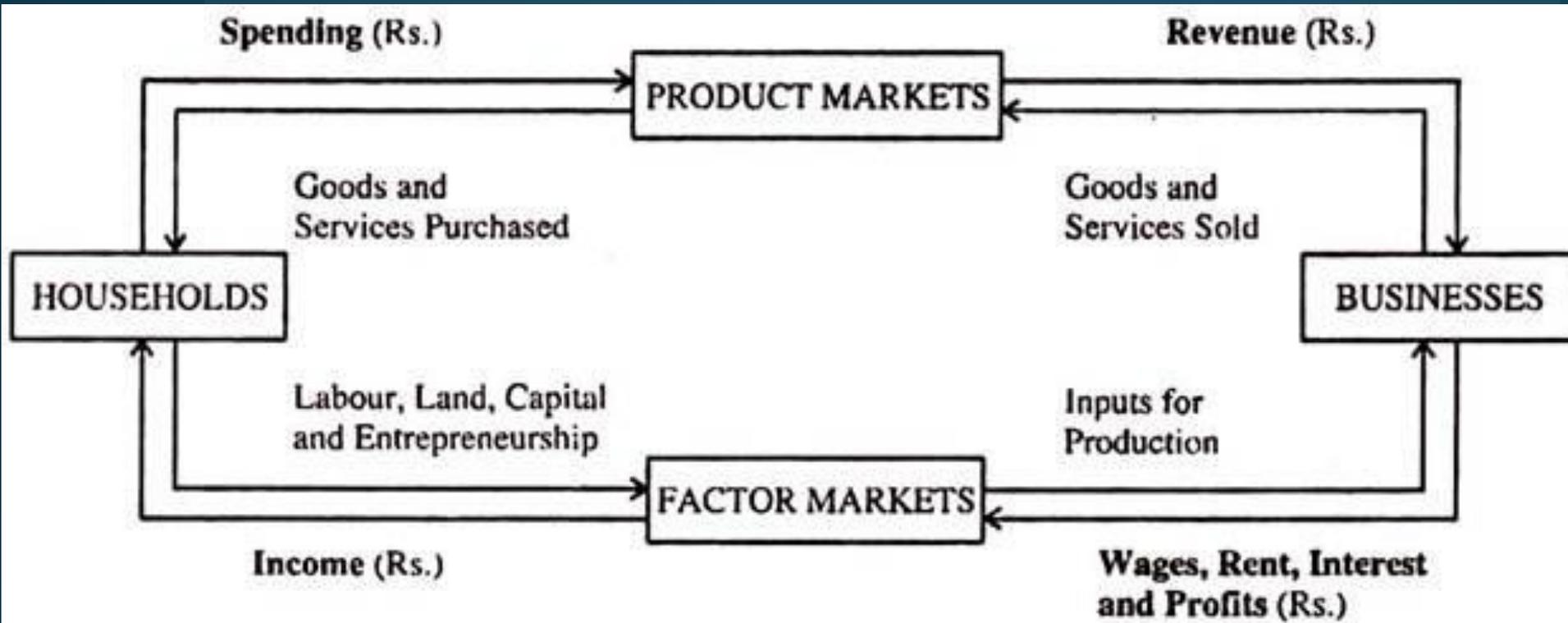
