



GENERAL STUDIES

Name of Candidate

Test Code

Schedule

Registration No.

Place Time

Module

Classroom Distance Learning

Classroom & Distance Learning

EVALUATION INDICATORS

1. Alignment Competence
2. Context Competence
3. Content Competence
4. Language Competence
5. Introduction Competence
6. Structure - Presentation Competence
7. Conclusion Competence

INDEX TABLE

Q.No.	Page No.	Maximum Marks	Marks Obtained
1.	1		
2.	7		
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7.	11		
8.	13		
9.	14		

Total Marks Obtained

Remarks:

Signature of Examiner

INSTRUCTIONS:

1. Do furnish the appropriate details in the answer sheet (viz. Name, ID Number and Test Code)
The Candidate should fill the index table, especially for him/her.
2. In the left margin, she/he should write only question number and in the right margin, nothing should be written.
3. The page number should be coded by the candidate himself and the range of page number related to the answer of the question should be used to complete the index table.
4. All Parts of the questions should be written at one place.
5. No Supplementary sheet shall be provided by the management. So the candidate is advised to accommodate required information within the space provided.
6. The candidate need not write anything in his/her answer that derogates the dignity of an individual or an organization.
7. The candidate should respect the instructions, given by the invigilator.
8. The Examinee has to submit the answer sheet to the invigilator after completion of examination.
9. However, he/she is allowed to take away the question paper.

Ans 1

(C) To remain competitive in the world, we need to grow as well as keep ahead of the other growing nations.

To assess the growth rate of the nations, one of the tool that is often used is Gross Domestic Product and Gross National Product.

These two instruments measure the gross value of goods and services produced in the territory of a nation in a given time frame and the other measures goods and services produced by the citizens of a nation.

Both of the above policies don't take into account the proportional contribution of various sectors of the economy nor does it contain the population size of a country.

Taking into account the gross contribution doesn't reflect the overall growth of the society. Rich and poor contribute differently. High GDP/GNP doesn't reflect the economic

health of a nation. It is just reflexive of growth but not development

GDP / GNP at best can demonstrate the gross products produced without considering the depreciation in the value of assets.

In order to best express the trend of growth for a country, various developmental aspects needs to be considered eg demography, economy etc. This can be represented by GDP per capita or per capita GNP.

A country may be very high in value of GDP / GNP showing high growth trajectory but taking demography will show how well the fruits of economic growth are distributed.

Sectional GDP / GNP for various incomes is another way for better evaluation as rich (5-10% of population) contribute 80-90% of GDP / GNP.

In order to show the actual growth a combination of various such tools will show a better picture and competitive edge.

(d)

Indian manufacturing sector has shown remarkable growth in the past decade, though the contribution of service sector still dominates.

Share of manufacturing share is about 27% of GDP in India, while in China, it is about 45% of GDP.

The need of the hour is a strong Manufacturing Policy which would give a boost to this sector and provide a much needed impetus for its growth.

National Manufacturing Policy was formulated with the following objectives.

The main objective was to increase the growth rate to 12 to 14% by 2022, to increase the share of manufacturing sector to atleast 25% by 2022, to increase the number of people employed to 100 million, to increase value addition and to promote export grade manufacturing.

The NMP covers a wholesome perspective ranging from creating employment opportunities to increasing exports and in the process increasing the share of contribution of manufacturing sector.

For increasing export, policy initiatives regarding export promoting zones, their regulations, pricing, taxing, various benefits, investments etc need to be considered for which different policies are to be formulated.

For exporting, value additions, several market promotion programmes, branding, participation of local, several industrial establishments needs to be constructed.

NMP is a fringe of the many other core policies and for it to be successful, other policies decisions needs to be supplemented in completeness & put in place so that the objectives of NMP are accomplished in a better way.

(b)

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(b)

India achieved a growth rate of above 9% for many years in succession after 2004-05 till 2008-09 witnessed the global slowdown which had a far reaching impact for the Indian economy.

During the high growth rate, India witnessed rising trend in all sectors of the economy, real estate, construction, industry, agriculture and most importantly the service sectors.

Exports of India were quite high which were mainly exported to the European countries. All the above factors contributed an increase in Indian foreign reserves.

