

MAT Economic & Business Environment Sample Paper-16

Duration: 24 Minutes

Maximum Marks: 30

Instructions

- This paper contains **30** Multiple Choice Questions from the **Economic & Business Environment** section of MAT.
- Each correct answer carries **+1 mark**. Incorrect answer: **-0.25** marks. Only **one** correct option.
- There is **no** negative marking for unattempted questions.
- Suggested time for this section in the full MAT is approximately **24 minutes**.
- Use of mobile phones, smartwatches, calculators, or any electronic gadgets is strictly prohibited.

Q1. In early 2026, the European Union officially implemented the transitional compliance phase of its Carbon Border Adjustment Mechanism (CBAM). Which of the following best describes the structural economic impact this mechanism has on high-emission exporters from developing nations like India?

- (A) It imposes a flat tariffs on all manufacturing inputs regardless of embedded carbon footprints.
- (B) It requires importers to purchase digital certificates corresponding to the carbon price that would have been paid if the goods had been produced under EU emission rules.
- (C) It subsidizes European importers to offset the higher logistical overheads of sourcing from non-EU nations.
- (D) It completely bans the importation of primary steel and aluminum from jurisdictions lacking a domestic cap-and-trade system.

Q2. The Reserve Bank of India (RBI) recently expanded the operational scope of its Central Bank Digital Currency (CBDC-R), the Digital Rupee. Which architectural feature was introduced to ensure transactional continuity during localized network infrastructure collapses?



- (A) Cryptographic proof-of-work delegation to commercial merchant terminals.
- (B) Asymmetric offline token transferability utilizing secure hardware enclaves on mobile devices.
- (C) Synchronous ledger reconciliation via localized low-earth-orbit (LEO) satellite arrays.
- (D) Temporary dynamic conversion into algorithmic stablecoins backed by sovereign gold reserves.

Q3. Amid shifting global supply chains, the operationalization of the India-Middle East-Europe Economic Corridor (IMEC) faces intense scrutiny. From a logistical microarchitecture perspective, which geographical choke point is explicitly bypassed by the overland railroad component of this multimodal transit network?

- (A) The Strait of Malacca
- (B) The Bab-el-Mandeb Strait
- (C) The Suez Canal
- (D) The Strait of Hormuz

Q4. Following the 2025 BRICS expansion framework, the bloc has actively promoted the development of an independent cross-border clearance architecture. What is the designated nomenclature of this proposed multi-currency digital payment messaging mechanism aimed at bypassing the Western-dominated SWIFT network?

- (A) BRICS Clear
- (B) Interbank Sovereignty Matrix (ISM)
- (C) BRICS Pay Settlement Gateway
- (D) Global South Distributed Ledger (GSDL)

Q5. The Government of India's updated National Green Hydrogen Mission has calibrated its fiscal incentive structures. Under the Strategic Interventions for Green Hydrogen Transition (SIGHT) program, how are the financial incentives primarily structured to stimulate domestic manufacturing?



- (A) Direct capital grants covering 100% of the setting-up costs for electrolyzer giga-factories.
- (B) A tapering per-kilogram production-linked incentive (PLI) for green hydrogen and a fixed incentive per kilowatt for electrolyzer manufacturing.
- (C) Complete corporate tax holidays for thirty years for entities achieving net-zero supply chain emissions.
- (D) Sovereign guarantees on international commercial borrowings for corporate renewable energy procurement.

Q6. In global macroeconomic policy, the concept of 'Friendshoring' has transitioned from theoretical diplomatic rhetoric to an active structural framework. Which of the following exemplifies a systemic corporate manifestation of this phenomenon within the electronics manufacturing ecosystem?

- (A) The complete repatriation of semiconductor wafer fabrication exclusively back to North American shores.
- (B) The massive diversification of supply lines away from legacy hubs toward allied jurisdictions like Vietnam, India, and Mexico.
- (C) The total elimination of import duties on electronic sub-assemblies among all United Nations member states.
- (D) The nationalization of foreign-owned telecommunications infrastructure to protect domestic intellectual property.

Q7. The critical mineral alliance known as the Minerals Security Partnership (MSP), which India joined to secure its clean energy supply chains, is strategically positioned to break monopolies in the processing of rare earth elements. Which nation currently exercises dominant downstream control over the refining of over 70% of these critical minerals?

- (A) Australia
- (B) The United States
- (C) China
- (D) Chile



- Q8.** In recent Union Budgets, the Government of India has significantly accelerated its Capital Expenditure (CapEx) allocative trajectory while maintaining a glide path for fiscal consolidation. According to macroeconomic theory, a high CapEx-to-GDP ratio is prioritized over Revenue Expenditure primarily because it:
- (A) Triggers an immediate reduction in the core Consumer Price Index (CPI) by depressing consumer demand.
 - (B) Has a significantly higher fiscal multiplier effect, creating durable assets that augment the long-term productive capacity of the economy.
 - (C) Automatically reduces the nominal interest burden on outstanding public debt within the same fiscal year.
 - (D) Eliminates the need for market borrowings by generating immediate non-tax revenue surpluses.
- Q9.** The Fiscal Responsibility and Budget Management (FRBM) Act outlines targeted thresholds for the fiscal deficit. When the government utilizes 'Off-Budget Borrowings' through public sector undertakings to fund capital infrastructure, what is the accounting impact on the officially stated Fiscal Deficit of that financial year?
- (A) It artificially inflates the reported deficit, necessitating emergency mid-term corrections.
 - (B) It keeps the borrowing excluded from the face of the fiscal deficit budget document, making the sovereign fiscal position appear more consolidated than it structurally is.
 - (C) It cancels out equivalent revenue deficits through complex inter-corporate dividend accounting.
 - (D) It legally converts public debt into equity, eliminating any future repayment obligations for the state.
- Q10.** Consider the structural mechanics of the Goods and Services Tax (GST) council in India. To pass any resolution during a formal council convention, what is



the statutory voting majority required, and how is the voting power distributed between the Center and the States?