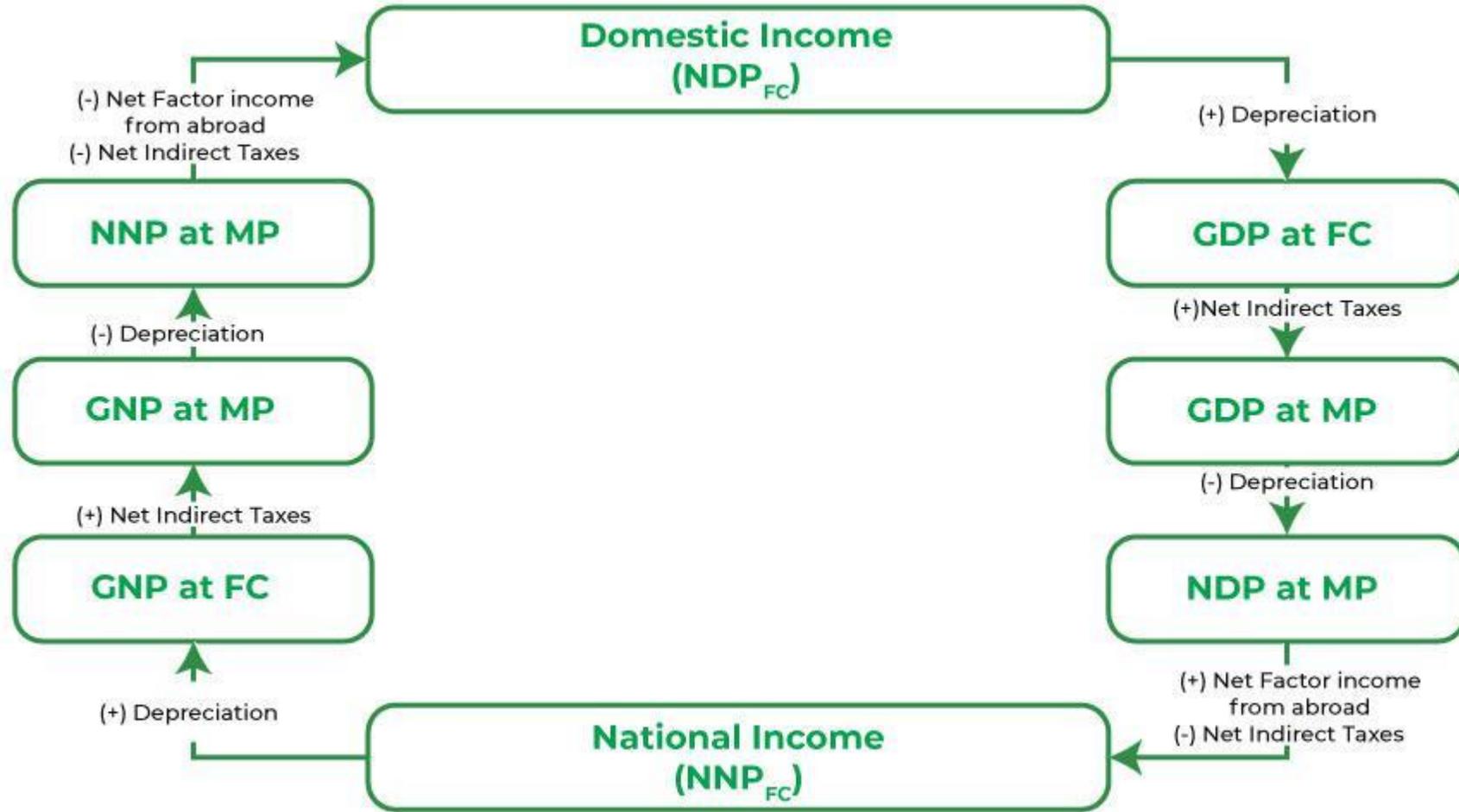