2008-09 had a great adverse effect on the health of the Indian economy. Nearly all the sectors have a deep impacted by the slowturn in growth in the west, particularly Europe, which is a huge market for Indian products.

The trend of FDI and FII have reversed since then. The flight of foreign investments have affected the stocks market.

Though India was able to resist the impact initially but its effects are showing off.

The sharp decline in the value of Rupee of about 20%, high inflation, high food inflation, low Gross Capital formation, low investment rate & market sentiments are at all time low.

Speculations and high import bill have further impacted the economy ~~of~~ adversely.

In order to put the economy back on the path of growth, it is required to strengthen the Re, so that high oil prices donot cause further food inflation. Strong macroeconomic fundamentals with lesser room for speculations can help in maintaining

Ans 2
(b)

economic growth.

Ans 2

(b)

After the IInd World War, many international monetary institutions were established like World Bank, IMF, IFC etc.

The Presidentship of IMF was to be held with Europe and World Bank to be held by USA in order to keep a strong hold on such institutions & to control their policies and ideologies.

The Western countries influenced the world economies through these institutions. These instruments provided them with a means to control economies of other countries by means of grants and loans. Various conditionalities and sanctions were carried along with monetary and financial help granted. These were a means to extend their influence over the internal affairs of the other countries.

2(a)

But with the emergence of the new world order after the global slowturn, there has been a turnaround.

The developing countries particularly India, China, Brazil are voicing for more democratisation of such institutions.

Elected representatives, more voting rights, more transparency in decision making, accountability and a model for functional setup is being demanded for a larger say of the developing countries.

Developing countries foresee these institutions as mechanisms to enable the real developmental activities and financial supporters and not mere puppets at the hands of policy makers of developed countries.

Democratisation of internal monetary institutions will enable to achieve better development of some of the most neglected parts of the world.

2(a)

Tax evasion has been the forefront of Indian economy. As the growth rate of India is increasing, the incidences of tax theft has been on an increase.

GAAR - General Anti Avoidance Agreement was put in place in order to prevent tax evasion and tax theft. According to GAAR rules, the tax authority can declare any transaction as exempted while including other transactions or business deals or mergers as taxable.

Moreover, the liability of proof will be with the regulators. These rules will help in tax evasion, while the rate of flow of FII and FDI will be adversely affected.

Many development activities could be carried out with the tax so saved. Many developed countries like Australia, Canada etc have already have such rules in place.

The Govt. has decided to implement GAAR Rules from 1 Apr 2013 to keep the flow of foreign investments intact and prevent further fall in Indian Rupee. FDI and FII's will have to pay Capital Transaction Tax when they invest in India.

Round Tripping is one of the most commonly used instrument used by tax evaders. They invest in their home country by directing it through countries known as tax havens and which have a DTAA Treaty with India. Since they have to pay tax at only one country and the tax rate in tax haven is zero percent so they end up paying no tax at all.

In order to better equip tax authorities to prevent tax evasion, electronic transactions need to be promoted which will keep things transparent and accountability is defined at all stages.

Ans 6
(a)

(b)

Q(7)
(a)

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Ans 6

(a)

Compulsory Licensing - Before the 1991 Economic Reforms, new industries could be set up only after getting licencing from the Government. This was known as Licence Raj or compulsory licensing. This left lead to monopolistic trend in various sectors and affected the competitiveness of the Indian economy.

(b)

Blue Box Subsidy - This is one of the subsidy schemes under WTO in which trade distortions could occur if the government give subsidy in various inputs of production. This is given in form of subsidized fertilizers, seeds etc

Q(7)

(a)

Financial Sector Legislative Reforms Commission - This Commission was set up to consider various regulations, policies, procedures, rules and legislations in financial sector and suggest changes which would help in better financial & economic health of Indian economy.

(c) Beyond GDP initiative considers not only growth in terms of GDP but also considers sustainable development. Concept of Green GDP or Beyond GDP takes into account the ecological changes made in order to achieve a growth target.

(d) Rajiv Gandhi Equity Saving Scheme: This scheme was introduced in the Budget 2012-13 for the people whose income is less than 10 lakhs per annum. Such people if invest Rs 50,000 and above in the equity capital, will get a tax deduction of 50%.

(f) CRIS - Comparative Sovereign Rating Index This Index has been prepared by the Planning Commission for major economies of the world. The total credits given to all economies is constant. So an economy would grow only at the cost of other economy. This gives a better picture of relative growth of sovereign economies & help in better comparison of growth rates.

