

MAT Economic & Business Environment Sample Paper-19

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 **24 minutes**.
- Use of mobile phones, smartwatches, calculators, or any electronic gadgets is strictly prohibited.

Q1. Which of the following statements best describes the concept of “Fiscal Drag” in an economy experiencing high inflation?

- (A) The government deliberately reduces public spending to control demand-pull inflation.
- (B) Taxpayers are pushed into higher tax brackets due to inflation, decreasing their real purchasing power.
- (C) The central bank increases the repo rate, resulting in a slowdown of corporate borrowing.
- (D) The sovereign debt burden increases in real terms due to the depreciation of the domestic currency.

Q2. In the context of global critical minerals supply chains, the “Minerals Security Partnership” (MSP) was initiated to counter dominance by single nations. Which of the following countries spearheaded this initiative?

- (A) India
- (B) United States
- (C) Australia



(D) France

Q3. The concept of a “Poison Pill” strategy in corporate mergers and acquisitions refers to:

(A) A target company acquiring a smaller firm to create regulatory hurdles for the hostile bidder.

(B) A defensive tactic allowing existing shareholders to buy additional shares at a discount to dilute the hostile bidder’s stake.

(C) The hostile bidder aggressively short-selling the target company’s stock to drive down its valuation.

(D) The target company selling its most valuable assets to a friendly third party to become less attractive.

Q4. Under the Basel III framework, the “Countercyclical Capital Buffer” (CCCB) is designed to:

(A) Ensure banks maintain sufficient liquid assets to survive a 30-day stress scenario.

(B) Restrict banks from paying dividends if their Non-Performing Assets (NPAs) cross a specific threshold.

(C) Require banks to accumulate capital during periods of high credit growth to absorb losses during downturns.

(D) Categorize systematically important banks and subject them to higher leverage ratio requirements.

Q5. According to the Constitution of India, which of the following is NOT a valid condition for the imposition of the President’s Rule (Article 356) in a State?

(A) The state government deliberately ignores constitutional directions given by the Union Government.

(B) A hung assembly results in the inability of any party or coalition to form a stable government.



- (C) The State legislature fails to pass the annual state budget, indicating a loss of majority.
- (D) There is a severe internal disturbance in the state without any armed rebellion or threat to the security of India.

Q6. The prestigious “International Booker Prize” is awarded annually for a single book. Which of the following is a mandatory eligibility criterion for this award?

- (A) The book must be originally written in English and published in the UK or Ireland.
- (B) The book must be translated into English and published in the UK or Ireland.
- (C) The author must be a citizen of a Commonwealth nation, Zimbabwe, or the Republic of Ireland.
- (D) The book must be an unpublished manuscript exploring themes of globalization.

Q7. In the context of the World Trade Organization (WTO), the “Peace Clause” primarily relates to:

- (A) Intellectual property rights exemptions for life-saving pharmaceuticals in developing nations.
- (B) Immunity from dispute settlement challenges for developing countries’ public stockholding programs for food security.
- (C) The suspension of trade embargoes during internationally recognized military conflicts.
- (D) The gradual phase-out of anti-dumping duties between member nations over a 10-year period.

Q8. The “Global Risks Report,” which highlights long-term and short-term threats to the global economy including climate change and cyber insecurity, is published annually by:

- (A) The World Bank



- (B) The International Monetary Fund (IMF)
- (C) The World Economic Forum (WEF)
- (D) The United Nations Development Programme (UNDP)

Q9. The “Kessler Syndrome,” a theoretical scenario often discussed in the context of space technology and satellite deployments, refers to:

- (A) The degradation of solar panels on satellites due to prolonged exposure to cosmic radiation.
- (B) A cascading effect where the density of objects in Low Earth Orbit is high enough that collisions generate debris, leading to further collisions.
- (C) The phenomenon where quantum computers easily break traditional RSA encryption algorithms used by satellites.
- (D) The gravitational anomaly experienced by spacecraft transitioning between Earth’s and the Moon’s spheres of influence.

Q10. In the derivatives market, what is a “Credit Default Swap” (CDS)?

