

(SOLUTION) Mock Test 9

1 Correct Answer : A

Answer Justification :

Justification: Statement 1: As of September 2017, India's foreign exchange reserves are mainly composed of US dollar in the forms of US government bonds and institutional bonds.[5] with nearly 5% of forex reserves in gold.

The FCAs also include investments in US Treasury bonds, bonds of other selected governments and deposits with foreign central and commercial banks.

Statement 2: We have covered this concept earlier.

Statement 3: Often there is a tendency to keep forex reserves equal to the value of six months of imports.

However, foreign exchange reserves, as Kaushik Basu emphasizes, are required to finance only the current account deficits, and not imports as a whole. By this yardstick, the foreign exchange reserves with the RBI are huge.

If we take current account deficit at 7.5% of GDP (which is extremely high), then there is a need of about \$85 billion of foreign exchange reserves. The actual reserves are \$400 billion.

Statement 4: India holds close to \$400 billion of forex reserves. Experts say that if instead of maintaining large forex reserves, the funds are used to finance, say, infrastructure projects, the returns will be much higher. So, the accumulation of forex, without investing in other opportunities, incurs a significant opportunity cost for India.

Q Source: Chapter 3: 11th NCERT: Economics

2 Correct Answer : C

Answer Justification :

Background: As the world's largest consumer of petcoke, India imports over half its annual petcoke consumption of about 27 million tonnes, mainly from the United States. Local producers include Indian Oil Corp, Reliance Industries and Bharat Petroleum Corp.

India is the world's biggest consumer of petroleum coke, which is a dark solid carbon material that emits 11% more greenhouse gases than coal, according to the Carnegie-Tsinghua Center for Global Policy.

Justification: Statement 1: Such diversion is seen in the case of Urea, not petcoke.

Statement 2: Import of Petcoke is now allowed for only cement, lime kiln, calcium carbide and gasification industries, when used as the feedstock or in the manufacturing process on actual user condition.

Cement companies, which account for about three-fourths of the country's petcoke use, were impacted by petcoke-related policy flip-flops, which began with a Supreme Court judgment banning use of the fuel in and around New Delhi last year.

Usage of petcoke, a dirtier alternative to coal, in the energy-hungry country has come under scrutiny due to rising pollution levels in major cities.

India's imports of petcoke have declined this year as cement companies substituted some of their petcoke with coal to avoid production delays due to pollution-related policy changes.

Q Source : <https://www.livemint.com/Politics/QMz7m5wPxmNjIvrsCFR0LI/Government-bans-petcoke-import-for-use-as-fuel.html>

3 Correct Answer : A

Answer Justification :

Justification: Statement 2: Many states implement directive principles, for e.g. UP gives unemployment allowance to the youth; disburses financial support for the old aged and widows by several schemes. So, 2 is wrong.

K Santhanam has pointed out that the Directives can lead to a constitutional conflict also (a) between the President and the Prime Minister, and (b) between the governor and the chief minister.

When the Prime Minister gets a bill (which violates the Directive Principles) passed by the Parliament, the president may reject the bill on the ground that these principles are fundamental to the governance of the country and hence, the ministry has no right to ignore them.

The same constitutional conflict may occur between the governor and the chief minister at the state level.

Q Source: Chapter 8: Indian Polity: M Laxmikanth