

Q.1) In view of the fact that kerosene is an inferior good in India, what is/are its implication(s)?

1. As households get richer, they consume less kerosene.
2. Over time there is a decline in quality of kerosene.
3. Government needs to stop subsidies on kerosene.

Select the correct answer using the codes given below:

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

Ans) a

Exp) Option a is the correct answer.

The quantity of a good that the consumer demands can increase or decrease with the rise in income depending on the nature of the good. For most goods, the quantity that a consumer chooses, increases as the consumer's income increases and decreases as the consumer's income decreases. Such goods are called normal goods. Thus, a consumer's demand for a normal good move in the same direction as the income of the consumer. However, there are some goods the demands for which move in the opposite direction of the income of the consumer. Such goods are called inferior goods. As the income of the consumer increases, the demand for an inferior good fall, and as the income decreases, the demand for an inferior goods rises. Examples of inferior goods include low quality food items like coarse cereals and low-quality fuels like Kerosene.

Statement 1 is correct: As households get richer, they tend to consume less kerosene. This is because as incomes rise, people have the ability to afford better-quality energy sources such as electricity or cleaner fuels like LPG (liquefied petroleum gas).

Statement 2 is incorrect: Decline in the quality of kerosene over time, is **not necessarily true**. **The quality of kerosene can be regulated and maintained by the government**, ensuring that consumers receive a consistent and reliable product.

Statement 3 is incorrect: Statement 3, **is not necessarily true either**. The government may continue to provide subsidies on kerosene to support households with lower incomes who still rely on it as a source of energy. **The decision to stop or continue subsidies depends on various factors, including the government's policy objectives and the availability of alternative energy sources.**

Source: UPSC CDS 2015 (II)

Subject:) Economy

Subtopic:) Micro Economics

Q.2) Gross Domestic Product (GDP) measures the total value of all final goods and services produced within a country's domestic territory. In this context, consider the following territories/entities:

1. Territorial waters of the country.
2. Oil rigs operated by the residents of the country in international waters.
3. Country's embassies located in other countries.
4. Military establishments of the country located in other countries.
5. A domestic company operating in another country.

For the calculation of GDP, domestic territory of a country includes how many of the above?

- a) Only two
- b) Only three
- c) Only four
- d) All five

Ans) c

Exp) Option c is the correct answer.

Gross Domestic Product is the money value of all the final goods and services produced within **the domestic territory** of a country during an accounting year.

Domestic territory of a country includes the following-

- 1) **Political frontiers of the country including its territorial waters. Option 1 is correct.**
- 2) Ships, and aircraft operated by the normal residents of the country between two or more countries.
- 3) **Fishing vessels, oil and natural gas rigs and floating platforms operated by the country's residents in international waters. Option 2 is correct.**
- 4) **Embassies, consulates and military establishments** of the country located in other countries, for example, Indian embassy in U.S.A., Japan etc. **Options 3 and 4 are correct.**

Option 5 is incorrect. The domestic territory of the country does not include the domestic company of that country operating in other countries. The output from such a company will be added to the GDP of the country in which it is operating.

Source: Indian Economy Red book by ForumIAS Ch: 2

https://nios.ac.in/media/documents/SrSec318NEW/318_Learner_guide_eng/318_LG_E_L24.pdf

Subject:) Economy

Subtopic:) National Income Accounting

Q.3) World Development Report 2023: Migrants, Refugees and Societies, was released recently. In this context, consider the following statements:

1. The report has been released by the United Nations Development Programme (UNDP).
2. According to the report, about 10 percent of the world's population lives outside their country of nationality.
3. According to the report, an Indian migrating to another country gains more in income compared to the Indians migrating within the country.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) All three
- d) None

Ans) a

Exp) Option a is the correct answer.

The 2023 edition of the World Development Report (WDR), published annually by the World Bank, explores the role of migration in development, examining how cross-border movements of migrants and refugees' impact international development.

Statement 1 is incorrect. World Development report is released by the World Bank (not by the United Nations Development Programme (UNDP)).

Statement 2 is incorrect. According to the report **about 2.3 percent of the world's population—184 million people, including 37 million refugees—live outside their country of nationality.** Some 43 percent of the migrants live in low- and middle-income countries.

Statement 3 is correct. The report estimated a 120% income gain for Indians who migrate to another country for work, compared to a 40% rise in the case of internal migration.

Source:

<https://www.worldbank.org/en/events/2023/06/29/wdr2023#:~:text=The%20World%20Development%20Report%202023,on%20migrants%20and%20refugees%20themselves.>

<https://timesofindia.indiatimes.com/india/120-gain-in-income-for-indians-going-abroad-to-work-says-wdr/articleshow/99769419.cms>

Subject:) Economy Subtopic:) Inclusive Growth and Development

Q.4) The Expenditure Method is one of the ways to calculate Gross Domestic Product (GDP) of a country. In this context consider the following items:

1. Expenditure on intermediate products.
2. Expenditure on gifts and donations.
3. Expenditure incurred on purchase of secondhand goods.
4. Expenditure on purchase of bonds and shares.

How many of the items given above are **not** counted as expenditure under the Expenditure Method of calculation of national income?

- a) Only one
- b) Only two
- c) Only three
- d) All four

Ans) d

Exp) Option d is the correct answer.

The Expenditure Method of calculating national income estimates the national income by measuring **final expenditure on gross domestic product at market price. Expenditure incurred on final goods is final expenditure.**

The formula for calculating national expenditure is: **National income = C + I + G + (X – M)**

Where,

C = Consumption by residents of the nation;

I = Investment;

G = Government spending;

X = Exports; and

M = Imports.

The sum of all the above expenditures on final products of all the sectors of the economy gives us gross domestic product at market price.

Expenditure on following is not included while calculating national income by this method-

- 1) **Expenditure on intermediate products** should not be included to avoid the problem of double counting. **Hence, option 1 is correct.**
- 2) **Expenditure on gifts, donations, taxes, scholarships etc.** should not be included in National Income as these are transfer payments. **Hence, option 2 is correct.**
- 3) Expenditure incurred on **the purchase of secondhand goods** should not be included as the expenditure on these goods has already been included when bought for the first time. **Hence, option 3 is correct.**
- 4) Expenditure on **the purchase of bonds and shares** should not be included as these are financial transactions. **Hence, option 4 is correct.**

Source: Indian Economy Red book by ForumIAS Ch: 2

https://nios.ac.in/media/documents/SrSec318NEW/318_Economics_Eng/318_Economics_Eng_Lesson25.pdf

Subject:) Economy

Subtopic:) National Income Accounting

Q.5) With reference to the Parliament of India, consider the following statements:

1. The Constitution of India provides for the maximum time that can lapse between the last sitting of one session and the date appointed for the first sitting of the next session of the Parliament.
2. The Constitution of India provides for the Parliament to meet at least three times a year.
3. The dates and duration of the Parliamentary sessions are decided by the presiding officer of each house.

How many statements given above are correct?

- a) Only one
- b) Only two
- c) All three
- d) None

Ans) a

Exp) Option a is the correct answer.

Statement 1 is correct: As per the Article 85 of the Indian Constitution, the President shall from time to time summon each house of Parliament to meet at such time and place as he thinks fit, **but 6 months shall not intervene between its last sitting in one session and the date appointed for its first sitting in the next session.**

Statement 2 is incorrect: It has become a convention that Parliament of India meets for 3 sessions in a year, and it is not provided **in the Constitution of India.**

Statement 3 is incorrect: The dates and duration of the Parliamentary sessions are determined by the Cabinet Committee on Parliamentary Affairs and not the presiding officer of each house.

Source: Forum IAS quarterly current affairs magazine for prelims, July-September 2023, Page- 4

Subject:) Current Affairs

Subtopic:) Parliamentary Session

Q.6) The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development. In this context consider the following parameters/indicators:

1. Life expectancy at birth
2. Women's participation in political processes
3. Mean years of schooling
4. Expected years of schooling
5. Per capita gross national income based on purchasing power parity

How many of the above parameters/indicators are used in the calculation of Human Development Index?

- a) Only two
- b) Only three
- c) Only four
- d) All five

Ans) c

Exp) Option c is the correct answer.

The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development:

- 1) a long and healthy life,
- 2) being knowledgeable and
- 3) having a decent standard of living
- 4) The HDI is the geometric mean of normalized indices for each of the three dimensions.
- 5) The health dimension is assessed **by life expectancy at birth. Hence, option 1 is correct.**
- 6) The education dimension is measured by
 - a. **Mean of years of schooling** for adults, aged 25 years and more. **Hence, option 3 is correct.**
 - b. **expected years of schooling** for children of school entering age. **Hence, option 4 is correct.**
- 7) The standard of living dimension is measured by **gross national income per capita. Hence, option 5 is correct.**

The HDI uses the logarithm of income, to reflect the diminishing importance of income with increasing GNI. The scores for the three HDI dimension indices are then aggregated into a composite index using geometric mean. By taking the logarithm of income, the HDI gives less weight to higher

levels of income and more weight to lower levels of income. This adjustment reflects the fact that increasing income from very low levels can have a more significant impact on human development outcomes compared to increasing income from already high levels.

option 2 is incorrect. Political Empowerment, which analyzes **women's participation in political processes**, is calculated **in Gender Gap Index and not in Human Development index**.

Source: Indian economy by Ramesh Singh Ch: 2

Subject:) Economy

Subtopic:) Inclusive Growth and Development

Q.7) In the context of Indian economy, if the government increases taxes and reduces subsidies then which of the following will be true?

- a) The gap between GDP and GVA increases.
- b) The gap between GDP and GVA decreases.
- c) The gap between GDP and NDP will increase.
- d) The gap between GDP and NDP will decrease.

Ans) a

Exp) Option a is the correct answer.

Gross Value Added represents the value of goods and services produced in an economy before accounting for indirect taxes and subsidies. **Gross Domestic Product** represents the total value of final goods and services produced in a country within a specific period (usually a year). It includes indirect taxes levied by the government.

Gross Domestic Product (GDP) is equal to Gross Value Added (GVA) plus net taxes, which are calculated by subtracting subsidies from taxes. In formula it can be written as –

GDP= GVA + (Taxes - subsidies)

Thus, if taxes are increased and subsidies are decreased, then GDP will be more than GVA, which will **increase the gap between the two**.

Source: ForumIAS Economy Classroom notes

Indian Economy Red book by ForumIAS Ch: 2

Subject:) Economy

Subtopic:) National Income Accounting

Q.8) Public goods are an important concept in economic studies. In this context, consider the following statements with respect to Public Goods:

- 1. They are described as non-excludable.
- 2. They exhibit a non-rivalrous nature.
- 3. The production of public goods does not incur any opportunity cost.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) All three
- d) None

Ans) b

Exp) Option b is the correct answer.