- (A) Simple majority; 50% weightage given to the Center and 50% split equally among all participating States.
- (B) Three-fourths majority; One-third voting power vested in the Center and two-thirds distributed proportionally among the States.
- (C) Two-thirds majority; 40% weightage given to the Center and 60% distributed based on the state's population metrics.
- (D) Unanimous consensus; each state holds an absolute veto regardless of fiscal scale or economic size.

Q11. The structural implementation of the Insolvency and Bankruptcy Code (IBC) underwent amendments to introduce the Pre-packaged Insolvency Resolution Process (PIRP). Which corporate tier is this framework explicitly designed to protect, and what is its defining structural characteristic?

- (A) Large multi-national conglomerates; it allows them to liquidate global assets without domestic court authorization.
- (B) Micro, Small, and Medium Enterprises (MSMEs); it offers a speedier, cost-effective, debtor-in-possession model that preserves the existing management's operations during resolution negotiation.
- (C) Public Sector Banks; it enables automatic transfer of non-performing assets to a sovereign wealth fund.
- (D) Non-Banking Financial Companies (NBFCs); it enforces immediate asset stripping to repay retail depositors within 48 hours.

Q12. Under the Basel III macroprudential framework implemented by the Reserve Bank of India, commercial banks are mandated to maintain a Countercyclical Capital Buffer (CCB). The core operational philosophy of the CCB is to:

- (A) Force banks to hoard cash during economic recessions to protect equity valuations.



- (B) Accumulate an extra layer of capital during periods of excessive systemic credit growth that can be drawn down when the economic cycle enters a downturn.
- (C) Provide a dedicated fund for bailing out non-banking financial entities facing acute liquidity shortfalls.
- (D) Insure retail deposits against systemic defaults up to a maximum threshold per account holder.

Q13. In corporate finance and debt markets, the 'Yield Inversion' of a sovereign bond curve is a rare, highly scrutinized anomaly. Structurally, a deeply inverted yield curve indicates that:

- (A) Short-term debt instruments offer higher yields than long-term debt instruments, signaling widespread market expectations of an imminent economic recession and interest rate cuts.
- (B) Long-term bonds have become completely risk-free, eliminating the need for a maturity premium.
- (C) The central bank has lost total regulatory control over commercial prime lending rates.
- (D) Foreign institutional investors are dumping domestic equity assets to hoard physical bullion.

Q14. The Securities and Exchange Board of India (SEBI) regulated the introduction of Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs). To provide retail investors with consistent cash flows, these instruments are legally mandated to distribute what minimum percentage of their net distributable cash flows to unit holders?

- (A) 50 percent
- (B) 75 percent
- (C) 90 percent
- (D) 100 percent



- Q15.** When a commercial bank executes a Credit Default Swap (CDS) transaction as a protection buyer, it is effectively utilizing a derivative instrument to insulate its balance sheet from which specific category of financial vulnerability?
- (A) Interest Rate Volatility Risk
 - (B) Foreign Exchange Liquidity Compression
 - (C) Credit Default and Counterparty Default Risk of an underlying debt issuer
 - (D) Inflationary Erosion of Fixed Assets
- Q16.** The mega-merger between Sony Pictures Networks India and Zee Entertainment Enterprises collapsed after protracted corporate standoffs. From a corporate governance standpoint, what was the primary structural deadlock that derailed the consolidation?
- (A) Disagreements regarding the final valuation of linear television broadcasting licenses.
 - (B) Disagreements over who would lead the merged entity as Chief Executive Officer amid ongoing regulatory investigations into the promoter family.
 - (C) Antitrust interventions by the Competition Commission of India requiring the divestment of sports networks.
 - (D) Discrepancies in the digital streaming rights accounting for their respective OTT platforms.
- Q17.** In the global automotive and electronics sectors, a strategic shift toward vertical integration has seen companies like Tesla and BYD acquiring stakes directly in lithium mining operations. This corporate positioning is best described as:
- (A) Forward Vertical Integration, aimed at controlling downstream distribution networks.
 - (B) Horizontal Integration, designed to absorb direct market competitors at the same manufacturing tier.
 - (C) Backward Vertical Integration, executed to secure critical upstream raw material supply chains and mitigate input price volatility.



(D) Conglomerate Diversification, conducted to expand into unrelated luxury lifestyle markets.

Q18. The Competition Commission of India (CCI) uses the 'Leniency Programme' (lesser penalty regulations) as a regulatory tool. This framework is explicitly deployed to detect and dismantle which anti-competitive corporate structure?

(A) Hostile Takeover Bids of public sector enterprises.

(B) Secretive corporate Cartels engaged in collusive price-fixing and market allocation.

