

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

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## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

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No. of Questions/Max.Marks-50/100

Max.Time- 1HR(Pre)+1HR(Mains)

Negative Marks-1/3



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## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

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1. With reference to Vice-President of India ,consider the following statements :

1. If the Vice-President suddenly resigns, then election to fill the vacancy should be held within six months.
2. A Vice-President can be removed on the grounds of violation of constitution.

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

2. Financial market is classified into money market and capital market. Which of these are money market instruments ?

1. T-Bills
2. Preference shares
3. Commercial papers

Select the correct answer using the codes given below.

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

3. A decrease in Cash Reserve Ratio (CRR) can lead to which among the following ?

1. increase in cash availability of the banks
2. increase in repo rate
3. decrease in SLR

Select the correct answer using the codes given below.

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

4. Which of the following also acts as a mechanism for government lending.

1. CRR
2. Repo rate
3. Reverse repo rate
4. SLR

Select the correct answer using the codes given below.

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

5. With reference to foreign portfolio investments (FPI), consider the following statements :

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

---

1. FPIs are more volatile than loans from international financial institutions.
2. Foreign Direct Investments are part of FPIs.

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

6. India's central bank, RBI performs various functions. Which of these are its functions according to the RBI act, 1934.

1. managing inflation
2. acting as banker's bank
3. managing India's Forex
4. handling government's borrowing program

Select the correct answer using the codes given below.

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

7. Which among the following can result in 'demand pull inflation' ?

1. increase in subsidy on LPG
2. increase in fuel prices
3. decrease in income tax rates

Select the correct answer using the codes given below.

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

8. The term 'narrow banking' is best described as :

- a) banks acting only as payment banks
- b) banking by non-banking financial companies
- c) limited areas of operation by banks
- d) banks lending only to risk free sectors

9. If indirect taxes in an economy are increased, then which of the following can occur ?

1. GDP at factor cost increases
2. GDP at factor cost decreases
3. GDP at market price increases
4. GDP at market price decreases

Select the correct answer using the codes given below.

- a) 1 only

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

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- b) 2 and 3 only
- c) 3 only
- d) 4 only

10. Who among the following participates in the election of Vice-President ?

- 1. elected MPs
- 2. nominated MPs
- 3. elected MLAs
- 4. nominated MLAs

Select the correct answer using the codes given below.

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

11. Participatory Notes (PNs) are issued by

- a) RBI b) SEBI c) FII d) None

12. Which of the following actions is taken by President?

- 1. Adjournment 2. Prorogation 3. Dissolution

Select the correct answer using the codes given below.

- a) 1 only b) 2 only c) 2 and 3 only d) None

13. Who among the following functionaries take an 'oath of secrecy'?

- 1. President 2. Ministers 3. MPs 4. Supreme Court judge

Select the correct answer using the codes given below.

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

14. With reference to white label ATMs, consider the following statements:

1. They do not bear the logo of banks they serve. 2. They help in financial inclusion. 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

15. Which of the following is/are component of reserve money?

- 1. currency in circulation 2. demand deposits with banks
- 3. bank's deposits with RBI 4. time deposits with banks

Select the correct answer using the codes given below.

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

16. A censure motion can be moved against

- 1. An individual minister 2. Group of ministers 3. Entire council of ministers

Select the correct answer using the codes given below.

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

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

---

17. Consider the following statements:

1. Borrowers benefit from inflation.
2. Tax payers suffer due to inflation.

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

18. Banks are required to maintain a capital adequacy ratio (CAR). The CAR helps in

1. Protecting depositor
2. Acting as a mechanism for lending to government
3. Promoting bank stability

Select the correct answer using the codes given below.

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

19. Inflation indexed bonds provide returns that are always in excess of inflection.

In this way, they help in

1. Increasing financial saving
2. Reducing inflation
3. Reducing the instance of buying gold

Select the correct answer using the codes given below.

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

20. The constitution of India grants personal immunity for official acts to

1. Prime minister
2. President
3. Vice-president
4. Governor

Select the correct answer using the codes given below.