Public goods can be **products or services** that are **available to everyone in a community**. They are **often provided by the government** and **funded through taxes**. Examples of public goods include **town roads, parks, etc.**

Statement 1 is correct: Being **non-excludable** means that **once a public good is provided**, it is **not feasible to exclude individuals from enjoying its benefits**, regardless of whether they have **contributed** to its **provision**. Examples include **public parks** and **national defense**.

Statement 2 is correct: Public goods are characterized by **non-rivalry**. This means that **when one person enjoys a public good, it doesn't diminish the availability or enjoyment of that same good for others**. Examples include **clean air, knowledge**, etc. This **non-rivalrous nature** is a **key feature** that **distinguishes public goods from private goods**. Private goods, like pizza, become **less available** as **people consume them**. Public goods, on the other hand, can **be enjoyed by everyone simultaneously**. **Statement 3 is incorrect:** The **production of public goods** certainly **incurs an opportunity cost**, as **resources utilized** for their provision could have been used elsewhere. **Opportunity cost** represents the **cost of the next best alternative foregone**. For **public goods**, this means the **resources** (such as labour, capital, etc.) **used to provide these goods** are **not available for the production of other goods or services**. Thus, the understanding that public goods do not incur any opportunity cost overlooks this fundamental economic principle.

Knowledge Base:

- 1) There is a difference between public provision and public production. Public provision means that they are financed through the budget and can be used without any direct payment.
- 2) Public goods may be produced by the government or the private sector. When goods are produced directly by the government it is called public production.

Source: <https://ncert.nic.in/textbook/pdf/leec105.pdf>

[https://www.investopedia.com/terms/p/public-](https://www.investopedia.com/terms/p/public-good.asp#:~:text=Investopedia%20/%20Tara%20Anand-,What%20Is%20a%20Public%20Good?,clean%20air%20and%20drinking%20water.)

[good.asp#:~:text=Investopedia%20/%20Tara%20Anand-](https://www.investopedia.com/terms/p/public-good.asp#:~:text=Investopedia%20/%20Tara%20Anand-,What%20Is%20a%20Public%20Good?,clean%20air%20and%20drinking%20water.)

[,What%20Is%20a%20Public%20Good?,clean%20air%20and%20drinking%20water.](https://www.investopedia.com/terms/p/public-good.asp#:~:text=Investopedia%20/%20Tara%20Anand-,What%20Is%20a%20Public%20Good?,clean%20air%20and%20drinking%20water.)

<https://environment.yale.edu/kotchen/pubs/pgchap.pdf>

Subject:) Economy

Subtopic:) Eco. Growth and Development

Q.9) GDP Deflator helps in better understanding of economic situation in a country. In this context, consider the following statements about GDP Deflator:

1. It reflects the price levels of domestically produced final goods and services in an economy.
2. It can be used as a tool to measure inflation in an economy.

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

Ans) c

Exp) Option c is the correct answer.

The **gross domestic product (GDP) price deflator** is a **formula** that **measures** the **amount** that the **real value of an economy's total output** is **reduced by inflation**. It **helps economists track more accurately how the economy is faring over time**, while **taking inflation into account**.

Statement 1 is correct: The **GDP Deflator** is a **broad measure of price inflation within an economy** that includes the **prices of all domestically produced final goods and services**. It **reflects the changes in price levels from one year to another** and is **calculated by dividing the nominal GDP by the real GDP**, then multiplying by 100 i.e. in equation format, this is represented as -

GDP Price Deflator = (Nominal GDP : Real GDP) × 100

It focuses on the **value of goods and services produced within the country** during the year, **excluding imports**. Only **final goods** used by **consumers or for investment** are considered, **not intermediate goods** used in production.

Statement 2 is correct: The **GDP deflator**, also called **implicit price deflator**, is a **measure of inflation**. It is the **ratio of the value of goods and services an economy produces in a particular year at current prices to that of prices that prevailed during the base year**. This ratio helps show the extent to which

the increase in gross domestic product has happened on account of higher prices rather than an increase in output. Since the deflator covers the entire range of goods and services produced in the economy – as against the limited commodity baskets for the wholesale or consumer price indices – it is seen as a more comprehensive measure of inflation.

Source: <https://ncert.nic.in/ncerts/l/leec102.pdf>

<https://www.thehindu.com/business/Economy/what-is-the-gdp-deflator/article24489279.ece>

<https://www.investopedia.com/terms/g/gdppricedeflator.asp>

Subject:) Economy

Subtopic:) National Income Accounting

Q.10) Consider the following statements:

1. Governor of a state has a discretionary power to dismiss a minister without the advice of the Chief Minister.
 2. Governor of a state, under the constitution, has no executive function to perform independently.
- Which of the above statements is/are **incorrect**?

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

Ans) a

Exp) Option a is the correct answer.

Statement 1 is incorrect: The Ministers hold the office at the pleasure of the Governor but as he/she is the constitutional head and acts only on the aid and advice of Council of ministers. **The Governor can dismiss a minister only on the advice of the Chief Minister.**

Statement 2 is correct: The Governor under the Constitution has no executive function to perform independently and should always act on the aid and advice of the Council of Ministers.

Source: Forum IAS quarterly current affairs magazine for prelims, July-September 2023, Page-10

Subject:) Current Affairs

Subtopic:) Governor

Q.11) If farmers' loans are waived in India, how will it affect the aggregate demand in the economy?

1. Private consumption impact via increase in private sector net wealth
2. Public sector impact via changes in government expenditure/taxes
3. Crowding-out impact via higher borrowings by State Governments
4. Crowding-in impact via higher credit availability as bank NPAs fall

Select the correct answer using the codes given below.

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

Ans) b

Exp) Option b is the correct answer.

The farm loan waivers will affect the aggregate demand in four ways:

- 1) impact on private consumption because there will be increases in private sector net wealth,
- 2) impact on the public sector because there will be changes in government expenditure or taxes,
- 3) crowding-out impact because there will be higher borrowings by state governments and
- 4) crowding in impact because there will be higher credit availability as bank NPAs fall.

Source: UPSC CAPF 2018

Subject:) Economy Subtopic:) Eco. Growth and Development

Q.12) When patents over a vaccine are granted to a single company, which of the following is most likely to result in vaccine market, due to this decision?

- a) Monopsony
- b) Monopolistic competition
- c) Monopoly
- d) Oligopolistic competition

Ans) c

Exp) Option c is the correct answer.

A **perfectly competitive market** has been defined as one where an **individual firm** is **unable** to **influence** the **price** at which the **product** is **sold** in the **market**. But there are **many situations** in an **economy** when the **entities involved can influence markets** and **distort competition**.

Option a is incorrect: A **monopsony** occurs when there is **only one buyer in a market**, which is **not** the **case** when a **single company holds patents over a vaccine**. In this scenario, the company is the seller, not the buyer, of the vaccine. **Monopsony typically applies to markets where a single entity has significant buying power** and can **influence the price** at which it purchases goods or services.

Option b is incorrect: **Monopolistic competition** characterizes a **market structure** where **many firms sell products** that are **similar but not identical**. Each **firm** has a **degree of market power** but **must also consider the actions of its competitors**. When a **single company holds patents** over a vaccine, it **does not face competition from similar products**, which is contrary to the conditions of monopolistic competition.

Option c is correct: **Granting patents for a vaccine to a single company** typically results in a **monopoly situation**. In a **monopoly**, a **single firm controls the entire market for a product or service**, with **no close substitutes available**. The **patent protection eliminates potential competitors** from **producing or selling the same vaccine**, **allowing the company to set prices and control the supply without competition**. This exclusive control over the market can lead to higher prices and restricted access compared to a competitive market scenario. The Patents Act of 2005 in India allows generic versions of patented drugs to be manufactured and exported under a compulsory license to meet the health needs of underdeveloped countries.

Option d is incorrect: Oligopoly in a market occurs when there are a small number of firms producing a homogenous commodity. If the market of a particular commodity consists of more than one seller but the number of sellers is few, the market structure is termed oligopoly.

Knowledge Base:

There are four types of imperfect markets –

- 1) Monopoly (only one seller)
- 2) Oligopoly (few sellers of goods)
- 3) Monopolistic competition (many sellers with highly differentiated product)
- 4) Monopsony (only one buyer of a product)

Source: Indian Economy Red book by ForumIAS Ch: 1

<https://ncert.nic.in/ncerts/l/leec206.pdf>

<https://economictimes.indiatimes.com/definition/imperfect-competition>

<https://www.investopedia.com/terms/m/monopoly.asp#:~:text=Investopedia%20/%20Jessica%20Olah-,Understanding%20a%20Monopoly,at%20lower%20costs%20per%20unit.>

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2900001/#:~:text=According%20to%20the%20provisions%20of,drugs%20have%20dramatic%20health%20benefits.>

[https://www.ies.gov.in/pdfs/why-India-needs-to-urgently-invest-in-its-IPR-ecosystem-16th-Aug-2022.pdf#:~:text=There%20has%20been%20a%20gradual%20increase%20in,during%20the%20same%20time%20period%20\(Table%201\).](https://www.ies.gov.in/pdfs/why-India-needs-to-urgently-invest-in-its-IPR-ecosystem-16th-Aug-2022.pdf#:~:text=There%20has%20been%20a%20gradual%20increase%20in,during%20the%20same%20time%20period%20(Table%201).)

Subject:) Economy

Subtopic:) Micro Economics

Q.13) Which one of the following statements refers to a "Goldilocks scenario" for an economy?

- a) An economic situation where the economy is experiencing high inflation and low employment growth.
- b) A period of rapid economic expansion, followed by a severe contraction in the economy.
- c) An economy undergoing deflation and high rates of unemployment.
- d) An economic condition characterized by moderate economic growth, low inflation rate, and low unemployment rate.

Ans) d

Exp) Option d is the correct answer.

The **Goldilocks scenario** in an economy is a **term stolen** from a line from the **popular children's story Goldilocks and the Three Bears**. Consequently, the '**Goldilocks scenario**' can be understood to describe an **ideal state for an economic system**. In this perfect state, there is **full employment, economic stability, and stable growth**.

Option a is incorrect: High inflation and low employment growth typically indicate an economy that is overheating or possibly **entering a stagflation scenario**, not a Goldilocks scenario. **Stagflation is a condition of slow economic growth and relatively high unemployment**—a period of stagnation—accompanied by rising prices (inflation).

Option b is incorrect: A period of rapid expansion followed by a severe contraction describes a **boom-and-bust cycle** rather than a Goldilocks scenario. **Such cycles are characteristic of volatile economies and can lead to significant economic instability**, contrary to the steady and balanced growth seen in a Goldilocks scenario.