(C) Exclusive dealer distribution arrangements in the e-commerce sector.

(D) Predatory pricing strategies practiced by venture-backed technology platforms.

Q19. When the corporate giant Air India, under the ownership of Tata Group, completed its operational integration with Vistara, it restructured its brand architecture. Which global aviation alliance is this unified mega-carrier leveraging to consolidate its international market share?

(A) SkyTeam

(B) OneWorld

(C) Star Alliance

(D) Gulf Cooperation Aviation Network

Q20. While Article 280 governs the devolution of revenues, which Article of the Constitution of India was explicitly inserted via the 101st Constitutional Amendment Act to grant concurrent taxing powers to both Parliament and State Legislatures specifically for framing Goods and Services Tax (GST) laws?

(A) Article 246A

(B) Article 269A

(C) Article 279A

(D) Article 301



- Q21.** Economic historians often analyze the 'Drain Theory' formulated by Dadabhai Naoroji in his seminal work, *Poverty and Un-British Rule in India*. What was the primary structural conduit through which Indian wealth was systematically transferred to Britain without equivalent material returns?
- (A) Home Charges, including pensions for British officials and interest payments on guaranteed railways debt.
 - (B) Direct military plundering of provincial treasuries during open declarations of conflict.
 - (C) The physical export of industrial machinery from Manchester to the Bombay presidency.
 - (D) Arbitrary currency devaluations of the British Pound Sterling against the Indian Rupee.
- Q22.** Geographically, the positioning of India's Major Ports plays a definitive role in international maritime trade volumes. Which of the following ports is an artificial, deep-water port located on the eastern coast, structurally engineered to handle massive bulk cargo traffic for the Bay of Bengal trade routes?
- (A) Kandla Port (Deendayal Port)
 - (B) Paradip Port
 - (C) Jawaharlal Nehru Port Trust (JNPT)
 - (D) Cochin Port
- Q23.** The historical evolution of land tenure systems in British India profoundly impacted agrarian economic frameworks. The Ryotwari System, introduced by Sir Thomas Munro in the Madras and Bombay Presidencies, differed from the Permanent Settlement primarily because it:
- (A) Created a class of hereditary landlords who acted as intermediaries for revenue collection.
 - (B) Recognized the individual cultivator (Ryot) as the land owner with revenue settlements made directly with the state, subject to periodic revision.
 - (C) Abolished all forms of land taxation in exchange for forced indigo cultivation.



(D) Delegated revenue collection rights exclusively to village panchayats via collective bidding.

Q24. The World Trade Organization's (WTO) Dispute Settlement Body faces a structural crisis that has paralyzed its apex enforcement capabilities. What is the root cause of this operational gridlock?

(A) A complete lack of budgetary funding from member states due to inflationary pressures.

(B) The deliberate and persistent blocking of member appointments to the WTO Appellate Body by the United States, leaving it without a functioning quorum.

(C) The mass defection of European Union member nations to bilateral trade treaties.

(D) The refusal of the Secretariat to handle disputes involving digital services and cross-border data flows.

Q25. The International Monetary Fund (IMF) utilizes a specialized basket of currencies known as Special Drawing Rights (SDRs) to supplement the official reserves of member nations. Which of the following correctly identifies the five currencies that comprise the current structural weightage matrix of the SDR basket?

(A) US Dollar, Euro, Japanese Yen, British Pound, and Chinese Renminbi

(B) US Dollar, Euro, Indian Rupee, Swiss Franc, and Australian Dollar

(C) US Dollar, British Pound, Canadian Dollar, Euro, and Japanese Yen

(D) US Dollar, Chinese Renminbi, Russian Ruble, Saudi Riyal, and Euro

Q26. In international trade theory, the 'Most Favored Nation' (MFN) principle under GATT/WTO frameworks dictates that:

(A) A country must give special trading privileges exclusively to its closest geopolitical and historical allies.

(B) Developing countries must be completely exempt from all environmental compliance tariffs when exporting to developed nations.



- (C) Any trade concession or tariff reduction granted by a WTO member to one nation must be extended immediately and unconditionally to all other WTO members.
- (D) Domestic industries must be favored over foreign corporations in all public sector procurement bidding processes.

Q27. The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel (commonly referred to as the Nobel Prize in Economics) was awarded to Daron Acemoglu, Simon Johnson, and James A. Robinson. Their structural research primarily demonstrated that:

- (A) Purely algorithmic high-frequency trading models minimize systemic volatility in equity markets.
- (B) Societal institutions formed during historical colonizations play a critical role in explaining why some nations prosper while others experience persistent economic stagnation.
- (C) Global inflation can be structurally eradicated by reverting to the international gold standard.
- (D) Carbon taxation is mathematically inefficient compared to direct government mandates on clean energy quotas.

Q28. In contemporary corporate literature, the book *Chip War: The Fight for the World's Most Critical Technology* by Chris Miller has become highly influential among policymakers. The central thesis of this work revolves around the extreme geopolitical vulnerabilities of global economic supply lines due to the hyper-concentration of advanced chip fabrication within:

- (A) The Silicon Valley corridor in California, USA
- (B) The Taiwan Semiconductor Manufacturing Company (TSMC) facilities in Taiwan
- (C) The ASML manufacturing hubs in Eindhoven, Netherlands
- (D) The Samsung electronics complexes in Seoul, South Korea

Q29. The financial mechanics of modern mega-sports ecosystems were highlighted



during the formal valuation reviews of the Indian Premier League (IPL). Structurally, which revenue stream forms the foundational 'central pool' asset that is aggregated by the BCCI and shared directly with the corporate franchises under a locked percentage framework?

