

(SOLUTION) MOCK TEST 21 (Prelims Revision Test-3)

13 Correct Answer : B

Answer Justification :

Justification: Statement 1: The SEZ Act 2005 allows setting up an IFSC in an SEZ or as an SEZ after approval from the central government.

India's first International Financial Services Centre (IFSC) became operational at Gujarat International Finance Tec (GIFT) City in Gandhinagar as a part of SEZ.

Statement 2: Currently, the financial services provided at GIFT-IFSC involves multiple regulatory bodies including insurance regulator, IRDA, banking regulator RBI and stock market regulator SEBI.

The announcement of setting up of Unified Regulator for IFSC in India would help India achieve its full potential in the Global Financial markets. Globally, most of the financial centers host Unified Regulator in the same Centre which helps it to promote the financial center.

Learning: Any financial institution (or its branch) set up in the IFSC

- shall be treated as a non-resident Indian located outside India,
- shall conduct business in such foreign currency and with such entities, whether resident or non-resident, as the Regulatory Authority may determine

With an IFSC in India, India now competes against global financial hubs like Dubai and Singapore to attract foreign investors who are willing to trade in foreign currencies.

You can read more here

<http://www.livemint.com/Industry/XmEtCCZklNL5w0LmQ9K7IJ/What-is-an-IFSC-and-how-does-it-work.html>

Q Source: <https://www.thehindubusinessline.com/news/budget-2018-international-financial-services-centres/article22619522.ece>

14 Correct Answer : B

Answer Justification :

Justification: Statement 1: Corals that inhabit the colder deep waters of continental shelves and offshore canyons, ranging from 50 to over 1000m depths. They lack zooxanthellae and may build reef-like structures or occur solitarily.

Statement 2: Cold-water corals are different from their warm-water counterparts because they do not contain symbiotic algae for photosynthesis and grow more slowly. Cold-water corals obtain all their energy from organic matter and zooplankton, which they catch from the currents drifting past

Cold-water corals can be found over a wide range of latitudes, from tropical to Polar Regions, and from the shallow to the deep seas.

Their distribution is largely defined by water temperatures, which must generally be between 4° and 12°C. At high latitudes, these conditions are generally found in relatively shallow waters.

Q Source: http://wwf.panda.org/about_our_earth/blue_planet/coasts/coral_reefs/coldwater_corals/

15 Correct Answer : A

Answer Justification :

Justification: Statement 1: Under Central sector schemes, it is 100% funded by the Union government and implemented by the Central Government machinery. Central sector schemes are mainly formulated on subjects from the Union List.

Statement 2 and 3: Centrally Sponsored Schemes (CSS) are schemes that are implemented by state governments but are largely funded by the Central Government with a defined State Government share.

- They are basically special purpose grants (or loans) extended by Central Government to states to encourage them to plan and implement programmes that help attain national goals and objectives.
- CSS are basically extended by the Central Government to States under Article 282 of the Constitution. It mainly covers items listed in states list.

Q Source: Schemes and Programmes of Government of India

16 Correct Answer : B

Answer Justification :

Learning: It is a highly acclaimed rule for monetary policy. It says that the central bank should increase interest rates by a margin slightly exceeding the current inflation rate to stabilise GDP.

- The Taylor Rule was formulated through a post facto analysis of US Fed monetary policy, culminating in a statistical relationship that best fitted past successful monetary policy.

Interest rate = inflation rate + 0.5*(actual GDP minus potential GDP) + 0.5*(inflation rate minus 2)+2

- The rule states that when inflation goes up 1 point above the target, the Central Bank should counteract the increase by raising interest rates by 1.5 points.
- By increasing nominal interests by more than the increase in inflation, Taylor's rule increases real interest rates—cooling oil the economy—when inflation increases.

Q Source: <https://www.thehindu.com/opinion/op-ed/what-is-taylor-rule-in-economics/article19926888.ece>