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

21. **Consider the following statements regarding purchasing power parity.**

1. It is a technique used to determine the relative value of different currencies.
2. This concept works on the assumption that markets work on the law of one price.
3. This is a popular method used by the IMF and WB in studying the living standards of people in different economies.

**Which of the following is/are correct?**

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

22. **Which among the following are a part of core industries?**

- 1) Fertilizers
- 2) Refinery Products
- 3) Natural Gas
- 4) Iron
- 5) Cement
- 6) Electricity

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

---

**Choose the correct code:**

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

**23. Puga valley in J&k is famous for availability of which of the following energy reserve**

- a) Coal
- b) Geo Thermal
- c) Hydro
- d) Wind

**24. Call and Term money markets are the sub-markets of Indian money market. Which of the following statements are correct about these short term markets?**

- 1. Call money refers to borrowing and lending of funds for one day.
- 2. Term money refers to borrowing and lending of funds for a period of more than 14 days.
- 3. Interest rates in these markets are fixed by banks.
- 4. Since banks work as both lenders and borrowers in these markets, they are also known as Inter-Bank market.

**Select the code from the following:**

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

**25. Consider the following statements about Cash Reserve Ratio:**

- 1. It is the ratio of deposits which banks have to keep with RBI as savings account.
- 2. Banks get a fixed interest on CRR from RBI.
- 3. With increase in CRR the lending capacity of banks will increase.

**Which of the above statements are correct?**

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

**26. Which of the following is incorrect about Bank rate?**

- a) It is rate at which RBI lends long term to commercial banks.
- b) It requires collateral security like in case of repo-reverse repo rate.

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

---

- c) It is a penal rate and is aligned with MSF in 2011.
- d) Lower bank rates can help to expand the economy, when unemployment is high, by lowering the cost of funds for borrowers.

### **27. Consider the following about ready forward contracts.**

- 1. It's a transaction where 2 parties agree to sell and repurchase the same security.
- 2. Repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds.
- 3. The difference between Repo and Reverse repo rate is always 100 basis points with the latter being lower.
- 4. The difference between Repo and MSF is always 100 basis points with the latter being higher.

### **Select the correct answer:**

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

### **28 Marginal standing facility (MSF) is a window for banks to borrow from the Reserve Bank of India in an emergency situation when inter-bank liquidity dries up completely. Which of the following is incorrect about MSF?**

- a) MSF is a penal rate as the repo limit is exhausted and also SLR limit is breached at times.
- b) MSF operations also become necessary as the repo operations are limited to a specific period of the day.
- c) Only scheduled commercial banks can use this route with government securities including SLR as collateral.
- d) If banks do not have excess SLR it cannot borrow under MSF.

### **29. Consider the following about SLR. Which of the following are correct?**

- 1. The ratio of liquid assets to net demand and time liabilities (NDTL) that they should keep in designated liquid assets is called statutory liquidity ratio (SLR).
- 2. To control expansion of bank credit and ensure solvency of commercial banks is major objective.
- 3. Banks hold public sector bonds, current account balances with other banks and gold as SLR.
- 4. Banks can also hold multilateral bonds and foreign exchange as part of SLR

### **Select the correct answer:**

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

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

---

**30. The Reserve Bank of India (RBI) constituted an Expert Committee to Revise and Strengthen the Monetary Policy Framework under the Chairmanship of Dr. Urjit R. Patel. Consider the following.**

1. It has suggested that the apex bank should adopt the new CPI (consumer price index) as the measure of the nominal anchor for policy communication.
2. The committee asked the Central Government to ensure that the fiscal deficit as a ratio to GDP (gross domestic product) is brought down to 3.0 per cent by 2016-17.
3. The Patel panel felt that the monetary policy decision-making should be vested with a monetary policy committee (MPC) which has participation of both government and RBI.
4. The FSLRC under Justice (retd) B N Srikrishna had also suggested for the formation of an MPC.

**Select the correct answer:**

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

**31. According to RBI guidelines, Basel III norms are to be implemented by all banks till 2019. Consider the following statements:**

1. Capital to Risk weighted Assets Ratio (CRAR) is the percentage of bank's risk weighted credit exposures.
2. RBI has fixed CRAR as 9%.
3. Capital Adequacy Ratio (CAR) is expressed as CRAR.
4. Higher the CAR, higher is the risk.

