

CURRENT AFFAIRS



MCQ PRACTICE



ECONOMICS

# Week 113

## QUESTION 1

With reference to the Loan-to-Value (LTV) Ratio, consider the following statements:

1. It is an assessment of lending risk that financial institutions and other lenders examine before approving a mortgage.
2. Loan assessments with low LTV ratios are considered higher-risk loans.
3. Higher LTVs are better in the eyes of lenders.
4. Mortgages become more expensive for borrowers with lower LTVs.

How many of the statements given above are correct?

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

## QUESTION 2

With reference to the Agreement on Safeguards (AOS), consider the following statements:

1. It is provided by the World Trade Organisation.
2. Safeguard measures shall be applied to a product being imported, irrespective of its source.
3. A Member may apply a safeguard measure only following an investigation by the competent authorities.

How many of the statements given above are correct?

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

### QUESTION 3

Which of the following Indian companies partnered with France's Dassault Aviation to manufacture the fuselage of the Rafale fighter aircraft?

- (a) Hindustan Aeronautics Limited
- (b) Mahindra Defence Systems Limited
- (c) Larsen & Toubro Limited
- (d) Tata Advanced Systems

## QUESTION 4

With reference to the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), consider the following statements:

1. It is a pioneering International Organisation committed to developing and improving dryland farming and agri-food systems to address the challenges of hunger and malnutrition.
2. The headquarters of ICRISAT is in Manila, Philippines.
3. The organisation works to improve drylands in the Asia region only.

Which of the statements given above is/are correct?

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

## QUESTION 5

With reference to the deposit insurance, consider the following statements:

1. The DICGC does not insure regional rural banks.
2. The insurance cover of Rs 5 lakh per depositor is for all accounts held by the depositor in all branches of the insured bank.
3. The DICGC does not insure deposits made by foreign, central, or state governments, as well as interbank deposits.

How many of the statements given above are correct?

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

## QUESTION 6

Consider the international organizations dedicated to fighting poverty and promoting sustainable development in developing countries.

1. International Bank for Reconstruction and Development
2. International Development Association
3. International Finance Corporation
4. Multilateral Investment Guarantee Agency
5. International Centre for Settlement of Investment Disputes
6. The Organization for Poverty Alleviation and Development
7. Institute for Research on Poverty

Which of the above mentioned institutions make up the World Bank Group?

- (a) 1, 2, 4, 5, 6 and 7
- (b) 1, 2, 3, 4 and 5
- (c) 2, 3, 4, 6 and 7
- (d) 1, 4, 5, 6 and 7

## QUESTION 7

With reference to Capital to Risk Weighted Assets Ratio (CRAR), consider the following statement:

1. It is arrived at by dividing the capital of the bank with aggregated risk weighted assets for credit risk, market risk and operational risk.
2. The lower the CRAR of a bank the better capitalized it is.

Which of the above given statements is/are true?

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

## QUESTION 8

Consider the following statements:

1. Population growth would depress living standards in the long run.
2. Technology would raise productivity on the one hand and improve health on the other.
3. Malthus had suggested that the way to avoid mass starvation and disease in the wake of a population far exceeding resources was to exercise “moral restraint”.

Which of the above statements are true according to Thomas Malthus?

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

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## Answers and Explanations

## QUESTION 1

With reference to the Loan-to-Value (LTV) Ratio, consider the following statements:

1. It is an assessment of lending risk that financial institutions and other lenders examine before approving a mortgage.
2. Loan assessments with low LTV ratios are considered higher-risk loans.
3. Higher LTVs are better in the eyes of lenders.
4. Mortgages become more expensive for borrowers with lower LTVs.

How many of the statements given above are correct?

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

## 1.Explanation

- ✓ After the Reserve Bank of India (RBI) announced draft guidelines for gold loans last month, the Finance Ministry advised that loans under Rs 2 lakh be exempt from the stricter standards, and that the requirements take effect until January 1, 2026, to guarantee proper implementation.
- ✓ For lenders, if the gold was not properly evaluated, if the loan amount was too large in relation to the gold's worth (known as the loan-to-value or LTV ratio), or if gold prices fall, the whole value may not be recovered. Furthermore, because auctions are a time-consuming procedure, the lender may experience liquidity issues if too many gold loans default.
- ✓ What Is the Loan-to-Value (LTV) Ratio?
- ✓ The loan-to-value (LTV) ratio is a measure of lending risk that banks and other lenders consider before authorising a mortgage. Loan assessments with high LTV ratios are typically classified as higher-risk loans. Thus, if the mortgage is granted, the loan will have a higher interest rate. Hence, statement 1 is correct and statement 2 is not correct.