Fig. 2.1 The Circular Flow Model of Income and Output

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Q. Under normal downward sloping demand curve and fully elastic supply curve of a commodity, an exogenous decrease in demand would lead to

- (a) increase in equilibrium price and quantity
- (b) decrease in equilibrium price and quantity ✓
- (c) decrease in equilibrium quantity and no change in price
- (d) increase in equilibrium price and no change in quantity



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Answer :- B

- An increase in demand leads to a rise in the equilibrium price.
- Conversely, a decrease in demand results in a drop in the equilibrium price.
- Similarly, an increase in supply causes the equilibrium price to decrease, while a decrease in supply leads to an increase in the equilibrium price.



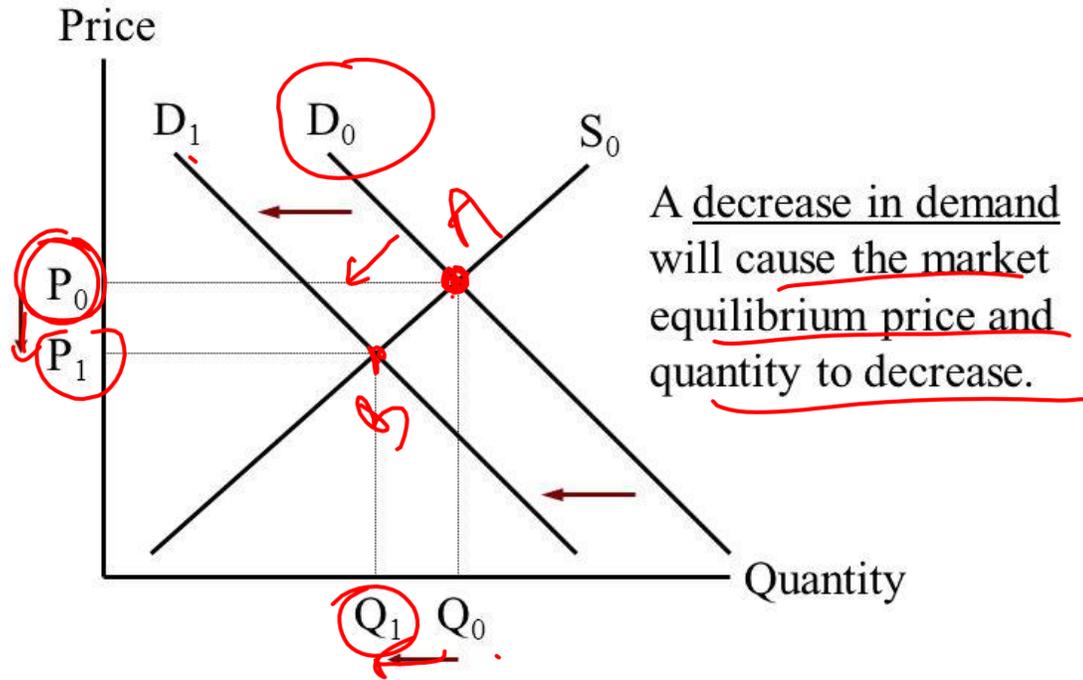
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Market Equilibrium



Graphs of Shifts



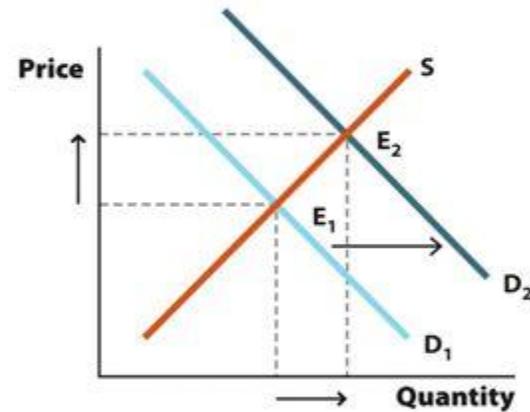
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Change

Illustration

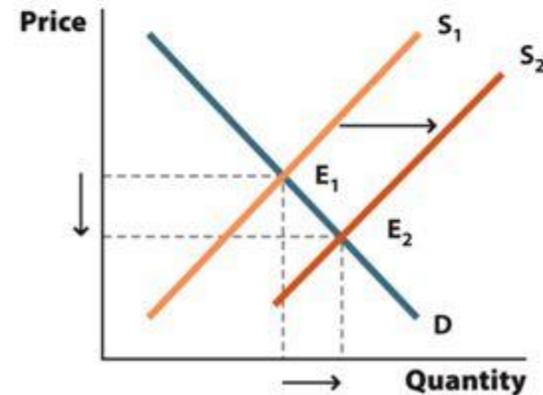
Impact on Price and Quantity

Demand increases



The demand curve shifts to the right. As a result, the equilibrium price and equilibrium quantity increase.