Option c is incorrect: An economy experiencing deflation and high rates of unemployment is facing economic challenges that are the **opposite of what is desired in a Goldilocks scenario**. **Deflation, a decrease in the general price level of goods and services, can lead to decreased consumer spending**, which can exacerbate unemployment and slow down economic growth.

Option d is correct: The term "**Goldilocks scenario**" refers to a situation that is **neither too hot nor too cold**, or in **economic terms, not too much growth to cause inflation**, nor **too little causing a recession**. It describes an **ideal state for an economy**, where the **pace of growth is steady and sustainable, inflation is low and under control**, and **unemployment rates are minimal**, leading to a balanced and healthy economic environment.

Source: <https://indianexpress.com/article/explained/explained-economics/rbi-monetary-policy-economy-goldilocks-8653196/>
<https://m.economictimes.com/news/economy/policy/sab-changa-si-rbi-mpc-minutes-suggest-india-is-in-a-goldilocks-scenario/articleshow/107931296.cms#:~:text=India's%20policymakers%20see%20a%20'Goldilocks%20scenario'%20with,growth%2C%20economists%20urge%20vigilance%20due%20to%20global>

Subject:) Economy

Subtopic:) Eco. Growth and Development

Q.14) In the context of current scenario of Indian economy, consider the following statements:

Statement-I: India is the third largest economy in the world in terms of Purchasing power parity (PPP).

Statement-II: India has the third highest Gross Domestic Product (GDP) per capita among all countries in the world.

Which one of the following is correct in respect of the above statements?

- a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
- b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
- c) Statement-I is correct but Statement-II is incorrect.
- d) Statement-I is incorrect but Statement-II is correct.

Ans) c

Exp) Option c is the correct answer.

Purchasing Power Parity (PPP) is a widely used macroeconomic metric that helps compare economic productivity and living standards across countries.

This concept revolves around an economic theory that assesses different countries' currencies by comparing a standardised "basket of goods." **In simpler terms, PPP determines the exchange rate at which one country's currency can buy the same quantity and quality of goods as another country's currency.**

When applying PPP, two currencies are considered to be in equilibrium or at parity when the prices of the basket of goods are equal in both countries, factoring in the prevailing exchange rates.

Let's consider an example using Indian Rupees (INR) and US Dollars (USD):

Suppose a laptop costs \$1000 in the United States and an equivalent laptop cost ₹75,000 in India. To calculate the purchasing power parity (PPP) exchange rate between INR and USD, we divide the price in INR by the price in USD:

$$₹75,000 / \$1000 = ₹75 \text{ per USD}$$

According to PPP, this implies that 1 US Dollar should be equivalent to ₹75 for the purchasing power to be equal in both countries.

Statement I is correct: India holds the position of the world's **third-largest economy in terms of Purchasing Power Parity (PPP)**, signifying that when converting India's GDP from Indian Rupees (INR) to a common currency (typically US Dollars) using PPP exchange rates, India ranks third globally in economic output. This ranking reflects India's actual purchasing power relative to other major economies, adjusting for variances in price levels across nations.

Statement II is incorrect: **India's rank, in terms of per capita income, is 141st (out of 189) in July 2023.** India's per capita income of \$1,438 in 2013-14 has increased to \$2,389 in 2022-23, at a compounded annual growth rate of 5.8 per cent.

Source: <https://www.moneycontrol.com/news/business/economy/the-modern-indian-growth-story-third-largest-economy-by-ppp-and-the-expanding-power-of-the-consumer-12056231.html#>

<https://www.deccanherald.com/opinion/india-will-soon-become-third-largest-economy-does-it-matter-1238134.html>

<https://www.investopedia.com/updates/purchasing-power-parity-ppp/>

Subject:) Economy

Subtopic:) Eco. Growth and Development

Q.15) Lunar Probe Exploration Mission (LUPEX), recently seen in the news is a joint venture between India and

- a) Japan
- b) European Union
- c) Russia
- d) France

Ans) a

Exp) Option a is the correct answer.

Lunar Probe Exploration Mission (LUPEX) is the joint mission of the Indian and Japanese space agencies to explore the moon's Polar region.

Source: Forum IAS quarterly current affairs magazine for prelims, July-September 2023, Page-40

Subject:) Current Affairs

Subtopic:) Space Mission

Q.16) With reference to 'Production Possibility Frontier (PPF)', which of the following statements is correct?

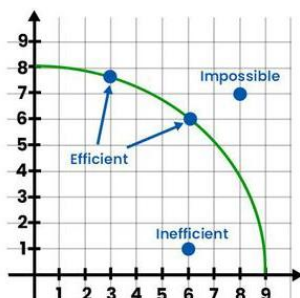
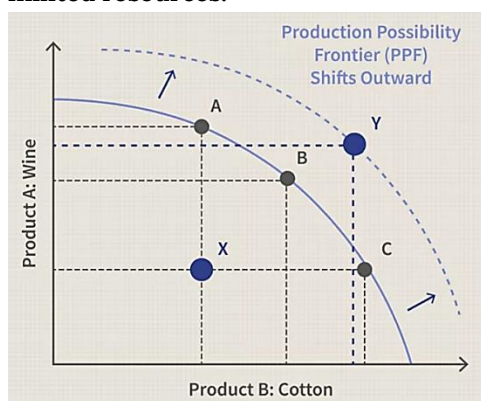
- a) It demonstrates the ideal combination of goods and services that a country should produce to maximize profit.
- b) It illustrates how an economy can produce sustainably beyond its limits without facing any constraints.
- c) It reflects the trade-offs between production of different goods and services due to limited resources.
- d) It depicts a fixed scenario and remains unchanged regardless of alterations in resources or technological advancements, implying a constant optimal production combination.

Ans) c

Exp) Option c is the correct answer.

The **Production Possibility Frontier (PPF)** is a graphical representation that shows the maximum possible combinations of two goods or services that an economy can produce given its resources and technology.

The key concept illustrated by the PPF is the idea of scarcity and the trade-offs that arise due to limited resources.



When an economy operates along the PPF curve, it means it is utilising its resources efficiently to produce a combination of goods and services. However, because resources are limited, producing more of one good or service typically means producing less of another. This **trade-off** is depicted by the downward slope of the PPF curve, indicating that as more resources are allocated to producing one good, the production of the other good must decrease. Therefore, option c is correct because the PPF indeed reflects the trade-offs that an economy faces when deciding how to allocate its limited resources among different goods and services.

All other options are incorrect.

Source: <https://economictimes.indiatimes.com/definition/production-possibility-frontier>

<https://www.investopedia.com/terms/p/productionpossibilityfrontier.asp>

Subject:) Economy

Subtopic:) Inclusive Growth and Development

Q.17) Which of the following represents the Disposable Income for an individual or household?

- a) The income remaining after subtracting the taxes and savings contributions from the total income.
- b) The income remaining after deducting taxes from the total income.
- c) The income remaining after paying for necessities such as taxes, housing and food from the total income.
- d) The proportion of total income that is subjected to taxation after allowable deductions, exemptions, and credits are subtracted.

Ans) b

Exp) Option b is the correct answer.

Disposable income refers to the amount of money an individual or household has available for spending, saving, and investing after taxes have been subtracted from their total income. **Disposable income** represents the portion of income that can be used freely by individuals for various purposes, such as purchasing goods and services, making savings contributions, paying for discretionary expenses, or investing in assets.

It refers to the income that remains after taxes have been **subtracted from total income**. Disposable income is what individuals or households have available for spending and saving after fulfilling their tax obligations.

Source: ForumIAS Economy Classroom notes

<https://www.investopedia.com/terms/d/disposableincome.asp>

<https://ncert.nic.in/textbook/pdf/leec105.pdf>

Subject:) Economy

Subtopic:) National Income Accounting

Q.18) Consider the following statements:

Statement-I: Adam Smith advocated that the government should play the role of an invisible hand in the economy.

Statement-II: Adam Smith supported the idea of free market.

Which one of the following is correct in respect of the above statements?

- a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
- b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
- c) Statement-I is correct but Statement-II is incorrect
- d) Statement-I is incorrect but Statement-II is correct

Ans) d

Exp) Option d is the correct answer.

The term “invisible hand” was popularised by the economist Adam Smith in his book “The Wealth of Nations.” Smith used this concept to describe how self-interested individuals, acting in pursuit of their own economic goals, unintentionally contribute to the well-being of society as a whole.

Statement I is incorrect: Adam Smith did not advocate for the government to play the role of an invisible hand in the economy. Instead, he used the term “invisible hand” to describe how individual self-interest and competition in a free market, can lead to beneficial outcomes for society as a whole without direct government intervention.

Statement II is correct: Adam Smith supported the ideas/principles of a free market and privatisation in his seminal work “The Wealth of Nations.” He argued that allowing individuals and businesses to operate within a competitive market, free from excessive government intervention, fosters economic growth, innovation, and efficiency. Additionally, he advocated for privatisation, believing that private ownership encourages responsible management and better economic outcomes compared to state control.

Source: <https://ncert.nic.in/ncerts/l/lesy104.pdf>

Subject:) Economy

Subtopic:) Eco. Growth and Development

Q.19) Consider the following:

1. Higher investment in Infrastructure
2. Reduced dependency on foreign capital for domestic investments
3. Low bond yields

How many of the above can be the possible outcomes of high saving rates in an economy?

- a) Only one
- b) Only two
- c) All three
- d) None

Ans) c

Exp) Option c is the correct answer.

- 1) **Saving rates, often expressed as a percentage, represent the portion of disposable income that individuals or entities choose to save rather than spend on consumption.**
- 2) **Disposable income** refers to the income remaining after taxes have been deducted.
- 3) Saving includes various forms of putting money aside for future use, such as depositing funds into savings accounts, purchasing financial assets like stocks or bonds, or investing in real assets like property or commodities.
- 4) Saving rates can be calculated at the individual, household, or national level and are an essential component of overall economic health and stability.

Option 1 is correct:

- 1) When individuals and households save more, financial institutions accumulate a larger pool of funds available for lending.
- 2) These **funds are then channelled into investments in various sectors of the economy**, such as businesses expanding operations, infrastructure development, etc.
- 3) Increased investment can stimulate economic growth by boosting productivity, creating job opportunities, and fostering innovation.
- 4) As a result, **high saving rates often correlate with higher levels of investment, which contributes to overall economic expansion.**

Option 2 is correct: Increased domestic/household savings generally lead to increased finance investments in the economy, thus diminishing the need to rely materially on external capital inflows and decreasing the demand for external/foreign capital.