- ✓ A loan with a high LTV ratio may also require the borrower to pay mortgage insurance to cover the lender's risk. This sort of insurance is known as private mortgage insurance (PMI).
- ✓ Lenders prefer lower LTVs, but they need borrowers to make greater down payments. Hence, statement 3 is not correct.
- ✓ When the loan-to-value ratio is 80% or lower, most lenders provide the lowest possible interest rate to mortgage and home equity applicants.
- ✓ Mortgages cost more for borrowers with greater LTVs. Hence, statement 4 is not correct.
- ✓ Therefore, option (a) is the correct answer.

## QUESTION 2

With reference to the Agreement on Safeguards (AOS), consider the following statements:

1. It is provided by the World Trade Organisation.
2. Safeguard measures shall be applied to a product being imported, irrespective of its source.
3. A Member may apply a safeguard measure only following an investigation by the competent authorities.

How many of the statements given above are correct?

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

## 2.Explanation

- ✓ On May 9, India submitted a paper to the WTO designating the American metals tariffs, which went into force on March 12, as “safeguard measures”. The WTO’s Agreement on Safeguards (AOS) defines safeguards as protectionist measures that a member nation may impose if it decides that certain product imports are significantly large and have the potential to “cause or threaten serious injury” to the local competition. Hence, statement 1 is correct.
- ✓ About AOS
- ✓ A Member may apply a safeguard measure to a product only if it has determined, in accordance with the provisions outlined below, that such product is being imported into its territory in such increased quantities, absolute or relative to domestic production, and under such conditions as to cause or threaten serious injury to the domestic industry that produces similar or directly competitive products.
- ✓ Safeguard measures must be applied to any imported commodity, regardless of its origin. Hence, statement 2 is correct.

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- ✓ A Member may only adopt a safeguard measure after an inquiry by that Member's competent authorities under processes previously established and made public in accordance with Article X of GATT 1994. Hence, statement 3 is correct.
- ✓ Therefore, option (c) is the correct answer.

### QUESTION 3

Which of the following Indian companies partnered with France's Dassault Aviation to manufacture the fuselage of the Rafale fighter aircraft?

- (a) Hindustan Aeronautics Limited
- (b) Mahindra Defence Systems Limited
- (c) Larsen & Toubro Limited
- (d) Tata Advanced Systems



### 3.Explanation

- ✓ India is slated to become the first country, other than France, to produce the fuselage of the Rafale fighter aircraft. Dassault Aviation of France and Tata Advanced Systems (TASL) will collaborate to establish a “cutting-edge” production facility in Hyderabad to manufacture key structural sections of the Rafale, such as the lateral shells of the rear fuselage, the entire rear section, the central fuselage, and the front section.
- ✓ Therefore, option (d) is the correct answer.

## QUESTION 4

With reference to the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), consider the following statements:

1. It is a pioneering International Organisation committed to developing and improving dryland farming and agri-food systems to address the challenges of hunger and malnutrition.
2. The headquarters of ICRISAT is in Manila, Philippines.
3. The organisation works to improve drylands in the Asia region only.

Which of the statements given above is/are correct?

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

## 4.Explanation

- ✓ The International Crops Research Institute for Semi-Arid Tropics (ICRISAT) and Research and Information System for Developing Countries (RIS) launched a new Centre of Excellence for transformation of agriculture in developing countries through South-South cooperation.
- ✓ About ICRISAT
- ✓ The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) is a pioneering international organisation dedicated to developing and improving dryland farming and agri-food systems to address the challenges of hunger, malnutrition, poverty, and environmental degradation that affect the 2.1 billion people who live in Asia, Sub-Saharan Africa, and elsewhere. Hence, statement 1 is correct and statement 3 is not correct.
- ✓ It is headquartered in Patancheru, Hyderabad, Telangana, India. Hence, statement 2 is not correct
- ✓ Therefore, option (c) is the correct answer.

