



UPSC CURRENT AFFAIRS MCQS 15-10-2023

1. 'Monetary Base', managed by the Reserve Bank of India, consists of:

1. Deposits held by the Government of India with RBI.
2. Sum total of the capital of all financial institutions regulated by RBI.
3. Notes and coins in circulation with the public.

How many of the above statements is/are correct?

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

Answer: (b)

Explanation: Monetary Base is also called as High-powered money. It consists of currency (notes and coins in circulation with the public and vault cash of commercial banks) and deposits held by the Government of India and commercial banks with RBI. If a member of the public produces a currency note to RBI the latter must pay her value equal to the figure printed on the note. Similarly, the deposits are also refundable by RBI on demand from deposit-holders. These items are claims which the general public, government or banks have on RBI and hence are considered to be the liability of RBI. Hence, statement 2 is incorrect.

2. Consider the following statements regarding indirect taxes:

1. Indirect tax is a tax levied by the Government on goods and services and not on the profit or revenue of an individual.
2. Indirect taxes are termed regressive taxing mechanisms because they are charged at higher rates than direct taxes.
3. Cascading effect of tax is a situation wherein the end-consumer of any goods or service has to bear the burden of the tax to be paid on the previously calculated tax and as a result would suffer an increased price.

How many of the above statements is/are correct?

- (a) Only one
- (b) Only two



- (c) All three
- (d) None

Answer: (b)

Explanation: Indirect Tax is a tax levied by the Government on goods and services and not on the income, profit or revenue of an individual and it can be shifted from one taxpayer to another. Indirect taxes are charged the same for all income groups. Few indirect taxes: Customs Duty, Central Excise Duty, Service Tax, Sales Tax and Value Added Tax (VAT). Cascading effect of tax is a situation wherein the end-consumer of any goods or service has to bear the burden of the tax to be paid on the previously calculated tax and as a result would suffer an increased or inflated price. Hence, statement 2 is incorrect.

3. Consider the following policy measures by the government:

1. Increasing foreign aid to underdeveloped nations
2. Providing export subsidies
3. Increasing import duties

Which of the policy measures given above may be used to reduce the Current Account Deficit (CAD)?

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

Answer: (c)

Explanation: The current account measures the flow of goods, services and investments into and out of the country. We run into a deficit if the value of the goods and services we import exceeds the value of those we export. The current account includes net income, including interest and dividends, and transfers, like foreign aid. Therefore, increasing foreign aid to underdeveloped nations increases the current account deficit. However, increasing import duties and providing export subsidies help in reducing the current account deficit. Hence, option (c) is correct.

4. Consider the following statements:

1. Headline inflation is a measure of inflation within an economy, including commodities which tend to be more volatile and prone to inflationary spikes.

2. Headline inflation presents an accurate picture of an economy's inflation trend since sector-specific inflationary spikes persist.

Which of the above statements is/are correct?

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

Answer: (a)

Explanation:

Headline inflation is a measure of the total inflation within an economy, including commodities such as food and energy prices (e.g., oil and gas), which tend to be much more volatile and prone to inflationary spikes. Hence, statement 1 is correct.

Headline inflation may not present an accurate picture of an economy's inflation trend since sector-specific inflationary spikes are unlikely to persist. Hence, statement 2 is not correct.

5. Consider the following statements regarding Fiscal Responsibility and Budget Management (FRBM) Act, 2003:

1. The Act envisages the setting of limits on the Central government's debt and deficits.
2. The Act made the Central government responsible for ensuring inter-generational equity in fiscal management and long-term macro-economic stability.
3. The law contains an 'escape clause' under which the Centre can exceed the annual fiscal deficit target.

How many of the above statements is/are correct?

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

Answer: (c)



Explanation: Enacted in August 2003, the legislation is aimed at making the Central government responsible for ensuring “inter-generational equity in fiscal management and long-term macro-economic stability”. To achieve this, the Act envisages the setting of limits on the Central government’s debt and deficits as well as mandating greater transparency in fiscal operations of the Central government and the conduct of fiscal policy in a medium-term framework. The rules for implementing the Act were notified in July 2004 and since then every Budget of the Union government has included a Medium Term Fiscal Policy Statement that specifies the annual revenue and fiscal deficit goals over a three-year horizon. Hence, all statements are correct.