Option 3 is correct: Bonds are fixed-income securities issued by governments, corporations, or other entities to raise capital. **High saving rates can lead to increased demand for bonds as savers seek secure investment options with relatively predictable returns.** The heightened demand for bonds can **drive up their prices in the bond market, causing bond yields to decrease.**

Source: <https://m.economictimes.com/wealth/personal-finance-news/how-falling-household-savings-affect-the-economy/articleshow/104056049.cms>

Subject:) Economy

Subtopic:) Eco. Growth and Development

Q.20) East Asia Summit (EAS) is the Indo Pacific's premier forum for strategic dialogue. In this context consider the following countries:

1. India
2. Canada
3. New Zealand
4. China

5. Democratic People's Republic of Korea

How many of the above are the participating countries of East Asia Summit?

- a) Only one
- b) Only two
- c) Only three
- d) Only four

Ans) c

Exp) Option c is the correct answer.

Options 1, 3 and 4 are correct: East Asia Summit comprises of 18 participating countries including 10 ASEAN member states and Australia, India, Japan, China, New Zealand, Republic of Korea, Russian Federation and the USA.

Options 2 and 5 are incorrect: Canada and Democratic People's Republic of Korea (North Korea) are not the participating countries of East Asia Summit.

Source: Forum IAS quarterly current affairs magazine for prelims, July-September 2023, Page- 16

Subject:) Current Affairs

Subtopic:) East Asia Summit

Q.21) 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

Ans) a

Exp) Option a is the correct answer.

Monopolistic competition is a market structure characterized by a large number of buyers and sellers and differentiated products.

Option 1 and 2 are correct: The key features of monopolistic competition include :

- 1) **Differentiated products:** In monopolistic competition, firms produce products that are differentiated in terms of branding, packaging, quality, design, or other attributes. This product differentiation allows firms to have some control over the price they charge and gives them a degree of market power.
- 2) **Large number of buyers and sellers:** Monopolistic competition involves a large number of firms competing in the market, each producing a slightly different product. Similarly, there are a large number of buyers with varying preferences. This ensures that no single firm has significant market control and there is intense competition.

Option 3 and 4 are incorrect:

- 1) **Barriers to entry:** Monopolistic competition typically does not have significant barriers to entry or exit. New firms can enter the market and compete with existing firms, leading to relatively easy entry and exit.
- 2) **Homogeneous products:** Monopolistic competition is characterized by differentiated products, not homogeneous products. Homogeneous products are typically associated with perfect competition, where all firms produce identical products.

Source: UPSC CDS 2022 (I)

Subject:) Economy Subtopic:) Microeconomics

Q.22) Consider the following:

1. Acquisition of defense equipment
2. Purchase of draught animals
3. Expenditure on net acquisition of valuables
4. Planting and cultivating new orchards
5. Purchase of durable goods by households

With reference to Indian economy, how many of the above indicates increase in the Gross capital formation (GCF)?

- a) Only two
- b) Only three
- c) Only four
- d) All five

Ans) b

Exp) Option b is the correct answer.

Gross capital formation (GCF) refers to the aggregate of gross additions to fixed assets (i.e., fixed capital formation), increase in stocks of inventories and net acquisition of valuables.

Option 1 is incorrect: Acquisition of Defense Equipment:

- 1) **Excluded from GCF:** Defense equipment purchases **are not considered part of GCF**. When the government acquires defense equipment (such as military hardware, vehicles, or weapons), it is primarily for national security and defense purposes. While these acquisitions contribute to economic activity, they are not directly related to increasing the productive capacity of the economy. Therefore, they are not included in GCF calculations.

Option 2 is correct: Purchase of Draught Animals:

Included in GCF: The purchase of draught animals (such as oxen or horses) is considered part of GCF. Draught animals are essential for agricultural activities, transportation, and other productive purposes. When farmers or businesses invest in acquiring draught animals, they are directly contributing to the capital stock of the economy. These animals assist in ploughing fields, pulling carts, and performing other tasks necessary for economic production.

Option 3 is correct: Expenditure on Net Acquisition of Valuables:

Included in GCF: Expenditure on net acquisition of valuables is included in GCF. Valuables refer to items like gold, jewellery, and precious stones. When individuals or institutions acquire these valuables, they are considered investments in tangible assets. While they may not directly contribute to production, they are part of the overall capital formation process.

Option 4 is correct: Planting and Cultivating New Orchards:

- 1) **Included in GCF:** Planting and cultivating new orchards contribute to GCF.
- 2) Establishing new orchards involves significant investment in land preparation, planting trees, irrigation systems, and ongoing maintenance. Orchards yield fruits, nuts, or other agricultural products, which enhance the productive capacity of the economy. Therefore, this activity is considered part of GCF.

Option 5 is incorrect: Purchase of Durable Goods by Households:

- 1) **Excluded from GCF:** Household purchases of durable goods (such as cars, appliances, or electronics) are also **excluded from GCF**.
- 2) **Explanation:** While durable goods contribute to economic activity and consumer spending, they are not considered investments in fixed assets. These goods do not directly enhance the productive capacity of the economy. Therefore, they are not part of GCF.

Source:

https://mospi.gov.in/sites/default/files/reports_and_publication/statistical_manual/Chapter%2025.pdf

Subject:) Economy

Subtopic:) National Income Accounting

Q.23) Which of the following best describes the concept of paradox of thrift?

- a) The tendency for individuals to save more during economic downturns, which can lead to a decrease in overall demand and further economic decline.
- b) The notion that government spending is more effective than individual saving in stimulating economic growth.
- c) The idea that excessive saving by individuals can sometimes result in inflation due to decreased supply of goods and services in the market.
- d) The phenomenon that a surge in overall saving rates across the economy can lead to an increase in interest rates.

Ans) a

Exp) Option a is the correct answer.

- 1) **The Paradox of Thrift is a concept in economics that highlights a potential contradiction between individual behavior and its collective impact on the economy.** It was popularized by the British economist **John Maynard Keynes during the Great Depression in the 1930s**. The paradox arises from the interaction between saving and consumption at the macroeconomic level.
- 2) At an individual level, thriftiness or saving is often considered a virtue. When individuals save money, they are setting aside a portion of their income for future use, which can provide financial security, help in achieving long-term goals, and create a safety net for unforeseen circumstances.
- 3) However, **when many individuals simultaneously increase their savings, particularly during economic downturns or periods of uncertainty, it can lead to adverse effects on the overall economy.** This is where the paradox comes into play.
- 4) **The paradox arises because while saving is beneficial at an individual level, if everyone in the economy saves more and consumes less, it can have detrimental effects on aggregate demand,** which is the total demand for goods and services in the economy.
- 5) When **people save more and spend less, there is a reduction in consumption expenditure,** which is a significant component of aggregate demand. **This decrease in consumption can lead to a decrease in overall demand** for goods and services in the economy, which in turn can result in lower production levels, decreased investment, rising unemployment, and economic stagnation.
- 6) In other words, what may be good for an individual—increased saving for future security—can have negative consequences when viewed collectively. This is because one person's spending is another person's income in the economy. When everyone saves more and spends less, businesses earn less revenue, leading to reduced hiring and potential layoffs, which further dampens overall economic activity.
- 7) **Keynes argued that during economic downturns, when private sector spending is insufficient to maintain full employment and stimulate economic growth, government intervention through fiscal policy, such as increased government spending or tax cuts, is necessary to boost aggregate demand** and offset the effects of the paradox of thrift.
- 8) In summary, **the Paradox of Thrift underscores the complex interplay between individual behavior and macroeconomic outcomes. While saving is prudent at an individual level, excessive saving by many individuals can contribute to economic weakness by reducing overall demand and potentially prolonging periods of economic downturns.**

Source: <https://ncert.nic.in/textbook/pdf/leec104.pdf>

<https://www.investopedia.com/terms/p/paradox-of-thrift.asp>

[https://www.thehindubusinessline.com/opinion/editorial/low-savings-and-borrowings-for-consumption-are-red-](https://www.thehindubusinessline.com/opinion/editorial/low-savings-and-borrowings-for-consumption-are-red-signals/article67462428.ece#:~:text=He%20had%20formulated%20the%20paradox,more%20demand%20and%20production%20declines.)

[signals/article67462428.ece#:~:text=He%20had%20formulated%20the%20paradox,more%20demand%20and%20production%20declines.](https://www.thehindubusinessline.com/opinion/editorial/low-savings-and-borrowings-for-consumption-are-red-signals/article67462428.ece#:~:text=He%20had%20formulated%20the%20paradox,more%20demand%20and%20production%20declines.)

Subject:) Economy

Subtopic:) Eco. Growth and Development

Q.24) Consider the following items:

1. Net compensation of employees
2. Net Interest on External grants
3. Net income from property and entrepreneurship

How many of the above items are taken into account for calculating Net Factor Income from abroad (NFIA)?

- a) Only one
- b) Only two
- c) All three
- d) None

Ans) c

Exp) Option c is the correct answer.

Option 1 is correct: Net compensation of employees: This refers to the net earnings or compensation received by Indian citizens who are employed in foreign countries. Since this represents **income earned by residents of India from their employment abroad, it contributes positively to NFIA**

Option 2 is correct: Net interest on external loans include balance of inflow (on the money lent out) and outflow (on the money borrowed) interest payments.

Option 3 is correct: Net income from property and entrepreneurship: This refers to the net profits or earnings generated by companies based in India from their operations or investments abroad. Since these **earnings are considered as income earned by resident companies of India from their activities abroad, they contribute positively to NFIA.**

Source: Indian Economy Red book by ForumIAS Ch: 2

ForumIAS Economy Classroom notes

https://mospi.gov.in/sites/default/files/reports_and_publication/cso_national_accounts/chpeighteen_nad003.pdf

Subject:) Economy

Subtopic:) National Income Accounting

Q.25) Consider the following statements:

1. Danube River is the longest river in Europe.
2. Sulina Channel is a distributary of Danube River.

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

Ans) b

Exp) Option b is the correct answer.

Statement 1 is incorrect: Danube River is the second longest river in Europe after Volga in Russia.

Statement 2 is correct: Near Romania, the Danube River begins to spread out into its delta which has three major channels: Chilia, Sulina and St George. **Sulina channel is a 63 km long distributary of the Danube.**

Source: Forum IAS quarterly current affairs magazine for prelims, July-September 2023, Page- 17

Subject:) Current Affairs

Subtopic:) Danube River

Q.26) Consider the following statements:

Statement-I: ICOR (Incremental Capital Output Ratio) has been decreasing consistently for the last five years in India.

Statement-II: A lower ICOR indicates more efficient and productive use of capital.

Which of the given statements above is/are correct?

- a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
- b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
- c) Statement-I is correct but Statement-II is incorrect
- d) Statement-I is incorrect but Statement-II is correct

Ans) d

Exp) Option d is the correct answer.