- (A) In-stadia ticket sales and local concessionaire licensing rights.
- (B) Consolidated global media and broadcasting rights combined with title sponsorship partnerships.
- (C) Individual player merchandise manufacturing margins.
- (D) Corporate hospitality box auctions and regional stadium naming rights.

Q30. The technical transition remained completely _____ by legacy architecture, displaying a scalability poise that highly frustrated external _____.

- (A) unperturbed ... observers
- (B) unhinged ... partners
- (C) energized ... internalists
- (D) concerned ... managers



Detailed Solutions**Q1.****Solution**

Concept: The Carbon Border Adjustment Mechanism (CBAM) is an environmental trade policy designed to prevent "carbon leakage." It ensures that the price of imports into a trade zone reflects their embedded greenhouse gas emissions, neutralizing the competitive advantage of foreign goods produced under more lenient emission laws.

Solution: The European Union's CBAM requires EU importers to buy digital CBAM certificates that match the carbon price that would have been paid if the imported goods had been manufactured under the EU's internal emission rules (the Emissions Trading System, or ETS). This framework directly impacts high-emission exporters from developing nations like India—particularly in carbon-heavy sectors like steel, aluminum, cement, fertilizer, electricity, and hydrogen—by creating a financial mechanism that prices in their manufacturing emissions before they can enter the European single market.

Final Answer: Importers must buy certificates matching the EU-equivalent carbon price.

Answer: (B)

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Q2.**Solution**

Concept: Central Bank Digital Currencies (CBDCs) designed for retail ecosystems require offline transactional continuity to handle connectivity failures. This architecture uses tamper-resistant physical microchips or secure execution spaces embedded directly on individual smartphones to execute digital asset transfers securely without needing an immediate network connection.

Solution: To provide transactional continuity during localized network infrastructure collapses, the retail Digital Rupee (CBDC-R) framework introduced an asymmetric offline token transferability feature utilizing secure hardware enclaves on mobile devices. This design allows two individual devices to sign and securely trade token balances directly using local wireless frequencies (such as Near Field Communication, or NFC). The secure hardware enclave prevents double-spending and ensures cryptographic integrity locally, storing the asset ledger adjustment on the device until it re-establishes a link to the central bank network for global settlement.

Final Answer: Offline token transfers using secure mobile hardware enclaves.

Answer: (B)

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Q3.

Solution

Concept: Multimodal transit networks use interconnected rail and maritime shipping corridors to bypass geographic choke points. By shifting maritime shipping containers to land-based freight rail systems across a continent, transit networks avoid congested maritime canals and narrow waterways, reducing transit times and lower geopolitical shipping risks.

Solution: From a logistical microarchitecture perspective, the overland railroad component of the India-Middle East-Europe Economic Corridor (IMEC) explicitly bypasses the Suez Canal. Rather than relying on a continuous maritime journey from Indian ports through the Arabian Sea, up the Red Sea, and through the Suez Canal into the Mediterranean, IMEC routes shipping freight to ports in the United Arab Emirates. From there, goods travel via an overland rail network across Saudi Arabia and Jordan to Israel's Mediterranean coast, bypassing the Suez Canal choke point entirely before shipping onward to European ports.

Final Answer:

Answer: (C)

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Q4.

Solution

Concept: Cross-border financial clearings use decentralized network messaging protocols to settle international financial transactions without relying on legacy Western institutions. These messaging models clear payments directly across multiple local central bank digital ledgers or linked currency platforms, reducing transaction costs and insulating trade channels from international economic sanctions.

Solution: Following the 2025 BRICS expansion, the multi-currency digital payment messaging mechanism designed to bypass the Western-dominated SWIFT system is known as BRICS Clear. This proposed financial clearing infrastructure works as a decentralized system to route financial messaging and settle transactions using local member currencies. By connecting national central bank payment interfaces and digital ledgers, BRICS Clear allows direct clearing between participating nations without needing to route transactions through intermediate Western banks or vehicle currencies like the US Dollar.

Final Answer:

Answer: (A)

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Q5.

Solution

Concept: Production-linked financial incentives stimulate emerging green technology sectors by tying public funding directly to real production volumes and component capacities. Applying tapering subsidies for production outputs alongside fixed grants for manufacturing hardware encourages companies to build larger industrial facilities and lower green technology generation costs over time.

Solution: Under the Strategic Interventions for Green Hydrogen Transition (SIGHT) program—a core element of India’s National Green Hydrogen Mission—the financial incentives are structured as a tapering per-kilogram production-linked incentive (PLI) for green hydrogen and a fixed incentive per kilowatt for domestic electrolyzer manufacturing. This dual-pronged funding model provides targeted support over a set five-year window: the financial incentive for green hydrogen production scales down annually as production lines grow, while the electrolyzer manufacturing incentive rewards energy efficiency and local component sourcing to build a competitive domestic manufacturing ecosystem.

Final Answer: PLI for green hydrogen production and incentives for electrolyzer manufacturing.

Answer: (B)

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Q6.