**Which of the above statements are correct?**

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

**32. Consider the following Statements regarding 'Gyan Sangam' summit:**

1. It was a meeting organized by Ministry of Finance and RBI with central banks of Tax haven countries to find a method to recover black money which is tapped outside.
2. It is a forum where the highest officials from public sector banks, the government and the Reserve Bank of India, meet to discuss issues faced by the sector.
3. Focus was discussion on bank consolidation, NPAs and carrying out changes to recovery laws.



## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

---

Which of the above statements are correct?

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

**33.SARFAESI Act refers to Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Banks utilize this act as an effective tool for bad loans (NPA) recovery. Which of the following statements are correct about this act?**

1. Upon loan default, banks can seize the securities (except agricultural land) without intervention of the court.
2. Court intervention is not required only in case of secured loans where bank can enforce the underlying security eg hypothecation, pledge and mortgages.
3. If the asset in question is an unsecured asset, the bank would have to move the court to file civil case against the defaulters.

**Select the code from the following:**

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

**Q.34) The balance of payments (BOP) is the method countries use to monitor all international monetary transactions at a specific period of time. Consider the following.**

1. All trades conducted by both the private and public sectors are accounted for in the BOP in order to determine how much money is going in and out of a country.
2. If a country has received money, this is known as a debit, and if a country has paid or given money, the transaction is counted as a credit.
3. Theoretically, the BOP should be zero, meaning that assets (credits) and liabilities (debits) should balance, but in practice this is rarely the case.

**Select the correct answer**

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

**Q.35) Which of following is not under current account of balance of payments (BOP)?**

- a) Goods
- b) Services
- c) Loans
- d) Transfers

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

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**Q.36) Which of the following are part of World bank group?**

1. The International Bank for Reconstruction and Development
2. The International Development Association
3. The International Finance Corporation
4. The Department of International Development
5. The Multilateral Investment Guarantee Agency
6. The World Intellectual Property Organisation
7. The International Centre for Settlement of Investment Disputes

**Select the correct answer.**

- a) 1, 3, 4, 5 and 7 only
- b) 1, 2, 3, 5 and 7 only
- c) 1, 2, 4, 5 and 7 only
- d) All of the above

**37. Match the following**

Type of Writ Meaning

1. Habeas Corpus A. we command
2. Certiorari B. to be certified
3. Mandamus C. you may have the body
4. Quo-Warranto D. what is your authority

Select the correct code

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

**38. Which among the following takes place during election and impeachment of President of India?**

1) The elected members of the legislative assemblies and councils of the states and UTs of Delhi and Puducherry participate in election but do not participate in impeachment

2) The nominated members of either House of Parliament do not participate in election but participate in impeachment

Choose the appropriate code:

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

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

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**39. Consider the following with regard to Ordinance making power of President:**

- 1) Ordinance making is the discretionary power of the President of India
  - 2) President can promulgate or withdraw an ordinance only on the advice of Cabinet Ministers
- Which of the statements given above is/are incorrect?

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

**40. Consider the following statements:**

- 1) Central Legislation can over-ride the veto power of President in the case of suspensive veto
  - 2) State Legislature cannot over-ride the veto power of President in the case of suspensive veto
- Which of the statements given above is/are correct?

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

**41. With reference to Union Government, consider the following statements:**

- 1) The Ministries Departments of the Government of India are created by the Prime Minister on the advice of the Cabinet Secretary
- 2) Each of the Ministries is assigned to a Minister by the President of India on the advice of the Prime Minister

Which of the statements given above is/are correct?