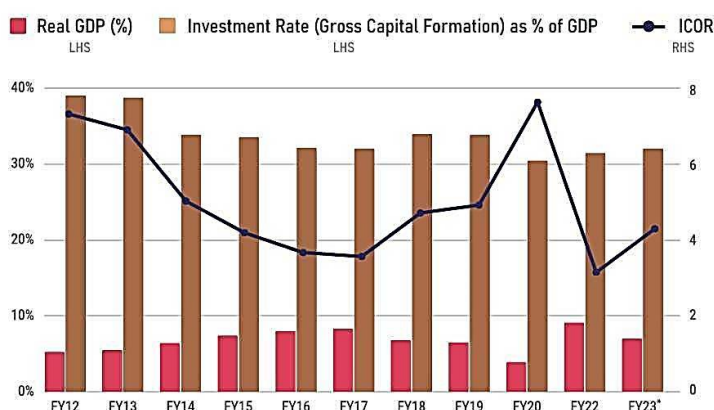
The Incremental Capital Output Ratio (ICOR) measures the amount of capital required to generate an additional unit of output in an economy. A lower ICOR indicates higher efficiency in resource utilization and economic growth. Governments and policymakers use ICOR to assess investment effectiveness and plan economic development strategies accordingly.

$\text{ICOR} = \text{Change in Capital} / \text{change in output} = \text{Investment in \% of GDP} / \text{\% change in GDP}$

Statement-I is incorrect: The ICOR in India has not been decreasing consistently in the past five years. According to SBI report there has been an increase in ICOR in FY20 and decrease in FY22.

■ Is India growing more efficiently?

The incremental capital output ratio (ICOR) seems to suggest so



Note: We're ignoring FY21 because it was a pandemic affected year with negative GDP growth of -5.8%

Source: SBI Research
*Based on SBI estimate

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Statement-II is correct: A lower Incremental Capital Output Ratio (ICOR) signifies enhanced efficiency in investment, necessitating less capital for each unit of output. This efficiency leads to heightened productivity and economic growth, allowing for the achievement of greater output with either the same amount of capital or even less. The decrease in ICOR is attributed to factors such as economic and technical innovation, where companies develop cost-effective solutions that require minimal capital investment.

Statement-I is incorrect, but Statement-II is correct.

Source: <https://economictimes.indiatimes.com/news/economy/policy/strong-footed-indias-economic-potential-outpaces-ill-conceived-hindu-rate-of-growth/articleshow/98472368.cms?from=mdr>

Subject:) Economy

Subtopic:) Eco. Growth and Development

Q.27) Kuznets Curve establishes an inverted U-shaped relationship between which of the following two parameters in an economy?

- a) Inflation and unemployment
- b) Technological advancement and labor demand
- c) Population growth and resource depletion
- d) Income distribution and economic growth

Ans) d

Exp) Option d is the correct answer

The Kuznets curve is a graphical representation that hypothesizes an inverted U-shaped relationship between income distribution and economic growth.

- 1) As an economy grows and develops, the curve suggests that income inequality will first increase and then decrease after a certain level of average income is reached.
- 2) The initial increase in inequality is attributed to the migration of labor from agriculture to more productive sectors in urban areas, which leads to higher income disparities.
- 3) Over time, as the economy matures and diversifies, income distribution becomes more equitable, and inequality decreases.

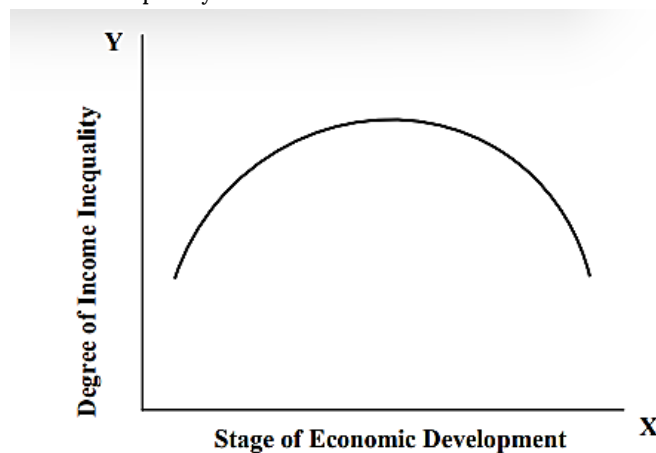


Fig.8.3 Kuznets' Curve

Source: <https://egyankosh.ac.in/bitstream/123456789/83225/1/Unit-8.pdf>

Subject:) Economy

Subtopic:) Inclusive Growth and Development

Q.28) Which one of the following statements best reflects the crux of 'Technical Recession' in an economy?

- a) It is a period of significant, widespread, and prolonged downturn in economic activity.
- b) It is a situation where there is only one quarter of negative economic growth.
- c) It represents two consecutive quarters of negative growth in a country's real GDP.
- d) It is a downturn in economic activity caused by a single event lasting for a short duration.

Ans) c

Exp) Option c is the correct answer.

A recession, according to the International Monetary Fund (IMF), refers to a significant decline in economic activity characterized by reduced GDP, employment, and investment. It often involves decreased consumer spending and business confidence.

Option c is correct: A technical recession is commonly defined as two consecutive quarters of negative growth in a country's Real Gross Domestic Product (GDP). This decline signifies a contraction in economic activity, including reduced consumer spending, investment, and production.

It may result from various factors such as decreased consumer confidence, reduced business investment, or external shocks.

Source: <https://indianexpress.com/article/explained/what-is-a-technical-recession-indian-economy-coronavirus-7049758/>,

Subject:) Economy

Subtopic:) Eco. Growth and Development

Q.29) Consider the following statements about Net Domestic Product (NDP):

1. It is the market value of all final goods and services produced by the citizens of a country during a specific period.
2. It excludes the value of depreciation of capital goods.
3. It is always greater than Gross Domestic Product (GDP).

How many of the above statements are correct?

- a) Only one
- b) Only two
- c) All three
- d) None

Ans) a

Exp) Option a is the correct answer.

Statement 1 is incorrect: Gross National Product (GNP) and not the Net Domestic Product (NDP) is the market value of all final goods and services produced by the citizens of a country during a specific period.

Net Domestic Product (NDP) measures the value of goods and services produced within a country's borders after accounting for depreciation, providing a more accurate reflection of economic output.

Statement 2 is correct: NDP is calculated by subtracting depreciation from GDP. It excludes the value of depreciation. This is because depreciation is a measure of the capital that has been consumed during the production process and needs to be accounted for to estimate the net production of an economy.

Statement 3 is incorrect: The Net Domestic Product (NDP) of an economy is lower than its Gross Domestic Product (GDP) because NDP is calculated by subtracting depreciation from GDP. Depreciation accounts for the wear and tear on capital assets over time, which reduces the overall value of goods and services produced.

Source: Indian Economy Red book by ForumIAS Ch: 2

ForumIAS Economy Classroom notes

Subject:) Economy

Subtopic:) National Income Accounting

Q.30) In the year 2023, Gabon and Niger caught the international attention for which of the following reason common to both of them?

- a) Discovery of huge deposits of rare Earth Metal.
- b) Establishment of USA military bases.
- c) Military coup.
- d) Devastating floods.

Ans) c

Exp) Option c is the correct answer

Gabon in August 2023 and Niger in July 2023 underwent military coup. Though there were floods but in different years in Niger in 2021 and Gabon in 2022. In 2023, Lybia suffered from devastating floods.

Source: Forum IAS quarterly current affairs magazine for prelims, July-September2023, Page- 21

Subject:) Current Affairs

Subtopic:) Military Coup in Africa

Q.31) A “closed economy” is an economy in which:

- a) the money supply is fully controlled
- b) deficit financing takes place
- c) only exports take place
- d) neither exports nor imports take place

Ans) d

Exp) Option d is the correct answer.

Closed economy is one which does not interact with economy of any other country. There is absence of any imports or exports. It means that country is self-sufficient for all its domestic demands.

There are no economies which are completely closed. Brazil imports the least amount of goods in the world when measured as a portion of the gross domestic product (GDP) and is the most closed economy in the world.

Source: UPSC CSE PRE. 2011

Subject:) Economy

Subtopic:) Eco. Growth and Development

Q.32) In the context of regulating prices in market, ‘price floor’ best refers to which one of the following?

- a) The highest price at which consumers are willing to purchase a product.
- b) A government imposed minimum price for a good or service.
- c) A SEBI imposed minimum price of share for an Initial Public Offering (IPO).
- d) The highest price of a product set by the producers to maximize profits.

Ans) b

Exp) Option b is the correct answer.

For certain goods and services, it is undesirable for prices to drop below a certain level. Therefore, the government establishes minimum prices, known as price floors, for these goods and services to prevent their prices from falling below a specified threshold.

A price floor is a regulatory measure implemented by governments to ensure fair incomes for producers, particularly in agricultural markets, by preventing prices from falling below a certain level. This intervention is often used in agricultural markets to ensure farmers receive a fair income for their produce. However, price floors can also have unintended consequences, such as surpluses and deadweight loss, if the minimum price is set too high.

Source: <https://ncert.nic.in/ncerts/l/leec205.pdf>

Subject:) Economy

Subtopic:) Inclusive Growth and Development

Q.33) In the context of national income accounting in India, consider the following indicators:

1. Gross Domestic Product (GDP)
2. Net Domestic Product (NDP)
3. Gross National Product (GNP)
4. Net National Product (NNP)

In which of the above indicators, will income of a foreign citizen residing in India be included?

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

Ans) a

Exp) Option a is the correct answer.