Solution

Concept: ‘Friendshoring’ is a supply chain strategy where a company moves its critical manufacturing lines and logistics hubs away from geopolitical rivals to friendly, allied nations. This practice minimizes supply chain vulnerabilities from international trade disputes and regional political blockages, prioritizing long-term operational resilience and diplomatic alignment over minimizing short-term production costs.

Solution: A systemic corporate manifestation of friendshoring within the electronics manufacturing ecosystem is the massive diversification of supply lines away from legacy manufacturing hubs toward allied jurisdictions like Vietnam, India, and Mexico. Global electronics brands have actively reconfigured their assembly lines, component sourcing networks, and final testing facilities to build deeper roots in nations that offer stable political ties, favorable investment rules, and minimal trade war risks, protecting their global supply chains from disruptions.

Final Answer: Diversifying supply chains to allied countries like Vietnam, India, and Mexico.

Answer: (B)

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Q7.

Solution

Concept: Downstream critical mineral processing involves the industrial refining and purification of raw rare earth elements into high-purity oxides and metals needed for advanced technologies. When a single nation holds a dominant position in these refining pipelines, it exercises significant geopolitical leverage over global clean energy supply chains, electric vehicle production, and precision defense manufacturing.

Solution: China exercises dominant downstream control over the refining of more than 70% of the world's rare earth elements and critical clean energy materials. While mineral extraction is spread across several continents, China has built an extensive industrial network of advanced chemical processing facilities, specialized engineering talent, and tailored regulatory rules. This concentration gives it a near-monopoly on processing raw elements into high-purity magnets and compounds, prompting international partnerships like the Minerals Security Partnership (MSP) to build alternative refining lines.

Final Answer:

Answer: (C)

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Q8.

Solution

Concept: Capital Expenditure (CapEx) targets public funds toward building long-lasting assets like highways, high-speed rail lines, and deep-water ports, whereas Revenue Expenditure funds day-to-day government operations like salaries and administrative costs. Public investment theory favors CapEx because it generates a higher economic multiplier, expanding a nation's long-term productive capacity and attracting private capital investments.

Solution: According to macroeconomic theory, a high CapEx-to-GDP ratio is prioritized over Revenue Expenditure primarily because Capital Expenditure has a significantly higher fiscal multiplier effect, creating durable public assets that augment the long-term productive capacity of the national economy. Spending on physical infrastructure expands logistics efficiencies and lowers structural business operating costs, which helps attract private sector investment (a process known as crowding-in) and drives sustainable, non-inflationary GDP growth over future fiscal cycles.

Final Answer:

Answer: (B)

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Q9.

Solution

Concept: Off-budget borrowings are financial liabilities raised by state-owned enterprises or public sector undertakings rather than the central government directly, even though the state often guarantees the debt service payments. Governments historically used this accounting practice to fund infrastructure projects while keeping the underlying debt off the main fiscal deficit calculations, which can make official sovereign deficit figures look lower than the country's total public liabilities.

Solution: When a government utilizes off-budget borrowings to fund capital infrastructure, the primary accounting impact is that it keeps the borrowing excluded from the face of the fiscal deficit budget document, making the sovereign fiscal position appear more consolidated than it structurally is. Because the debt is formally issued by a state-owned enterprise, the capital raised does not count toward the official fiscal deficit cap set by the FRBM Act. However, since the central government often backs these bonds, the practice increases total public sector liabilities and fiscal risks without reflecting those costs in primary budget declarations.

Final Answer: It hides borrowing from the fiscal deficit, making finances appear stronger.

Answer: (B)

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Q10.

Solution

Concept: The Goods and Services Tax (GST) Council operates on a weighted voting system designed to ensure both the central government and state administrations must cooperate to pass tax changes. This framework gives the central government a decisive block of votes while requiring a supermajority for any policy resolution to pass, ensuring that neither the Center nor a small coalition of states can change tax rules on their own.

Solution: To pass any resolution during a formal GST Council convention, the statutory voting rules require a three-fourths (75%) majority of the weighted votes cast by the members present and voting. The voting power is distributed between the two tiers of government as follows: * The Central Government holds a one-third (33.33%) weightage of the total votes cast. * All the State Governments combined hold the remaining two-thirds (66.67%) weightage of the total votes cast. Because a resolution requires a 75% supermajority to pass, the Center retains an effective veto on all proposals, while the states must build a broad coalition to clear or block tax policy adjustments.

Final Answer: Three-fourths majority; 1/3 voting power to Centre and 2/3 to States.

Answer: (B)

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Q11.

Solution

Concept: Pre-packaged insolvency resolution processes (PIRPs) provide an alternative bankruptcy path that combines informal out-of-court restructuring negotiations with fast-track judicial confirmation. This approach often uses a "debtor-in-possession" model, allowing current company management to keep running day-to-day operations during restructuring talks to avoid business disruptions and protect employment.

Solution: The Pre-packaged Insolvency Resolution Process (PIRP) framework under the Insolvency and Bankruptcy Code (IBC) is explicitly designed to protect Micro, Small, and Medium Enterprises (MSMEs) by offering a speedier, cost-effective, debtor-in-possession model that preserves the existing management's operations during resolution negotiation. Unlike the standard Corporate Insolvency Resolution Process (CIRP)—where an external insolvency professional takes full operational control of the debtor firm—PIRP allows MSME entrepreneurs to maintain daily business operations while negotiating restructuring terms with financial creditors. This approach preserves corporate value and prevents premature business liquidations.