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

**Q.42) Consider the following statements in regard to the removal of Vice President of India:**

1. The Vice-President may be removed on any ground considered sufficient by the two Houses of the Parliament
2. In both the cases of removal of the President and the Vice-President, the power of removal is lodged in the two Houses of Parliament
3. A Vice President may be removed from his office by a resolution of the council of States passed by an absolute majority and agreed to by the House of the People
4. A Vice President may be removed from his office by a resolution of the council of States passed by a special majority and agreed to by the House of the People

**Which of the statements given above is/are incorrect?**

- a) 2 and 4 only
- b) 3 and 4 only

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

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- c) 3 only
- d) 4 only

**Q.43) Consider the following differences with regard to the President and the Governor of India:**

1. Governor has both constitutional and situational discretion power
2. President has no constitutional discretion, he has only some situational discretion
3. The pardoning power of the President is independent of the judiciary and is an executive power
4. Both the Governor and the President have concurrent power in respect of suspension, remission and commutation of death sentence

**Which of the statements given above is/are correct?**

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

**44. Consider the following statements in regard to the Prime Minister of India:**

1. The Prime Minister holds office for a term of five years from the date on which he enters upon his office.
2. However, if he loses the confidence of the Lok Sabha, he must resign or the President can dismiss him.
3. Prime Minister gets the salary and allowances that are payable to a member of Parliament, only his sumptuary allowance varies

**Which of the statements given above is/are correct?**

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

**45. Consider the following statements:**

1. In India the President is only a nominal executive and the real powers are vested in the prime minister.
2. The executive power of the Union shall be vested in Prime Minister and shall be exercised by him either directly or through officers subordinates to him.
3. Council of ministers headed by the Prime Minister advises the President with regard to summoning and proroguing of the sessions of the Parliament.
4. Orders and other instruments made and executed in the name of the President shall be authenticated in such manner as may be specified in rules made by the Parliament.

**Which of the statements given above is/are incorrect?**

- a) 2 only

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

---

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

**46. Consider the following statements:**

- 1) The Executive Power of the Union of India is vested in the Prime Minister.
- 2) The Prime Minister is the ex officio Chairman of the Civil Services Board.

**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

**Q.47) Consider the following statements in regard to Council of Ministers:**

- 1. When the Lok Sabha passes a no-confidence motion against the council of ministers, all the ministers have to resign including those ministers who are from the Rajya Sabha.
- 2. The council of ministers can advise the president to dissolve the Lok Sabha on the ground that the House does not represent the views of the electorate faithfully and call for fresh elections.
- 3. It is the duty of every minister to stand by cabinet decisions and support them both within and outside the Parliament. If any minister disagrees with a cabinet decision and is not prepared to defend it, he must resign.
- 4. President can remove a minister even at a time when the council of ministers enjoys the confidence of the Lok Sabha.

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

**Q.48) Who among the following hold office during the pleasure of the President?**

- 1) Attorney General
- 2) Prime Minister
- 3) Governor
- 4) Council of Ministers

**Choose the appropriate code:**

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

## IAS MENTOR WEEKLY TEST-2(POLITY & ECONOMY)

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**Q.49) Consider the following:**

**Term Meaning**

1. Pardon- Completely relief from any punishment
2. Reprieve -Temporary suspension of any punishment
3. Respite -Awarding less sentence
4. Commutation -Changing one punishment to another

**Which of the above terms are correctly matched?**

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

**Q.50 Article 74(1) requires the President to have a Council of Ministers with the Prime Minister at the head to “aid and advice” him in the exercise of his power. Which of the following statements regarding Council of Ministers are correct?**

1. Ministers are appointed by the Prime Minister.
2. India has a three-tier ministry consisting of cabinet ministers, ministers of state and the deputy ministers.
3. The term ‘Cabinet’ is not present in the original Constitution.

**Select the code from the following:**

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

### MAINS EXAM

1. Briefly highlight the major reasons for recent upsurge in the NPAs of the public sector banks and also describe the steps taken by RBI to check them.(200 words)
2. Discuss the role of various committees in Financial and banking sector reform. (200 words)
3. What is Financial Inclusion? Discuss “Pardhan Mantri Jan Dhan Yojana, payment and small bank will help in Financial Inclusion”. (200 words)
4. Critically Discuss “Judicial Review power of Supreme court with the help recent examples’’. (200 words).
5. What are the exceptions when the President of INDIA is not bound by the aid and advice of the Council of Ministers? (200 words)