Option 1 is correct. The total final value of goods and services produced within the domestic territory of a country in a specified time period (generally a financial year) is called gross domestic product (GDP). For the calculation of GDP place of production is primary concern and not whether it is produced by Domestic or Foreign Nationals. So, **for calculating GDP, the income generated by foreigners in a country is taken into consideration.**

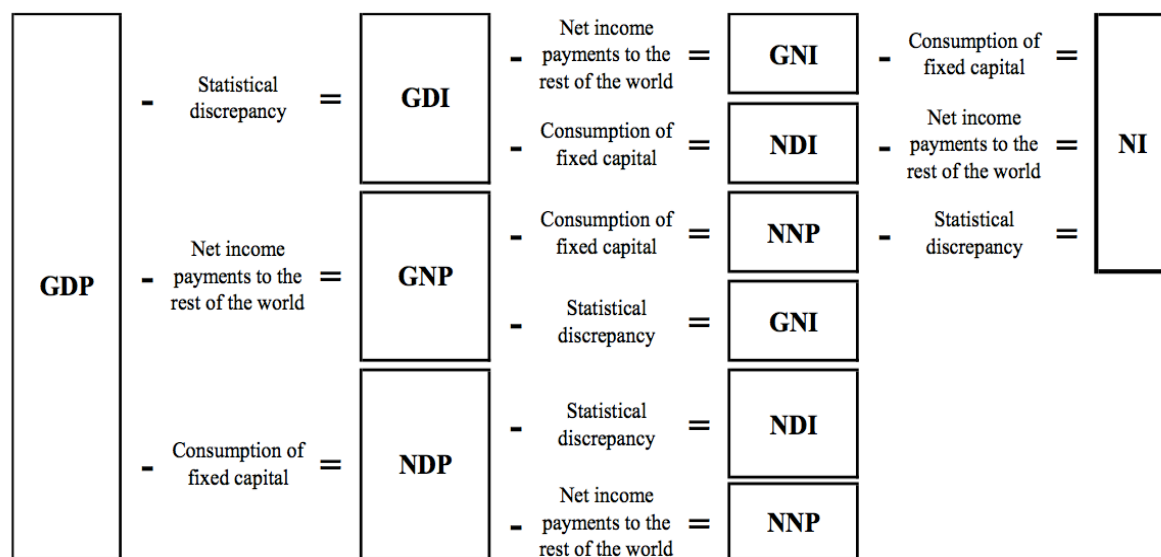
Option 2 is correct. Net Domestic Production (NDP) = GDP – Depreciation. So, **for calculating NDP income generated by foreigners in a country is taken into consideration. As NDP is derived from GDP, it also includes income from foreign nationals excluding the depreciation.**

Option 3 is incorrect. The gross national product (GNP) is the total production by the persons or the corporation native to a country including those who are based abroad. **GNP excludes domestic production by foreigners.**

Option 4 is incorrect. In calculation of Net National Product, Depreciation is subtracted from Gross National Product which can be represented as–
Net National Product (NNP) = GNP – Depreciation.

So, **for calculating NNP, income generated by foreigners in a country is not taken into consideration.**

Knowledge Base:



Source: Indian Economy Red book by ForumIAS Ch: 2

ForumIAS Economy Classroom notes

Subject:) Economy

Subtopic:) National Income Accounting

Q.34) In the context of goods classification under microeconomics, which type of goods are likely to exhibit increased demand with an increased price?

- Veblen goods
- Complementary goods.
- Inferior goods
- Normal goods

Ans) a

Exp) option a is the correct answer.

Goods are classified in microeconomics based on their **characteristics** and how **consumers respond** to changes in their prices, income, and preferences. This classification helps economists analyze consumer behavior, market dynamics, and the allocation of resources.

Option a is correct. **Veblen goods** are luxury goods or status symbols for which demand increases as the price rises. This phenomenon occurs because consumers **associate higher prices with higher quality or status, leading to increased demand**. Examples include luxury cars, designer clothing, and high-end jewelry.

Source: <https://ncert.nic.in/textbook/pdf/leec202.pdf>

Indian Economy Red book by ForumIAS Ch: 1

Subject:) Economy

Subtopic:) Microeconomics

Q.35) In the context of asset management, 'amortization' best refers to which one of the following?

- a) Reduction in value of fixed assets over specified time due to wear and tear.
- b) The process of gradually paying off a loan in pre-determined tenure.
- c) Writing off the cost of intangible assets over a specified period.
- d) Government's regular debt repayment at lower interest rates.

Ans) c

Exp) Option c is the correct answer.

Option a is incorrect. "Depreciation" means **decline in the value of a fixed asset** due to use, passage of time or obsolescence.

Option b is incorrect. The process of gradually paying off a loan **is related to financial accounting** and not National Income accounting. In the context of National Income, amortization specifically refers to writing off the cost of intangible assets, not the repayment of loans.

Option c is correct. Amortization refers to **writing-off the cost of intangible assets** like patents, copyright, trademarks, franchises, goodwill which have utility for a specified time. The procedure for amortization or periodic write-off of a portion of the cost of intangible assets is the same as that for the depreciation of fixed assets

Option d is incorrect. A government's reduction of its debt through regular payments means **debt reduction through regular payments, which is not related to the concept of amortization** in the context of National Income.

Source: <https://ncert.nic.in/textbook/pdf/keac107.pdf>

Subject:) Economy

Subtopic:) Inclusive Growth and Development

Q.36) In the context of measurement of development of a nation, consider the following factors:

- 1. Cost of environmental degradation.
- 2. Unpaid household work.
- 3. Lost leisure time
- 4. Recognizing Economic Resilience.

How many of the above-mentioned factors are included in the calculation of Genuine Progress Indicator (GPI), making it a better Indicator of the development of a nation than the Gross Domestic Product (GDP)?

- a) Only one
- b) Only two
- c) Only three
- d) All four

Ans) d

Exp) Option d is the correct answer.

A Genuine Progress Indicator (GPI) is a metric used to measure the economic growth of a country. The GPI nets the positive and negative results of economic growth to examine if it has benefited people overall. **This makes GPI a more comprehensive indicator of development than Gross Domestic Product, which is a mere measure of final goods and services produced in the country in a given period.**

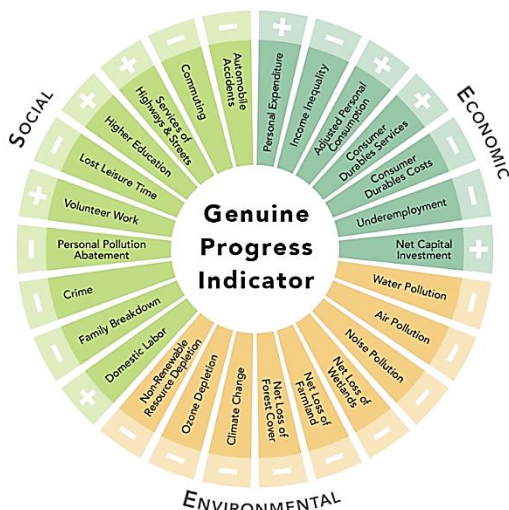
Statement 1 is correct. GPI considers social and environmental factors such as income distribution and **environmental degradation**, providing a more holistic assessment of well-being compared to GDP, which mainly focuses on economic output.

Statement 2 is correct. Unlike GDP, **GPI values unpaid household work**, such as caregiving and homemaking, recognizing its contribution to overall well-being.

Statement 3 is correct. GPI **includes indicators related to quality of life**, such as health outcomes, education levels, **and leisure time**, which are important components of overall well-being but are not captured by GDP measurements.

Statement 4 is correct. GPI **evaluates economic resilience** by considering factors such as savings rates, debt levels, and vulnerability to economic shocks.

Knowledge Base:



Source: <https://gnhusa.org/genuine-progress-indicator/>

Subject:) Economy

Subtopic:) Inclusive Growth and Development

Q.37) Consider the following statements:

In a functional economy,

1. National Income at market price is always higher than National income at factor cost.
2. Real Gross Domestic Product is generally higher than Nominal Gross Domestic Product.
3. Gross National Product at market price is generally higher than Net National Product at market price.

How many of the statements given above are correct?

- a) Only one
- b) Only two
- c) All three
- d) None

Ans) a

Exp) Option a is the correct answer.

Statement 1 is incorrect: Gross Domestic Product (GDP) at market cost and GDP at factor cost represent different methods on the calculation of a country's GDP. **Factor cost** is the total amount which the manufacturer had to invest in production of a good or commodity. It doesn't include any taxes imposed on the final product. But it includes the subsidies provided to the manufacturer during the production stage. **Market Price** is the price at which a product is sold in the market. It includes the cost of production in the form of wages, rent, interest, input prices, profit etc. It also includes the taxes imposed by the government. It excludes Government subsidy. So the relationship between Factor price and Market price is

GDP at market price = GDP at factor cost + Indirect Taxes – Subsidies

The relationship between GDP at market cost and GDP at factor cost can vary depending on the relationship between indirect taxes and subsidies. Hence the given statement is not always true.

Statement 2 is incorrect: **Nominal GDP** refers to the current year production of final goods and services valued at current year prices. **Real GDP** refers to the current year production of goods and services valued at base year prices which are constant prices. Typically, **Real GDP is lower than Nominal GDP when the economy experiences inflation.** Conversely, **Real GDP may be higher than Nominal GDP during deflationary periods when prices are falling but not generally higher than Nominal GDP.**

Statement 3 is correct: **Gross National Product (GNP)** measures the **total value of all final goods and services produced by the residents of a country** (both domestically and abroad) within a specific period, typically a year. Net National Product (NNP) is derived from GNP by subtracting depreciation (also known as capital consumption). NNP at market price is generally lower than GNP at market price because **depreciation reduces the value of the total output when calculating NNP.**

Source: <https://ncert.nic.in/ncerts/l/leec102.pdf>

<https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/gross-domestic-product-GDP>

<https://forumias.com/blog/factor-price-and-market-price/>

<https://forumias.com/blog/nominal-gdp-and-real-gdp-and-gdp-deflator/>

Subject:) Economy

Subtopic:) National Income Accounting

Q.38) Consider the following goods:

1. Essential Food items
2. Essential medicines/drugs
3. Luxury Cars
4. Petrol/diesel
5. Cigarettes

For how many of the above given goods, the price elasticity of demand is generally inelastic?

- a) Only two
- b) Only three
- c) Only four
- d) All five

Ans) c

Exp) Option c is the correct answer.

Option 1 is correct and option 3 is incorrect. Demand for essential food items does not change much even if food prices go up. This is because such goods are essential for life and the demands for such goods do not change much in response to changes in their prices. On the other hand, demand for luxury cars can be very responsive to price changes. In general, demand for a necessity is likely to be price inelastic while demand for a luxury good is likely to be price elastic.

Option 2 is correct. Essential medicines/drugs and medical procedures have inelastic demand. The patient will pay whatever he can. In general, products that significantly affect health and well-being have inelastic demand.

Option 4 is correct. The demand for petrol/diesel generally is fairly inelastic, especially in the short run. Car travel requires petrol or diesel and the substitutes for car travel offer less convenience and control. Only in the long run, more options are available, such as purchasing a more fuel-efficient car or choosing a job that is closer to where you work. Therefore petrol/ diesel is most likely inelastic.

Option 5 is correct: Habits of consumers determine price elasticity of demand of commodities/goods. For example, a chain smoker will not restrict his smoking even when the price of cigarettes rises. So, the price elasticity of demand in case of tobacco items like cigarettes and Gutka is generally inelastic.

Source:

https://nios.ac.in/media/documents/SrSec318NEW/318_Economics_Eng/318_Economics_Eng_Lesson16.pdf

<https://ncert.nic.in/ncerts/l/leec202.pdf>

Subject:) Economy

Subtopic:) Microeconomics

Q.39) With reference to Gini Coefficient, consider the following statements:

1. It is a standard method of measuring inequality in income distribution in a country.
2. India has experienced a consistent decline in its Gini coefficient over the past decade.