Final Answer: MSMEs; fast, low-cost resolution with existing management retained.

Answer: (B)

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Q12.

Solution

Concept: The Countercyclical Capital Buffer (CCB) is a macroprudential safety rule that requires commercial banks to hold extra capital reserves during periods of high credit expansion. By accumulating capital cushions when the economy is booming, banks build up financial reserves that can be released during recessions to absorb credit losses and maintain lending to the economy.

Solution: The core operational philosophy of the Countercyclical Capital Buffer (CCB) under Basel III rules is to accumulate an extra layer of common equity tier capital during periods of excessive systemic credit growth that can be drawn down when the economic cycle enters a downturn. This framework acts as a macroprudential shock absorber: it slows excessive lending during booms by raising capital costs and provides banks with a capital cushion to absorb defaults during recessions, preventing credit crunches.

Final Answer: Build extra capital during high credit growth for downturns

Answer: (B)

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Q13.

Solution

Concept: A sovereign bond yield curve plots the interest rates of government debt instruments across different maturity lengths. In normal economic times, long-term bonds offer higher yields than short-term ones to compensate investors for tying up capital over time (the maturity premium). A yield curve inversion breaks this pattern, signaling shifting market expectations for future economic performance.

Solution: Structurally, a deeply inverted yield curve indicates that short-term debt instruments offer higher yields than long-term debt instruments. This market anomaly typically signals that investors expect an imminent economic recession, falling inflation, and subsequent interest rate cuts by the central bank. As institutional market operators anticipate an economic slowdown, they rush to lock in long-term yields by buying long-duration sovereign bonds. This surge in demand drives long-term bond prices up and their corresponding yields down below short-term rates.

Final Answer: Short-term debt yields exceed long-term yields, signaling recession fears

Answer: (A)

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Q14.

Solution

Concept: Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) pool capital from investors to buy and operate income-generating real estate and infrastructure assets. To protect retail investors and ensure steady income returns, regulators require these trusts to distribute most of their operational cash earnings directly to unit holders as regular dividends.

Solution: Under statutory frameworks regulated by the Securities and Exchange Board of India (SEBI), both Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) are legally mandated to distribute a minimum of 90 percent of their net distributable cash flows directly to unit holders. This regulatory requirement ensures that the trusts operate primarily as pass-through investment vehicles that return cash profits from toll roads, power lines, and commercial properties back to retail and institutional investors rather than hoarding cash inside the fund.

Final Answer: 90 percent

Answer: (C)

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Q15.

Solution

Concept: A Credit Default Swap (CDS) is a financial derivative that allows a lender to transfer credit exposure to a third party. The protection buyer makes regular premium payments to the protection seller in exchange for a payout if the underlying borrower defaults on its debts, acting as a form of credit insurance for corporate bonds or loan portfolios.

Solution: When a commercial bank executes a Credit Default Swap (CDS) transaction as a protection buyer, it uses the derivative instrument to insulate its balance sheet from credit default and counterparty default risk of an underlying debt issuer. By paying a periodic fee to the protection seller, the bank shifts the default risk of its underlying loan or corporate bond holding. If the underlying borrower experiences a credit event—such as a missed payment, restructuring, or bankruptcy—the protection seller compensates the bank for the loss, insulating the bank’s capital reserves from asset write-downs.

Final Answer: Credit Default and Counterparty Default Risk of an underlying debt issuer

Answer: (C)

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Q16.

Solution

Concept: Corporate mergers can stall due to disputes over leadership appointments and regulatory compliance. When a major business deal requires combining two large corporate entities, disagreements over who will fill top executive seats—especially if one leader faces active regulatory investigations—can create an impasse that derails the entire transaction.

Solution: The mega-merger between Sony Pictures Networks India and Zee Entertainment Enterprises collapsed primarily due to prolonged disagreements over who would lead the combined media entity as Chief Executive Officer amid ongoing regulatory investigations into the promoter family. While the original merger agreement named Zee’s managing director to lead the unified company, Sony grew concerned after the Securities and Exchange Board of India (SEBI) launched investigations into Zee’s promoters over allegations of capital siphoning, creating a corporate governance deadlock that ended the consolidation.

Final Answer: CEO leadership disputes and regulatory investigations

Answer: (B)

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Q17.

Solution

Concept: Backward vertical integration occurs when a company acquires control over its upstream supply chain, such as raw material suppliers or component manufacturers. This strategy helps businesses secure critical production inputs, protect themselves from supplier monopolies, and stabilize costs against market price swings.

Solution: When automotive and tech corporations like Tesla and BYD acquire direct equity stakes or off-take agreements in lithium mining operations, this corporate positioning is classified as Backward Vertical Integration. By moving up the supply chain into mineral mining and refining, these manufacturers secure a steady supply of critical battery raw materials. This strategy helps them manage the input price swings of lithium, cobalt, and nickel, while protecting their high-volume electric vehicle production lines from global commodity shortages.

Final Answer: Backward integration to secure raw material supply

Answer: (C)

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Q18.

Solution

Concept: Antitrust leniency programs offer immunity or reduced financial fines to companies that come forward with evidence of an illegal cartel. By rewarding the first member to expose a secretive price-fixing ring, antitrust authorities can break up collusive groups that are otherwise difficult to uncover through standard regulatory audits.

