

CURRENT AFFAIRS



MCQ PRACTICE



ECONOMICS

Week 109

QUESTION 1

With reference to the application of Ethanol, consider the following:

1. It is one of the primary biofuels produced through the fermentation of sugars by yeasts.
2. It has medical applications as an antiseptic and disinfectant.
3. It is used in various industries as a chemical solvent and in the synthesis of organic compounds.

Which of the statements given above are correct?

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

QUESTION 2

With reference to the India-UK bilateral trade, consider the following statements:

1. In 2024-25, India's total imports from the UK in terms of value were higher than India's total exports.
2. India retains the position of the largest source of Foreign Direct Investment (FDI) in the UK.
3. India accounts for approximately 2 per cent of the UK's total trade.

How many of the statements given above are correct?

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



QUESTION 3

The “red herring prospectus” (RHP) is associated with:

- (a) Initial public offering
- (b) Capital expenditure
- (c) Automobile sector
- (d) Export and Import



QUESTION 4

With reference to the crop loan, consider the following statements:

1. It refers to the short-duration finance extended to the farm sector before the start of the agricultural cycle.
2. Under the crop loan, farmers are charged a minimal rate of interest of 5 per cent, of which 2 per cent is subvented by the central government and another 2 per cent by the state government.

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

QUESTION 5

The Prompt Corrective Action is imposed by the RBI when a bank breaches:

1. Capital-to-risk weighted assets ratio (CRAR)
2. Non-Performing Assets (NPAs)
3. Return on assets (RoA)

Select the correct answer using the codes given below:

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

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Answers and Explanations

QUESTION 1

With reference to the application of Ethanol, consider the following:

1. It is one of the primary biofuels produced through the fermentation of sugars by yeasts.
2. It has medical applications as an antiseptic and disinfectant.
3. It is used in various industries as a chemical solvent and in the synthesis of organic compounds.

Which of the statements given above are correct?

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

1.Explanation

- ✓ Till 2021-22, India's maize output, at 32-33 million tonnes (mt), exceeded domestic demand of around 28 mt. It even left a surplus for exports, which touched 3.7 mt in 2021-22.
- ✓ The situation changed when maize became a feedstock for producing ethanol, a 99.9% pure alcohol that can be combined with petrol. Maize grains contain 68-72% starch and 1-3% additional carbs (sucrose, glucose, and fructose).
- ✓ Ethanol is a major biofuel that is naturally created by yeasts through sugar fermentation or petrochemical processes such as ethylene hydration. It is widely employed not just as an alternative fuel source, but also as a chemical solvent and for organic molecule synthesis. Ethanol has medical use as an antiseptic and disinfectant, which adds to its versatility. Hence, all statements are correct.
- ✓ Therefore, option (d) is the correct answer.

QUESTION 2

With reference to the India-UK bilateral trade, consider the following statements:

1. In 2024-25, India's total imports from the UK in terms of value were higher than India's total exports.
2. India retains the position of the largest source of Foreign Direct Investment (FDI) in the UK.
3. India accounts for approximately 2 per cent of the UK's total trade.

How many of the statements given above are correct?

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

2.Explanation

- ✓ The European Union is also working for an India-EU free trade agreement, as evidenced by the 22 European College of Commissioners' visit to India in February of this year, led by EU chief Ursula von der Leyen.
- ✓ This agreement for reciprocal trade and economic cooperation between two of the world's largest and most open market economies will mark a new chapter in both countries' development.
- ✓ India-UK bilateral commerce (including goods and services) totalled £40.9 billion in the four quarters leading up to the end of Q3 2024 (September). India imported £17.5 billion from the UK and exported £23.4 billion. India was the UK's 11th largest trading partner during this era, accounting for 2.4% of total trade. Hence, statement 1 is not correct and statement 3 is correct.

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- ✓ India remains the UK's second-largest source of Foreign Direct Investment (FDI), after only the United States. The United Kingdom is the sixth largest investor in India. Hence, statement 2 is not correct.
- ✓ Therefore, option (a) is the correct answer.



QUESTION 3

The “red herring prospectus” (RHP) is associated with:

- (a) Initial public offering
- (b) Capital expenditure
- (c) Automobile sector
- (d) Export and Import

3.Explanation

- ✓ In an interim order, the Securities and Exchange Board of India (SEBI) has barred Mumbai-based Synoptics Technologies Ltd (STL), a small and medium-sized (SME) information technology products and solution provider, from trading in the securities market for the purpose of diversion and misappropriation of funds raised through an initial public offering.
- ✓ According to the disclosures made in STL's red herring prospectus (RHP), issue-related expenses totalled Rs 80 lakh, with Rs 50 lakh to be paid from the proceeds of the fresh issue and the remaining Rs 30 lakh to be borne by the selling shareholders under the offer for sale.
- ✓ — The regulator took strong measures against First Overseas Capital Ltd (FOCL), the IPO's merchant banker, and prevented it from engaging on any further IPO-related projects.
- ✓ Therefore, option (a) is the correct answer.

QUESTION 4

With reference to the crop loan, consider the following statements:

1. It refers to the short-duration finance extended to the farm sector before the start of the agricultural cycle.
2. Under the crop loan, farmers are charged a minimal rate of interest of 5 per cent, of which 2 per cent is subvented by the central government and another 2 per cent by the state government.

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

4.Explanation

- ✓ Just five years after Maharashtra's previous farm loan waiver, demand for another such debt relief is growing.
- ✓ Farm loans, also known as crop loans, are short-term loans made to farmers prior to the start of the agricultural season. Banks provide this credit to farmers to cover capital expenditures for seeds, fertilisers, farm labour, and so on. Agriculture finance is classified as a priority sector lending, and banks must lend to it without exception. Hence, statement 1 is correct.
- ✓ Crop loans are typically for 11 months and have a minimum interest rate of 5%, with the central government subsidising 2% and the state government subsidising the remaining 2%. In Maharashtra, crop loans of up to Rs 3 lakh have been interest-free since 2021. Farmers are required to repay the main amount (plus interest if the principal exceeds Rs 3 lakh) within 11 months; otherwise, the loan is considered overdue. Hence, statement 2 is correct.

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- ✓ This system was implemented to provide farmers with simple access to institutional financing who might otherwise turn to private moneylenders. These moneylenders impose interest rates ranging from 10-15%, and farmers frequently become trapped in a never-ending cycle of debt. Studies have found a clear correlation between farm hardship and a lack of simple financing.
- ✓ Therefore, option (c) is the correct answer.

QUESTION 5

The Prompt Corrective Action is imposed by the RBI when a bank breaches:

1. Capital-to-risk weighted assets ratio (CRAR)
2. Non-Performing Assets (NPAs)
3. Return on assets (RoA)

Select the correct answer using the codes given below:

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

5.Explanation

- ✓ Reserve Bank of India had introduced a Prompt Corrective Action Framework (PCA) for Scheduled Commercial Banks in 2002 and the same has been reviewed from time to time based on the experience gained and developments in the banking system.
- ✓ The objective of the PCA Framework is to enable Supervisory intervention at appropriate time and require the Supervised Entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health.
- ✓ The PCA norm is a supervisory tool and is imposed when a bank breaches certain regulatory thresholds on capital-to-risk weighted assets ratio (CRAR), net NPAs and return on assets (RoA).
- ✓ Therefore, option (d) is the correct answer.