Ans 8
(a)

(b)

(c)

Ans 8
(a)

Indicative Planning involves the objectives to be achieved through various procedures and govt. does not set targets. Directional Planning involves setting targets and directionalising the growth of various sectors of the economy. Indian planning is indicative planning.

(b) NEER - Nominal Effective Exchange Rate is the weighted average of the value of various currencies in the domestic and foreign denomination. REER - Real Effective Exchange Rate is the weighted average of exchange rate between two currencies ~~of~~ adjusted for corresponding inflation in both the economies.

(c) GDR vs FII

Foreign Institutional Investors are foreign players who invest capital in the stock market of a particular country for seeking maximum profit returns.

GDR are Global Depository Receipts obtained by an investor after investing capital in stock market of a country. In case of America, it is ADR & in India, it is IDR.

Answer 9
(a)

Marginal Standing Facility - It is the mechanism of overnight borrowing by a bank to a limit of 1% of NSDL at a rate of 100 basis points above the repo rate in order to obtain short term liquidity

(d) Twin Deficit - It includes fiscal deficit and revenue deficit which adversely affect the country's economic activities and put a huge burden on its resource allotment and utilization.

(e) Structural Unemployment occurs due to a change in technology or practices in a work place. This requires reforms in institutional framework to indulge such people. eg. With mechanisation / computerization, number of manual workers required for same task decreases. So such people lose their job and add to structural unemployment.

(f) Round Tripping - It is mechanism by which people invest in their home country by directing money from

(9)

Ans 5
(a)

other country which is usually called tax haven (like Mauritius) and prevent paying tax in both the countries. This is a mechanism used to evade tax and convert black money to white money.

- (9) Swabhimaan Scheme was launched in 2010 in which bank correspondents were provided in each rural areas to assist rural people with bank services. This is "bank to people" initiative to provide for financial inclusion for rural population.

Ans 5
(a)

Food inflation had adversely affected the Indian population for a long time. Government and RBI had taken strong measures to contain it.

Supply side constraints, which were a major factor in food inflation, were minimised by better efficiency in Public Distribution System. Support Price was increased for easy procurement.

Subsidy was extended to LPG, kerosene and diesel.

Export of food cereals, sugar, rice etc was banned and this increased their supply in the domestic market.

Buffer Stock was released in order to increase the supply for the customers.

Food inflation was mainly due to high demand and increased requirement of protein diet, due to increased income.

Meat, milk and pulses were imported and made available to local consumers.

Thus a combination of administrative, fiscal and monetary policies have helped to reduce food inflation but still there remains a high value of WPI and CPI which needs to be reduced in coming years.

~~5 (2)~~

Planning was thought to be an economic instrument to enable developmental activities in various sections and various portions of the Indian society.

Liberalization, Privatization and

Globalization had has a great impact on the planning process.

The role of planners, have however, increased significantly. From being policy implementors, the role of the Planning Commission has shifted to being regulators.

With the advent of MNCs in the Indian economy, various policies need to be in place after an exhaustive planning process. This will help in providing level playing field for indigenous and foreign players but also help in protecting the consumers.

With the integration of domestic & foreign markets, planning is significant to enable the growth of indigenous industries in a competitive world market and further increasing profits.

So we can say, role of planners have been increasing after LPG, who have to be regulators and monitors.

5(b)

Keeping the value of Indian Rupee at a correct base level is very important for indigenous industrial development.

Fiscal and monetary policy decisions are undertaken by the Govt. and RBI from time to time in order to maintain and stabilize Indian Rupee.

RBI has reduced the money liquidity in the economy by increasing CRR, SLR, Repo Rate, Reverse Repo Rate. With high interest rates, people tend to save money, which lowers the money in circulation.

Government have promoted FDI into India, opened several sectors to foreign investments, promoted exporters through DDPB scheme, increasing the limit of NRI accounts and the times they could send remittances from 12 to 35 and by increasing the interest rate in FCNR (B) accounts.

Though the above measures have tried to stabilize the steep fall, but the high governmental expenditure,

subsidy and lack of fiscal consolidation have resulted in lack of expected outcomes.