Solution: The Competition Commission of India (CCI) uses its Leniency Programme explicitly to detect and dismantle secretive corporate cartels engaged in collusive price-fixing, output restrictions, and market allocation. Because cartels operate via hidden agreements among competing firms to inflate prices and divide market share, they are difficult for regulators to uncover from the outside. The leniency framework encourages companies to break ranks by offering significant reductions in financial penalties to the first cartel member that brings inside evidence and cooperates fully with the antitrust investigation.

Final Answer: Secret cartels involved in price-fixing and market sharing

Answer: (B)

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Q19.

Solution

Concept: Global airline alliances link the networks, codeshare agreements, and loyalty programs of multiple international carriers. Joining a top alliance allows a national airline to expand its international reach, coordinate flight schedules with foreign partners, and offer passengers seamless travel connections across a global network.

Solution: Following its operational integration with Vistara under Tata Group ownership, Air India uses its membership in Star Alliance to build its international market share. As an established member of this global aviation network, Air India connects its domestic and regional routes with major international airlines like Lufthansa, Singapore Airlines, and United Airlines. This partnership allows the unified airline to offer passengers integrated codeshare flight schedules, shared airport lounge access, and linked frequent flyer points, helping it compete more effectively on long-haul travel corridors.

Final Answer: Star Alliance

Answer: (C)

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Q20.

Solution

Concept: Introducing a unified indirect tax requires updating constitutional rules to allow both central and state governments to levy taxes on the same commercial transaction. This concurrent taxing power breaks from traditional legal setups where tax authority was divided strictly between the center (for manufacturing and services) and the states (for retail sales).

Solution: Article 246A was explicitly inserted into the Constitution of India via the 101st Constitutional Amendment Act to grant concurrent taxing powers to both Parliament and State Legislatures for framing Goods and Services Tax (GST) laws. Before this amendment, the center and states had separate, non-overlapping tax jurisdictions. Article 246A changed this structure by giving both tiers of government the authority to levy GST on intra-state trade, while giving Parliament exclusive power to manage integrated GST (IGST) on inter-state commerce, establishing the legal foundation for the unified tax system.

Final Answer: Article 246A

Answer: (A)

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Q21.

Solution

Concept: Colonial economic extraction frameworks systematically transfer wealth from a colony to the ruling nation without providing equal material imports in return. This unilateral transfer can happen through administrative charges, official pensions, and guaranteed interest returns on colonial infrastructure debt paid directly out of the colony's tax revenues.

Solution: In his classic work *Poverty and Un-British Rule in India*, Dadabhai Naoroji identified "Home Charges" as a primary economic channel for the systematic transfer of Indian wealth to Britain. These Home Charges were administrative fees paid by the colonial government out of Indian tax revenues to cover costs in London. They included pensions for retired British civil and military officials, the operating expenses of the India Office, and guaranteed interest payments on capital debt raised for colonial railway lines, draining financial capital away from India's domestic economy.

Final Answer: Home Charges like pensions and railway debt payments

Answer: (A)

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Q22.

Solution

Concept: Artificial deep-water ports are engineered by dredging natural coastal basins and constructing breakwaters to handle large cargo vessels along shallow shorelines. These ports are built to handle bulk commodities like iron ore, coal, and heavy freight, linking regional manufacturing corridors with international shipping lanes.

Solution: Paradip Port is an artificial, deep-water port located on the eastern coast of India in Odisha, engineered to handle large volumes of bulk cargo traffic for Bay of Bengal trade routes. Opened in the 1960s, the port was built along a shallow coast by dredging a deep lagoon and constructing breakwaters to provide safe harbor for large cargo ships. Its strategic location near eastern India's rich mineral and coal fields allows it to handle heavy industrial exports like iron ore, coal, and crude oil imports, making it a vital logistics hub for regional maritime trade.

Final Answer: Paradip Port

Answer: (B)

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Q23.

Solution

Concept: Direct land revenue settlements establish a fiscal relationship directly between the state and the individual peasant cultivator, bypassing large hereditary landlords. This system requires revenue officers to survey plots and adjust tax rates periodically based on soil quality and crop yields, rather than setting a permanent tax amount for an entire region.

Solution: The Ryotwari System, introduced by Sir Thomas Munro in the Madras and Bombay Presidencies, differed from the Permanent Settlement because it recognized the individual cultivator (Ryot) as the rightful landowner, with revenue settlements made directly with the state, subject to periodic revision. By removing intermediary tax collectors (Zamindars), the Ryotwari framework aimed to secure revenue directly from the peasants. The land tax was adjusted every 20 to 30 years based on detailed land surveys and soil assessments, though the high tax rates still placed heavy financial burdens on rural farmers.

Final Answer: Ryots were recognized as landowners paying revenue directly to the state

Answer: (B)

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Q24.

Solution

Concept: International trade courts face operational gridlock when member states block the appointment of new judges to its highest appeals committee. Without enough active members to meet a legal quorum, the appeals panel cannot review trade cases, allowing countries to appeal lower rulings into a legal void and stall enforcement actions.

Solution: The root cause of the operational crisis within the WTO's Dispute Settlement Body is the deliberate and persistent blocking of member appointments to the WTO Appellate Body by the United States, leaving it without a functioning quorum. By using its veto power to block appointments to this seven-member body, the U.S. reduced active membership below the minimum three judges required to hear a case. As a result, when a member nation loses a trade dispute panel ruling, it can appeal the decision to an inactive Appellate Body, stalling the case and undermining the WTO's ability to enforce international trade rules.