- (A) An agreement between two central banks to exchange their domestic currencies to stabilize exchange rates.
- (B) A financial contract allowing an investor to “swap” or offset their credit risk with that of another investor, acting effectively as insurance against default.
- (C) A hybrid instrument where debt is automatically converted into equity if the issuing bank’s capital falls below a regulatory minimum.
- (D) A mutual fund that exclusively invests in sovereign bonds of emerging market economies.

Q11. Which of the following ocean currents is a cold current that significantly contributes to the aridity of the Atacama Desert in South America?

- (A) The Agulhas Current
- (B) The Humboldt Current
- (C) The Kuroshio Current



(D) The Benguela Current

Q12. In competitive strategy, the term “Predatory Pricing” refers to the practice where:

(A) Two or more dominant firms secretly agree to fix prices above the market equilibrium.

(B) A dominant firm temporarily sets its prices below average variable cost to drive competitors out of the market.

(C) A retailer dynamically adjusts prices based on the consumer’s browsing history and location.

(D) A company charges different prices for the exact same product in different geographical markets.

Q13. Which of the following best defines “Revenue Deficit” in the context of the Union Budget of India?

(A) The difference between total revenue expenditure and total revenue receipts.

(B) The difference between total expenditure and total receipts excluding borrowings.

(C) The fiscal deficit minus the interest payments on previous borrowings.

(D) The shortfall in direct tax collections compared to the budget estimates.

Q14. The seminal book “Capital in the Twenty-First Century,” which analyzes wealth and income inequality in Europe and the US since the 18th century, was authored by:

(A) Joseph Stiglitz

(B) Thomas Piketty

(C) Paul Krugman

(D) Amartya Sen

Q15. The “CORSIA” mechanism, frequently seen in international news, is a global scheme associated with mitigating carbon emissions in which of the following



sectors?

- (A) International Maritime Shipping
- (B) Heavy Steel and Cement Manufacturing
- (C) International Civil Aviation
- (D) Cross-border Road Freight Transport

Q16. Under the rules of origin in international trade, a “Value Addition” criterion is used to determine:

- (A) The amount of tariff a developing nation can impose on imported luxury goods.
- (B) Whether a product has undergone sufficient transformation in a member country to qualify for preferential tariff treatment under a Free Trade Agreement.
- (C) The minimum export price below which a commodity cannot be traded internationally.
- (D) The carbon footprint tax applied to goods manufactured in non-compliant countries.

Q17. In the context of capital markets and corporate governance, “Greenwashing” refers to:

- (A) The practice of banks laundering illegally obtained money through eco-friendly shell companies.
- (B) Companies issuing bonds to fund exclusively renewable energy projects at subsidized interest rates.
- (C) Organizations making misleading or unsubstantiated claims about the environmental benefits of their products, services, or investments.
- (D) The mandatory conversion of physical share certificates into electronic or dematerialized format to save paper.

Q18. What is the immediate impact when the Reserve Bank of India (RBI) conducts an “Open Market Operation” (OMO) by selling government securities?



- (A) It injects liquidity into the banking system, leading to a potential decrease in interest rates.
- (B) It absorbs liquidity from the banking system, which can help in curbing inflationary pressures.
- (C) It automatically decreases the Statutory Liquidity Ratio (SLR) requirement for commercial banks.
- (D) It devalues the Indian Rupee against the US Dollar to boost exports.

Q19. During the British colonial rule in India, the “Mahalwari System” of land revenue assessment was characterized by:

- (A) Revenue settlement made directly with the individual peasant or cultivator.
- (B) Revenue settlement made strictly with large absentee landlords who owned the land.
- (C) Revenue settlement made with the village community or village headman representing the entire village estate.
- (D) Collection of revenue entirely in kind rather than in cash.

Q20. “Ambush Marketing” is best described as a corporate strategy where:

- (A) A brand creates highly targeted, personalized advertisements using unauthorized consumer data.
- (B) A company attempts to associate its products with a major event without paying the official sponsorship fees.
- (C) Two competing brands launch identical ad campaigns simultaneously to confuse the market.
- (D) A brand completely rebrands itself covertly to escape negative public relations associated with its past.