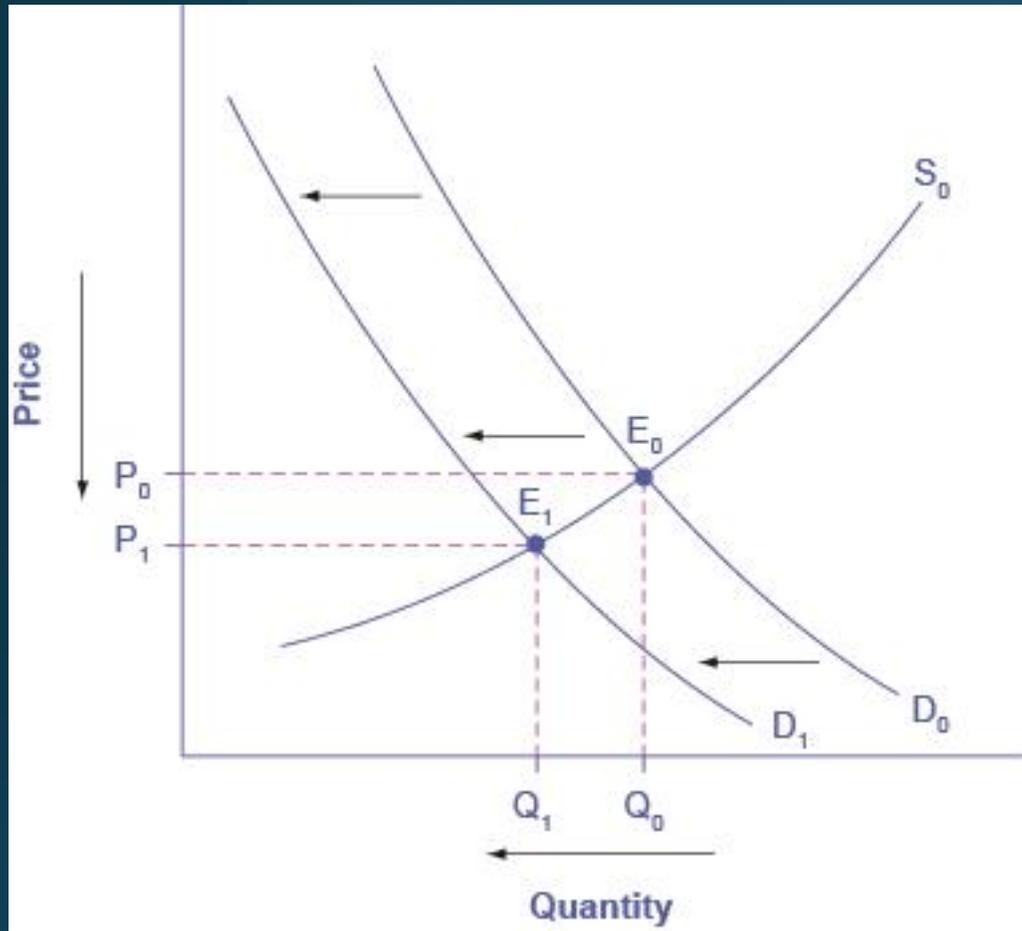
Supply increases



The supply curve shifts to the right. As a result, the equilibrium price declines and the equilibrium quantity increases.



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Shift in supply

Decrease in supply

Increase in supply

Shift in demand
Increase in demand
Decrease in demand

Equilibrium price	?	Equilibrium price	↓
Equilibrium quantity	↓	Equilibrium quantity	?
Equilibrium price	↑	Equilibrium price	?
Equilibrium quantity	?	Equilibrium quantity	↑



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