## QUESTION 5

With reference to the deposit insurance, consider the following statements:

1. The DICGC does not insure regional rural banks.
2. The insurance cover of Rs 5 lakh per depositor is for all accounts held by the depositor in all branches of the insured bank.
3. The DICGC does not insure deposits made by foreign, central, or state governments, as well as interbank deposits.

How many of the statements given above are correct?

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

## 5.Explanation

- ✓ Deposit insurance is provided by the Deposit Insurance and Credit Guarantee Corporation (DICGC), a specialised branch of the Reserve Bank of India.
- ✓ About DICGC
- ✓ The DICGC aims to safeguard “small depositors” from the risk of losing their savings in the event of a bank failure.
- ✓ The insurance cover of Rs 5 lakh per depositor applies to all accounts held by the depositor at all branches of the insured bank. Hence, statement 2 is correct.
- ✓ The DICGC insures all commercial banks, including foreign bank branches in India, local area banks, regional rural banks, and cooperative banks. However, the DICGC does not cover primary cooperative societies. Hence, statement 1 is not correct.
- ✓ Savings, fixed, current, and recurring deposits are all protected. The DICGC does not insure deposits made by foreign, central, or state governments, as well as interbank deposits. Hence, statement 3 is correct.
- ✓ Therefore, option (b) is the correct answer.

## QUESTION 6

Consider the international organizations dedicated to fighting poverty and promoting sustainable development in developing countries.

1. International Bank for Reconstruction and Development
2. International Development Association
3. International Finance Corporation
4. Multilateral Investment Guarantee Agency
5. International Centre for Settlement of Investment Disputes
6. The Organization for Poverty Alleviation and Development
7. Institute for Research on Poverty

Which of the above mentioned institutions make up the World Bank Group?

- (a) 1, 2, 4, 5, 6 and 7
- (b) 1, 2, 3, 4 and 5
- (c) 2, 3, 4, 6 and 7
- (d) 1, 4, 5, 6 and 7

## 6.Explanation

- ✓ The World Bank has created new organizations within itself that specialize in different activities. All these organizations together are called the World Bank Group. It consists of:
  - ✓ \* IBRD lends to low- and middle-income countries;
  - ✓ \* International Development Association (IDA) lends to low-income countries;
  - ✓ \* International Finance Corporation (IFC) lends to the private sector;
  - ✓ \* Multilateral Investment Guarantee Agency (MIGA) encourages private companies to invest in foreign countries; and
  - ✓ \* International Centre for Settlement of Investment Disputes (ICSID) helps private investors and foreign countries work out differences when they don't agree.
- ✓ Institute for Research on Poverty (IRP) is a non-profit organization dedicated to producing and disseminating evidence to inform policies and programs to combat poverty and inequality in the US.

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- ✓ The Organization for Poverty Alleviation and Development (OPAD) is an international NGO that actively works on poverty alleviation by promoting human rights, sustainable development and climate change.
- ✓ Therefore, option (b) is the correct answer.

## QUESTION 7

With reference to Capital to Risk Weighted Assets Ratio (CRAR), consider the following statement:

1. It is arrived at by dividing the capital of the bank with aggregated risk weighted assets for credit risk, market risk and operational risk.
2. The lower the CRAR of a bank the better capitalized it is.

Which of the above given statements is/are true?

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

## 7.Explanation

- ✓ Capital to risk weighted assets ratio is arrived at by dividing the capital of the bank with aggregated risk weighted assets for credit risk, market risk and operational risk.
- ✓ The higher the CRAR of a bank the better capitalized it is.
- ✓ Therefore, option (a) is the correct answer.

## QUESTION 8

Consider the following statements:

1. Population growth would depress living standards in the long run.
2. Technology would raise productivity on the one hand and improve health on the other.
3. Malthus had suggested that the way to avoid mass starvation and disease in the wake of a population far exceeding resources was to exercise “moral restraint”.

Which of the above statements are true according to Thomas Malthus?

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



## 8.Explanation

- ✓ Thomas Malthus' argument in 1798 that population growth would depress living standards in the long run. Unaware of how technology would raise productivity on the one hand and improve health on the other, Malthus had suggested that the way to avoid mass starvation and disease in the wake of a population far exceeding resources was to exercise “moral restraint”.
- ✓ Therefore, option (b) is the correct answer.