Q21. The “Digital Markets Act” (DMA), recently implemented to ensure fair and open digital markets by designating large tech companies as “gatekeepers,” is a landmark regulatory initiative of:

- (A) The United States Federal Trade Commission



- (B) The European Union
- (C) The Competition Commission of India
- (D) The World Trade Organization

Q22. The technique “CRISPR-Cas9” has revolutionized the field of biotechnology. It is primarily used for:

- (A) Rapid synthesis of mRNA vaccines for infectious diseases.
- (B) Highly precise editing of genomic DNA in living organisms.
- (C) Enhancing the resolution of electron microscopes for viewing viruses.
- (D) Culturing synthetic meat in large-scale laboratory environments.

Q23. The prestigious “Palme d’Or” is the highest prize awarded at which of the following international film festivals?

- (A) Venice Film Festival
- (B) Berlin International Film Festival
- (C) Cannes Film Festival
- (D) Toronto International Film Festival

Q24. Special Drawing Rights (SDR) are an international reserve asset created by the IMF. The value of an SDR is currently based on a basket of which five currencies?

- (A) US Dollar, Euro, Chinese Renminbi, Japanese Yen, and British Pound Sterling
- (B) US Dollar, Euro, Swiss Franc, Japanese Yen, and Australian Dollar
- (C) US Dollar, Euro, Chinese Renminbi, Indian Rupee, and British Pound Sterling
- (D) US Dollar, Euro, Canadian Dollar, Japanese Yen, and Russian Ruble

Q25. The “Washington Declaration,” an agreement signed recently between the USA and South Korea, primarily focuses on:



- (A) Establishing a free trade zone for advanced semiconductor manufacturing.
- (B) Joint development of artificial intelligence regulations.
- (C) Strengthening nuclear deterrence against threats from North Korea.
- (D) A bilateral agreement on cross-border data privacy and cloud computing.

Q26. In foreign exchange markets, what does the term “Real Effective Exchange Rate” (REER) measure?

- (A) The absolute exchange rate between two currencies without accounting for inflation.
- (B) The weighted average of a country’s currency relative to an index or basket of other major currencies, adjusted for the effects of inflation.
- (C) The forward premium or discount of a currency based solely on interest rate differentials between two countries.
- (D) The central bank’s official pegged rate for its domestic currency against gold.

Q27. The power to issue “Writs” for the enforcement of Fundamental Rights under the Indian Constitution is vested in:

- (A) The Supreme Court of India only
- (B) The High Courts of the states only
- (C) Both the Supreme Court and the High Courts
- (D) The President of India upon the advice of the Union Cabinet

Q28. In calculating India’s Gross Domestic Product (GDP) using the expenditure method, which of the following is NOT included?

- (A) The value of intermediate goods used in the production of final goods.
- (B) The value of services provided by government administration and defense.
- (C) The value of capital goods produced during the financial year.
- (D) The value of net exports (exports minus imports).



- Q29.** The “National Company Law Tribunal” (NCLT) in India was established based on the recommendations of which committee to handle corporate civil disputes and insolvency?
- (A) Uday Kotak Committee
 - (B) V. Balakrishna Eradi Committee
 - (C) P.J. Nayak Committee
 - (D) Narashimham Committee
- Q30.** The “National Multidimensional Poverty Index” (MPI) in India, which captures overlapping deprivations in health, education, and living standards at the state and district levels, is published by:
- (A) Ministry of Statistics and Programme Implementation (MoSPI)
 - (B) Reserve Bank of India (RBI)
 - (C) NITI Aayog
 - (D) Ministry of Finance



Detailed Solutions**Q1.****Solution****Concept:**

Fiscal drag is an economic phenomenon where inflation or real economic growth pushes taxpayers into higher tax brackets. This process effectively increases the government's tax revenue without requiring any explicit changes to tax laws, but it simultaneously reduces aggregate demand and dampens consumer spending power.

Solution:

- (a) Most progressive income tax systems are designed with nominal income thresholds. When an economy experiences high inflation, nominal wages typically rise as workers demand higher compensation to maintain their cost of living, even if their real purchasing power remains completely stagnant.
- (b) As nominal incomes increase, individuals are automatically pushed into higher tax brackets. Because the tax brackets are not adjusted for inflation, a larger percentage of the taxpayers' total income is collected as tax. This mechanism increases the effective tax rate across the economy.
- (c) This upward movement reduces the real disposable income available to consumers. With less money to spend on goods and services, aggregate demand falls, which acts as an automatic drag or brake on economic expansion and growth.
- (d) Looking at the incorrect options: Option A describes a deliberate contractionary fiscal policy implemented by choice. Option C describes a contractionary monetary policy action taken by a central bank. Option D refers to the erosion of the real value of national debt due to currency inflation, which does not define fiscal drag.