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

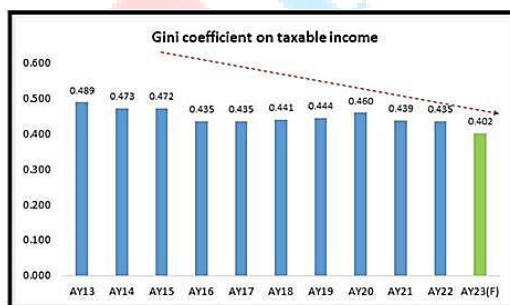
Ans) a

Exp) Option a is the correct answer.

Gini Coefficient is a popular statistical measure to gauge the rich-poor income or wealth divide.

Statement 1 is correct: Gini Coefficient measures inequality of a distribution of income or wealth within nations or States. Its value varies anywhere from zero to 1; zero indicating perfect equality and one indicating the perfect inequality. Gini Coefficients can be used to compare income distribution of a country over time as well.

Statement 2 is incorrect: India's Gini Coefficient has declined from 0.472 during Assessment Year 2014-15 to 0.402 for AY 2022-23 but the reduction has not registered the steady decline.



Source:

<https://pib.gov.in/PressReleasePage.aspx?PRID=1994259#:~:text=Using%20this%20measure%2C%20SBI%20Research,2.28%25%20in%202020%2D21.>

<https://www.thehindubusinessline.com/opinion/columns/slate/all-you-wanted-to-know-aboutgini-coefficient/article9895692.ece>

Subject:) Economy

Subtopic:) Inclusive Growth and Development

Q.40) With reference to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, consider the following statements:

1. It defines sexual harassment as only those act that involves physical contact or verbal comments of a sexual nature.
2. It mandates every employer to constitute an Internal Complaints Committee at each office or branch that has 10 or more employees.

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

Ans) b

Exp) Option b is the correct answer.

Statement 1 is incorrect: The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 defines sexual harassment as a **wide range of behaviours, including but not limited to physical contact, verbal comments, gestures, advances, or any other behaviour** of a sexual nature that is **unwelcome and has the effect of creating a hostile** or intimidating workplace environment for women.

Statement 2 is correct: It is true that the act mandates every employer to constitute an Internal Complaints Committee (ICC) **at each office or branch that has 10 or more employees,**

Source: Forum IAS quarterly current affairs magazine for prelims, July-September 2023, Page-55

Subject:) Current Affairs

Subtopic:) POSH Act

Q.41) Which one of the following is an example of a price-ceiling?

- a) Fares charged by Airlines in India
- b) Price printed on biscuit packets
- c) Minimum support price for cane growers
- d) Minimum wages fixed by State governments

Ans) b

Exp) Option b is the correct answer.

Price ceiling refers to the maximum price which a seller can charge for a commodity. The price ceilings are decided by the government or related authorities to control the prices and ensure the availability of goods/ services to the consumers at reasonable prices. The upper limit of price printed on biscuit packets, or any other necessary goods or services are example of price-ceiling.

Price flooring refers to setting up a lower limit below which the government will not allow the price of goods/services to fall. Minimum support price and minimum wages are examples of Price flooring.

Source: UPSC CAPF 2019

Subject:) Economy

Subtopic:) Inclusive Growth and Development

Q.42) Which one of the following statements best reflects the term 'Pent-up demand', which is often seen in the news?

- a) An artificially created demand for a product due to hoarding of goods.
- b) A sudden increase in demand for a product or service after a period of decreased spending.
- c) An increase in demand for a product or service due to higher government expenditure.
- d) A sudden increase in the production of a specific good due to a recent surge in its market price.

Ans) b

Exp) Option b is the correct answer.

Option b is correct: Pent-up demand describes a situation where there is a rapid increase in demand for a service or product, typically following a period of reduced spending, such as during a recession. During such periods, consumers may delay purchases due to economic uncertainty, leading to a backlog of demand. When conditions improve, this pent-up demand is released, often leading to a surge in consumer spending.

Option a, c and d are incorrect.

Source: Economic Survey 2023 Ch: 1

Subject:) Economy

Subtopic:) Economic Survey 2022-23 Chapters 1 and 2

Q.43) Global economic slowdown has brought in the fears of recession across the world. In this context, which of the following steps is a government unlikely to take during a recession?

- a) Following a dovish monetary policy.
- b) Increasing public expenditure to boost economic activity.
- c) Imposing restrictions on exports to preserve domestic resources.
- d) Providing tax incentives to encourage investment.

Ans) c

Exp) Option c is the correct answer.

According to the Reserve Bank of India (RBI), a recession is a sustained period of weak or negative growth in real GDP (output) that is accompanied by a significant rise in the unemployment rate. Following the recent global economic crisis, much of the news is dominated by predictions over the onset of recession.

Option a is incorrect: Lowering interest rates is a common strategy during a recession, known as a dovish monetary policy. It aims to make borrowing cheaper, encouraging businesses and consumers to spend and invest more, thus stimulating economic activity.

Option b is incorrect: Increasing public expenditure is another typical response to a recession. By spending more on public projects, the government can directly inject money into the economy, create jobs, and stimulate demand, which can help counteract the downturn.

Option c is correct: Imposing restrictions on exports during a recession is generally unlikely and counterproductive. Exports are a source of foreign income and can help balance a decrease in domestic demand. Restricting them might preserve domestic resources but can lead to retaliatory measures from trading partners and reduce the country's income from foreign markets, potentially worsening the economic situation.

Option d is incorrect: Providing tax incentives to businesses and individuals is a measure government often takes to encourage investment and spending during a recession. By reducing the tax burden, more money is left in the hands of consumers and investors, which can help stimulate economic activity.

Knowledge Base:

- 1) A practical definition of recession is that there are two consecutive quarters of decline in a country's real (inflation-adjusted) gross domestic product (GDP), where GDP is the value of all goods and services a country produces. Two G7 economies slipped into recession at the end of 2023 - Japan and the UK - as consumer spending slowed.
- 2) Simultaneous, or synchronized, recessions have occurred in advanced economies several times in the past four decades—the mid-1970s, early 1980s, early 1990s, and early 2000s.
- 3) Because the United States is the world's largest economy and has strong trade and financial linkages with many other economies, most of these globally synchronized recession episodes also coincide with U.S. recessions.

Source: <https://www.investopedia.com/terms/r/recession.asp>

<https://www.imf.org/external/pubs/ft/fandd/basics/recess.htm>

<https://www.weforum.org/agenda/2024/02/what-is-a-recession-economy-definition-explainer/>

<https://www.rba.gov.au/education/resources/explainers/recession.html>

Subject:) Economy

Subtopic:) Eco. Growth and Development

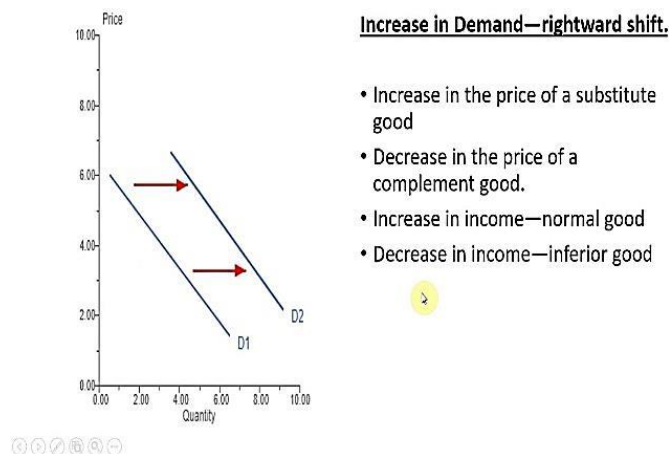
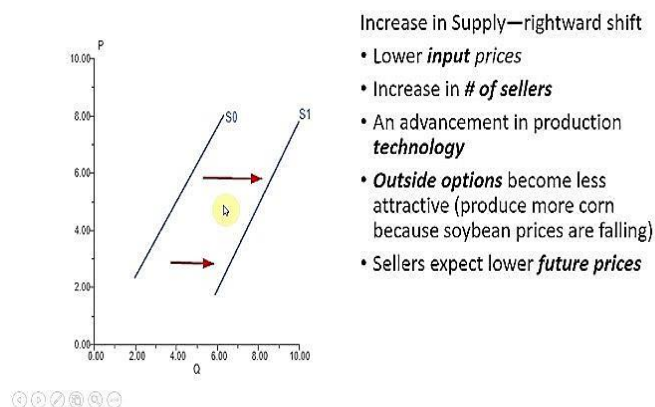
Q.44) In the context of market dynamics, a rightward shift of the demand-supply curve signifies which of the following?

- A decrease in consumer demand for a product, leading to lower production levels.
- An increase in both demand and supply for a product due to many factors.
- An increase in the price of the product without any change in production or demand levels.
- A decrease in the cost of production that solely leads to an increase in supply without affecting demand.

Ans) b

Exp) Option b is the correct answer.

A supply and demand curve graph shows the relationship between the amount of a product available to a market and the amount consumers in that market want. The two curves meet at the market quantity supplied, and the market moves toward this equilibrium.



Option a is incorrect: A decrease in consumer demand would cause a leftward shift in the demand curve, not rightward, indicating that consumers are less willing or able to purchase goods at each price level.

Option b is correct:

- 1) A rightward shift in the demand curve indicates an increase in demand at the same price levels, possibly due to factors such as increased consumer income, changes in tastes and preferences, or an increase in population.
- 2) Similarly, a rightward shift in the supply curve signifies an increase in supply, which could result from technological improvements, reductions in the cost of production, or other factors enhancing production efficiency.
- 3) When both curves shift rightward, it reflects a scenario where the market experiences growth in both demand and supply, suggesting a healthy economic condition where consumers are willing and able to purchase more goods, and producers are able to supply more, often driven by positive economic indicators like income growth or technological advancements.

Option c is incorrect: A rightward shift in the demand or supply curve involves changes in the quantities demanded or supplied at each price level, rather than a direct increase in price without any change in quantity.

Option d is incorrect: While a decrease in production costs can lead to an increase in supply (rightward shift of the supply curve), this option incorrectly suggests that demand remains unaffected. The question specifies a rightward movement of the demand-supply curve, implying changes in both demand and supply, not just supply alone.

Knowledge Base:

- 1) The supply curve is influenced by production input costs. When input costs drop, the curve shifts outward, indicating that it becomes cheaper to supply products.
- 2) The demand curve shifts inward when aggregate demand drops. For example, if the price of a premium coffee brand increases, consumers may buy a lower-priced store brand instead. This is called the substitution effect.