Final Answer: U.S. blocking of WTO Appellate Body appointments

Answer: (B)

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Q25.

Solution

Concept: Special Drawing Rights (SDRs) are international reserve assets created by the IMF to supplement member countries' official reserves. The value of an SDR is based on a basket of key international currencies, selected for their dominant roles in global trade and financial clearing networks.

Solution: The current structural weightage matrix of the IMF's Special Drawing Rights (SDR) basket consists of five currencies: the US Dollar, Euro, Japanese Yen, British Pound, and Chinese Renminbi. The IMF reviews this basket composition every five years to ensure it accurately reflects the changing balance of global financial transactions and international trade markets, adjusting the relative weights of these five currencies based on their use in global exports and official reserves.

Final Answer: US Dollar, Euro, Japanese Yen, British Pound, and Chinese Renminbi

Answer: (A)

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Q26.

Solution

Concept: The Most Favored Nation (MFN) principle is a core pillar of international trade law that requires equal treatment among trading partners. Under this rule, a country cannot discriminate between its trading partners; any trade concession, lower tariff, or commercial privilege granted to one nation must be extended to all other members of the trade organization.

Solution: In international trade theory, the 'Most Favored Nation' (MFN) principle under GATT/WTO frameworks dictates that any trade concession or tariff reduction granted by a WTO member to one nation must be extended immediately and unconditionally to all other WTO members. This rule ensures trade non-discrimination across global markets. If a country lowers an import tariff on a product for one trading partner, it must apply that same lower rate to all other WTO member nations, preventing preferential trade advantages outside recognized free trade agreements.

Final Answer: Trade concessions to one WTO member apply to all members

Answer: (C)

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Q27.

Solution

Concept: Institutional economic research examines how historical legal systems, property rights, and political structures influence long-term national growth. This work shows that institutions built during colonial eras can shape modern economic success, explaining why some countries prosper while others face ongoing stagnation.

Solution: The Nobel Prize in Economics was awarded to Daron Acemoglu, Simon Johnson, and James A. Robinson for their research showing that societal institutions formed during historical colonizations play a critical role in explaining why some nations prosper while others experience economic stagnation. Their empirical work demonstrates that where colonizers introduced inclusive institutions that protected property rights and checked executive power, long-term investments and economic growth followed. In contrast, regions where extractive institutions were set up to drain resources continue to face weaker growth and political instability.

Final Answer: Historical institutions shape national economic prosperity

Answer: (B)

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Q28.

Solution

Concept: The semiconductor supply chain is highly concentrated, with advanced fabrication facilities localized in specific geographic areas. When production of the world's most advanced microchips relies on a small number of specialized semiconductor foundries, regional political tensions or natural disasters can disrupt global electronics, automotive, and technology markets.

Solution: The central thesis of Chris Miller's *Chip War* focuses on the extreme geopolitical vulnerabilities of global economic supply lines due to the hyper-concentration of advanced chip fabrication within the Taiwan Semiconductor Manufacturing Company (TSMC) facilities in Taiwan. The book highlights how modern technology—from smartphones to advanced military guidance systems—depends on microchips manufactured in a few highly specialized fabrication plants located in a geopolitically sensitive region, creating significant supply chain risks for the global economy.

Final Answer: The Taiwan Semiconductor Manufacturing Company (TSMC) facilities in Taiwan

Answer: (B)

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Q29.

Solution

Concept: Sports league business models use centralized revenue pools to maintain financial balance among competing franchises. By pooling high-value commercial assets—such as global media broadcasting rights and title sponsorships—the league’s governing body can distribute these revenues evenly among teams, ensuring financial stability across the league.

Solution: The financial foundation of the Indian Premier League (IPL) "central pool" asset consists of consolidated global media and broadcasting rights combined with title sponsorship partnerships. These multi-year commercial deals are negotiated directly by the BCCI. The resulting revenue is pooled and split under a fixed percentage framework: a major portion is shared directly with the corporate franchises, providing teams with a stable, predictable revenue stream that underwrites player salaries and team operations regardless of individual ticket sales or local stadium revenue.

Final Answer: Global media rights and title sponsorship deals

Answer: (B)

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Q30.

Solution

Concept: Sentence completion exercises require selecting words that fit both the logical flow and the contextual tone of the passage. Identifying contrasting or reinforcing words helps complete sentences accurately based on the narrative clues provided.

Solution: The sentence requires a pair of words that match the logical contrast between a smooth technical transition and the frustration of outside parties. The phrase "completely unperturbed by legacy architecture" indicates that the transition was smooth, steady, and unaffected by older systems. This success showed a "scalability poise" that frustrated external "observers," who may have expected structural errors or system crashes. Other options, such as "unhinged... partners" or "concerned... managers," break the logical flow and tone of the sentence.

Final Answer: unperturbed ... observers

Answer: (A)

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Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	B	2	B	3	C	4	A	5	B
6	B	7	C	8	B	9	B	10	B
11	B	12	B	13	A	14	C	15	C
16	B	17	C	18	B	19	C	20	A
21	A	22	B	23	B	24	B	25	A
26	C	27	B	28	B	29	B	30	A