Many steps still need to be taken in order to prevent Rupee fall which is of the tune of 20% equivalent to that during the 1991 devaluation.

Answer

4 (a) The Eurocrisis^{have} had a deep impact on the global economy and with the recent relevation of the LIBOR and EURIBOR rates manipulation, the market sentiments are at all time low.

London Inter Bank Operation Rates are used as bench mark by banks and governments world over in order to calculate interest rates or loan rates. Even the stock exchanges, the future derivatives - put and call option, derieve their rates based on LIBOR rates.

Manipulation of these rates have degraded the faith and trust of institutions like Barclays Bank which have a substantial influence in

determining its value.

The global standards and global economy, which the West had been hampering upon is, in fact placed on a knife edge which would fall on either side, depending on the gain it receives.

Fixing LIBOR & EURIBOR rate is like setting benchmark. With the issues like this, any agreement or trade union or monetary union can't achieve its full objective as the responsibility, transparency once breached can't be regained again.

4(b)

Multilateral agreements stand to gain over bilateral arrangements.

With the ratification of WTO entry, Russia has come to the common platform of a world economy.

WTO has been a platform for trading goods and services among its 151 member countries by providing a level playing field for all as the decisions are taken by consensus.

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With the entry of Russia, Russian products will be accessible in world markets.

Though Russia had protected its indigenous industries from the foreign competition as it viewed that the cheaper Chinese and other foreign goods will adversely affect. But with regulations, Russian Govt has taken this step.

This will further promote close coordination among the BRICs and RIC countries as their economic relations can reach new heights. The previous blockade of exports to Russia will be broken and the volume of trade will increase.

India, in particular can increase exporting agricultural products, raw material, gems, jewellery and other products without any bilateral treaty.

This step by Russia will indeed guarantee a global, closeknit, more liberalised world economy.

Ans 3
(d)

Legislation is an instrument to provide rules, policy framework for a certain socioeconomic objective.

A post facto legislation entails a back dated rule which is regulated from the present.

Post facto Tax legislation entails taxing the income/assets of an individual, when the person had no knowledge of such rules. It is like pardoning a person when the death sentence is already executed.

As in the Vodafone case, the Government Income Tax Department had to forfeit the tax collected previously alongwith the interest. To protect the face of the Government and to implement a post facto tax legislation is not a wise idea.

It is ruin the trust and faith in the Governmental activities. It will affect the investment rate both within and from outside. Investor

Sentiments will be affected and the chances of tax evasion will increase.

Post facto tax legislation must not be passed in a transparent, democratised era of Indian Government.

Ans 3(a)

Indian economy is passing through tumultuous times when it is facing with challenges of high inflation, low growth rate, high unemployment, depreciating rupee value, low industrial growth and low investment rate.

India had witnessed a near 9% growth for the years peceeding the world slowdown. But the sprinkle effect of global downturn has not left India ~~undisturbed~~ undisturbed.

The need of the hour is to reverse the trends of slowing growth and put India on the path on high development.

Second Economic Reforms is, indeed, the solution to the numerous worries suffered by the Indian economy.

With fiscal consolidation, low subsidies, reducing the wasteful expenditure, India can achieve the high growth phase yet again.

Market sentiments need to be rebuilt. Investor confidence is very important for which the rupee fall needs to be arrested.

With high growth, more employment opportunities, people participation and integration of rural India with the urban economy can help in a high growth trajectory.

Such reform measures need to be taken at the earliest and its fruits are to be distributed at a fast pace, in order to save Indian economy from irreversible chaos.

Ans 3(b)
According to Phillips curve, with growth, comes inflation. The present day developed countries faced high inflation when they were passing through stages, which India is in at present.

But the fiscal and monetary tools must come handy in checking the inflation rate. A very high inflation will not sustain growth.

Measures must be taken in order to keep growth sustainable, which is possible with reasonable level of inflation.

Inflation targeting should not be the sole objective but at the same time high inflation is not desirable.

Monetary policy instruments like CRR, SLR, RR, RRR have been used to control inflation but when the signals of price rise, high subsidies and high wasteful expenditure engulf the economy, these tools become ineffective.

Accountability, transparency in the economy is required to effectively use the monetary policy.

Through fiscal consolidation, financial inclusion and doing away with the subsidies, can these signals be transmitted unhindered and help in checking inflation.