Final Answer: Taxpayers are pushed into higher tax brackets due to inflation, decreasing their real purchasing power.

Answer: (B)

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Q2.

Solution**Concept:**

The Minerals Security Partnership (MSP) is a strategic geopolitical and economic alliance aimed at securing global supply chains for critical minerals. These minerals are essential for clean energy transition technologies, advanced telecommunications, and defense infrastructure.

Solution:

- (a) The Minerals Security Partnership was officially announced in June 2022. The initiative was spearheaded and led by the United States of America to address vulnerabilities in the supply chains of critical elements like lithium, cobalt, nickel, and rare earth elements.
- (b) A primary geopolitical objective of the partnership is to catalyze public and private investment into secure, transparent, and diversified supply chains, thereby reducing global dependence on single-nation monopolies, particularly China.
- (c) The founding members and partners include the United States, Canada, Australia, Japan, South Korea, the United Kingdom, and several member states of the European Union. India joined this exclusive alliance later in June 2023.
- (d) Evaluating the options: While Australia (Option C) is a massive producer of critical minerals and India (Option A) is a major consumption market that joined later, the United States (Option B) was the nation that initiated and spearheaded the setup of the MSP. France (Option D) is a participant via its EU alignment but not the founder.

Final Answer: United States

Answer: (B)

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Q3.

Solution**Concept:**

In corporate governance and corporate finance, a poison pill is a formal defensive strategy utilized by a target company's board of directors to prevent or discourage an unwanted hostile takeover attempt by an acquiring entity.

Solution:

- (a) Formally known as a shareholder rights plan, a poison pill is embedded in a company's bylaws. It allows existing shareholders, excluding the hostile bidder, the specific right to purchase additional shares of the company at a massive discount relative to the market price.
- (b) This plan is triggered automatically when a hostile acquiring entity purchases a specific percentage of the target company's stock, typically ranging between fifteen to twenty percent, without the explicit prior approval of the target's board.
- (c) When the existing shareholders exercise their rights to buy cheap shares, the total volume of outstanding shares spikes instantly. This dilutes the percentage stake held by the hostile bidder and significantly increases the financial cost required to gain a controlling interest.
- (d) Reviewing alternative options: Option A describes the Pac-Man defense, where the target responds by trying to acquire the bidder. Option C describes market short-selling, which is a trading tactic rather than a corporate restructuring defense. Option D describes the Crown Jewel defense, where the company sells its most prized business units.

Final Answer: A defensive tactic allowing existing shareholders to buy additional shares at a discount to dilute the hostile bidder's stake.

Answer: (B)

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Q4.

Solution**Concept:**

The Countercyclical Capital Buffer (CCCB) is an essential macroprudential regulatory tool introduced under the international Basel III framework. It is designed to safeguard the banking sector against systemic risks linked to the ups and downs of the economic cycle.

Solution:

- (a) The core mechanism of the CCCB requires commercial banks to accumulate an extra layer of capital during periods of high economic growth and rapid credit expansion. This period is when systemic risks typically build up unnoticed.
- (b) When the economic cycle reverses and transitions into a downturn or a recession, the central bank releases or lowers the buffer requirement. Banks can then use this accumulated capital cushion to absorb rising credit losses and write-offs.
- (c) By ensuring banks have this cushion, the tool prevents banks from restricting their lending operations during bad times. This maintains the flow of credit to businesses and consumers, preventing a severe credit crunch that could worsen a recession.
- (d) Deconstructing the incorrect choices: Option A describes the Liquidity Coverage Ratio (LCR), which focuses on short-term liquidity over thirty days. Option B describes Prompt Corrective Action (PCA) parameters for weak banks. Option D relates to leverage ratios and capital surcharges specified for Global Systemically Important Banks (G-SIBs).

Final Answer: Require banks to accumulate capital during periods of high credit growth to absorb losses during downturns.

Answer: (C)

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Q5.

Solution**Concept:**

Article 356 of the Constitution of India contains provisions for the imposition of President's Rule in a state. This tool can only be invoked if the constitutional machinery in that state breaks down completely.