Source: <https://ncert.nic.in/textbook/pdf/leec204.pdf>

<https://www.investopedia.com/articles/economics/11/intro-supply-demand.asp>

<https://uk.indeed.com/career-advice/career-development/what-is-a-supply-and-demand-curve#:~:text=A%20supply%20and%20demand%20curve%20is%20a%20graph%20that%20represent%20demand%20for%20these%20two%20factors.>

Subject:) Economy

Subtopic:) Microeconomics

Q.45) With reference to recent status of debt Level of the Government, consider the following statements:

1. The share of cumulative debt of all State Governments to India's GDP is higher than that of the Central government.
2. There has been a steady decline in India's government debt as a percentage of GDP in the last 5 years.

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

Ans) d

Exp) Option d is the correct answer.

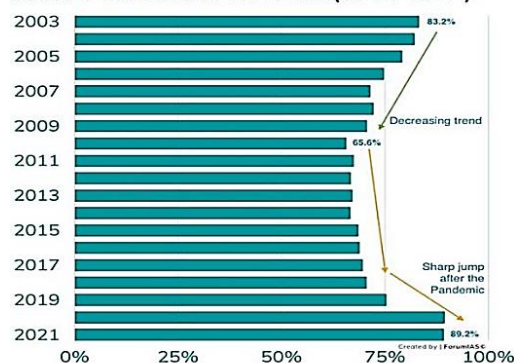
The debt levels of the Government have shown a rising trend which may negatively impact macroeconomic stability and economic growth of a nation.

Statement 1 is incorrect: The total debt of Union and State Governments reached **89.6% of the GDP in 2020-21**. The cumulative debt of **all State Governments amounted to ~31% of the GDP** in 2020-21, whereas the **Central** government's share amounts to **58.6% of India's GDP**. Thus, the share of

cumulative debt of all State Governments to India's GDP is lesser than that of the Central government.

Statement 2 is incorrect: As can be seen from the figure below there has not been a steady decline in India's Government debt as a percentage of GDP:

India's Government Debt (% of GDP)



Source: Forum IAS quarterly current affairs magazine for prelims, July-September 2023, Page-23

Subject:) Current Affairs

Subtopic:) Government's debt level

Q.46) There are 14,000 students in a school. At the annual school function, 25% of all boys and 60% of all girls participated. Additionally, the number of girls in the school is equal to the number of boys who did not participate in the function. Find the number of boys who took part in the school's annual function.

- a) 2000
- b) 1500
- c) 1600
- d) 2400

Ans) a

Exp) Option a is the correct answer.

Total number of students = 14,000

Percentage of boys who participated in annual function = 25%

Percentage of girls who participated in annual function = 60%

Number of girls in school = Number of boys who have not participated in function

Total number of boys and girls = Number of those who participated + Number of those who have not participated

Let the number of boys and girls be x and y respectively

Number of boys who have participated in annual function = 25% of $x = 0.25x$

Number of boys who have not participated = $(x - 0.25x) = 0.75x$

Number of girls in school = $y = 0.75x$

Now, as per the question

$$\Rightarrow x + y = 14,000$$

$$\Rightarrow x + 0.75x = 14,000$$

$$\Rightarrow 1.75x = 14,000$$

$$\Rightarrow x = 8000$$

Number of boys who have participated in annual function = 0.25x

$$\Rightarrow 0.25 \times 8000$$

$$\Rightarrow 2000$$

Subject:) CSAT

Subtopic:) Quantitative Aptitude

Q.47) How many zeroes are there at the end of the following product?

$1 \times 5 \times 10 \times 15 \times 20 \times 25 \times 30 \times 35 \times 40 \times 45 \times 50 \times 55 \times 60 \times 65 \times 70$

- a) 11
- b) 12
- c) 13
- d) 14

Ans) a

Exp) Option a is the correct answer.

Zeros at the end means multiple of 10, i.e. (2×5) .

So, the number of 2s or the number of 5s (whichever is lesser) will decide the number of zeros at the end of the expression.

Now, $1 \times 5 \times 10 \times 15 \times 20 \times 25 \times 30 \times 35 \times 40 \times 45 \times 50 \times 55 \times 60 \times 65 \times 70$

$= 1 \times 5 \times (5 \times 2) \times (5 \times 3) \times (5 \times 2 \times 2) \times (5 \times 5) \times (5 \times 3 \times 2) \times (5 \times 7) \times (5 \times 2 \times 2 \times 2) \times (5 \times 9) \times (5 \times 5 \times 2) \times (5 \times 11) \times (5 \times 2 \times 2 \times 3) \times (5 \times 13) \times (2 \times 5 \times 7)$

Here, number of 2s = 11

And number of 5s = 16

The lesser of the two will determine the number of zeros.

Hence, there will be 11 zeros at the end in the given expression.

Subject:) CSAT

Subtopic:) Quantitative Aptitude

Directions for the following 3 (two) items:

Read the following **three** passages and answer the items that follow the passages. Your answers to these items should be based on the passages only.

Passage-I

The glass ceiling, an enduring metaphor for the invisible barriers that obstruct women's advancement in the corporate world, persists despite societal strides towards gender equality. This phenomenon underscores a nuanced interplay of institutional biases, entrenched gender norms, and a scarcity of supportive networks, which collectively stymie women's ascension to leadership positions. It reflects not just individual or isolated instances of discrimination, but a systemic issue embedded within the corporate culture and structure. The implications of the glass ceiling extend beyond the professional hindrance of women; it also signifies a broader economic inefficiency by underutilizing the potential of half the population. Thus, dismantling the glass ceiling necessitates a concerted effort that challenges both the overt and covert mechanisms of exclusion. It involves scrutinizing corporate policies, fostering an inclusive culture, and actively promoting mentorship and sponsorship for women. The persistence of the glass ceiling, therefore, is emblematic of the multifaceted barriers to gender equality within the professional sphere, requiring a holistic and sustained approach to engender true organizational transformation.

Q.48) Which of the following statements best reflects the most critical and logical inference from the passage given above?

- a) Institutional biases alone, without the influence of gender norms and the lack of networks, are sufficient to maintain the glass ceiling.
- b) The glass ceiling is primarily a reflection of individual cases of discrimination rather than a systemic issue within corporate structures.
- c) Efforts to dismantle the glass ceiling should focus exclusively on increasing mentorship and sponsorship opportunities for women.
- d) The glass ceiling's persistence is indicative of systemic barriers to gender equality, necessitating a multifaceted approach for its dismantlement.

Ans) d

Exp) Option d is the correct answer.

Option d statement (The glass ceiling's persistence is indicative of systemic barriers to gender equality, necessitating a multifaceted approach for its dismantlement) captures the essence of the passage that the glass ceiling is a systemic issue requiring a comprehensive strategy to address. It acknowledges the complexity of the problem, highlighting the need for an approach that tackles institutional biases, challenges gender norms, and improves mentorship and sponsorship for women.

Subject:) CSAT

Subtopic:) Reading Comprehension

Passage-II

Dwarf stars, the silent sentinels of the cosmos, comprise most of the stellar population in our galaxy. These stellar remnants, categorized primarily into white and red dwarfs, embody the concluding chapters in the life cycles of stars. A white dwarf represents the final evolutionary stage of a star that was once similar to our Sun, having exhausted its nuclear fuel and shed its outer layers, leaving behind a dense, cooling ember of carbon and oxygen. This stellar relic, no larger than Earth, yet encapsulating the mass of the Sun, radiates its residual heat over billions of years, gradually dimming into the cosmic backdrop. In contrast, red dwarfs, the most abundant stars in the Milky Way, burn their hydrogen fuel with parsimonious frugality, extending their lifespans far beyond those of more massive stars. These diminutive stars, with masses ranging from a fraction to about half that of the Sun, harbor the potential for longevity that spans trillions of years, outliving their more luminous counterparts and perhaps providing a stable habitation zone for orbiting exoplanets. The study of dwarf stars, particularly red dwarfs, has burgeoned with implications for astrobiology and the search for extraterrestrial life, as their prevalence and stability render them promising targets for detecting Earth-like planets within their habitable zones. The dichotomy between white and red dwarfs encapsulates the diversity of stellar evolution, illustrating the pathways through which stars traverse the cosmos.

Q.49) Based on the above passage, the following assumptions have been made:

1. White dwarfs will eventually blend into the cosmic background after billions of years.
2. Red dwarfs' long lifespans make them prime candidates for harboring life.
3. The study of white dwarfs is key to finding habitable exoplanets.
4. Stellar evolution varies with mass and fuel usage, as shown by white and red dwarfs.

Which of the above assumptions are valid?

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

Ans) c

Exp) Option c is the correct answer

Statement 1 is correct: The passage describes white dwarfs as cooling and gradually dimming over time, indicating they will eventually become part of the cosmic backdrop.

Statement 2 is correct: The passage notes that red dwarfs could support life due to their efficient hydrogen burning and prolonged lifespans, aligning with the passage's emphasis on red dwarfs as significant for Astro-biological studies.

Statement 3 is incorrect: The passage points to red dwarfs, not white dwarfs, as particularly interesting for the search for extra-terrestrial life due to their stability and prevalence, not white dwarfs.

Statement 4 is correct: The passage mentions the difference in the evolutionary paths of white and red dwarfs, highlighting how their lifecycles are influenced by their mass and how they utilize their fuel.

Subject:) CSAT

Subtopic:) Reading Comprehension

Passage-III

Since reason alone can never produce any action, or give rise to volition, I infer, that the same faculty is as incapable of preventing volition, or of disputing the preference with any passion or emotion. This consequence is necessary. It is impossible reason could have the latter effect of preventing volition, but by giving an impulse in a contrary direction to our passion; and that impulse, had it operated alone, would have been able to produce volition. Nothing can oppose or retard the impulse of passion, but a contrary impulse; and if this contrary impulse ever arises from reason, that latter faculty must have an original influence on the will, and must be able to cause, as well as hinder any act of volition. But if reason has no original influence, it is impossible it can withstand any principle, that has such an efficacy, or ever keep the mind in suspense for a moment.

Q.50) Which one of the following statements best reflects the most critical and logical inference conveyed by the passage?

- a) Reason is the primary source of action and can effectively override any emotional or passionate impulse when making decisions.
- b) Emotions and passions are secondary to the decisions made by reason and play a minimal role in the process of volition.
- c) Reason alone cannot initiate or prevent actions; it is the passion or emotion that primarily influences volition.
- d) The mind relies on reason to maintain a state of suspense and deliberation before any action is taken, ensuring that all decisions are well-considered.

Ans) c

Exp) Option c is the correct answer.

The passage argues that reason by itself cannot produce action or influence the will to make decisions (volition). It suggests that only passion or emotion can give rise to action and that reason cannot oppose or prevent an action without a contrary impulse of its own. If reason were to influence action, it would need to have an original impact on the will, implying it could initiate action as well as prevent it. However, since the passage asserts that reason has no such original influence and cannot produce volition on its own, it implies that passion or emotion is the primary driver of action.

Subject:) CSAT

Subtopic:) Reading Comprehension