Solution:

- (a) The invocation of Article 356 requires the President to be satisfied that a situation has arisen in which the government of the State cannot be carried on in accordance with the provisions of the Constitution.
- (b) Under Article 365, if a State government fails to comply with or give effect to directional mandates issued by the Union Government, it is legally deemed a breakdown of constitutional machinery. Thus, Option A is a valid ground.
- (c) A hung assembly where no political party or coalition can secure a working majority to form a stable executive represents a clear structural breakdown, making Option B a valid ground. Similarly, failing to pass the annual budget (Option C) indicates a total loss of majority support, causing a governance deadlock.
- (d) Option D mentions a severe internal disturbance without armed rebellion. The Forty-Fourth Amendment Act removed internal disturbance as a ground for National Emergency, and the Supreme Court in the landmark S.R. Bommai case explicitly ruled that general law-and-order issues or internal disturbances do not constitute a breakdown of constitutional machinery under Article 356.

Final Answer: There is a severe internal disturbance in the state without any armed rebellion or threat to the security of India.

Answer: (D)

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Q6.

Solution**Concept:**

The International Booker Prize is a prominent literary award completely distinct from the traditional Booker Prize. It recognizes translated fiction from across the globe, celebrating the vital role of translators.

Solution:

- (a) The primary eligibility requirement for the International Booker Prize is that the book must be translated into the English language and published in either the United Kingdom or the Republic of Ireland. The prize money is split equally between the author and the translator.
- (b) This differs fundamentally from the traditional Booker Prize, which requires the submitted literary work to be originally written in English by the author and published within the United Kingdom or Ireland.
- (c) The award seeks to encourage the translation, publication, and reading of high-quality international fiction, expanding access to global perspectives for English-speaking audiences.
- (d) Evaluating the options: Option A specifies the rule for the traditional Booker Prize. Option C reflects old, historical guidelines for the traditional Booker Prize, which was formerly restricted to Commonwealth citizens before opening to all nationalities. Option D is incorrect because the prize is only open to formally published works of fiction.

Final Answer: The book must be translated into English and published in the UK or Ireland.

Answer: (B)

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Q7.

Solution**Concept:**

In international trade law and multilateral negotiations, the Peace Clause is a critical legal mechanism within the World Trade Organization (WTO) Agreement on Agriculture. It protects certain agricultural subsidies from legal disputes.

Solution:

- (a) Agreed upon during the Bali Ministerial Conference in December 2013, the Peace Clause provides developing nations with legal immunity. It protects them from being challenged by other WTO members if their public stockholding programs for food security exceed agreed subsidy limits.
- (b) Countries like India buy food grains directly from farmers using a Minimum Support Price (MSP) to build up reserves for public distribution systems. Under standard WTO rules, such price support systems are classified as trade-distorting subsidies.
- (c) These subsidies are capped under the de minimis rule at ten percent of the total value of agricultural production for developing countries. The Peace Clause explicitly prevents member nations from dragging developing countries to the WTO Dispute Settlement Body over these food security programs.
- (d) Analyzing the alternatives: Option A concerns the TRIPS agreement flexibilities and compulsory licensing for public health. Option C relates to general security exceptions under Article XXI of GATT. Option D covers anti-dumping protocols, which are handled under separate WTO anti-dumping frameworks.

Final Answer: Immunity from dispute settlement challenges for developing countries' public stockholding programs for food security.

Answer: (B)

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Q8.

Solution**Concept:**

The Global Risks Report is an influential research publication that outlines the most severe short-term and long-term threats facing the global economy, human societies, and international stability.

Solution:

- (a) The Global Risks Report is compiled and published annually by the World Economic Forum (WEF). It is traditionally released right before the forum's flagship annual winter meeting in Davos, Switzerland.
- (b) The report uses insights from the Global Risks Perception Survey, which gathers views from thousands of leaders across business, government, academia, and civil society to map out interconnected global threats.
- (c) It tracks risks across five primary categories: economic disruptions, environmental degradation, geopolitical conflicts, societal fractures, and technological challenges like cyber threats or AI risks.
- (d) Looking at the incorrect choices: The World Bank (Option A) produces the Global Economic Prospects report. The International Monetary Fund (Option B) publishes the World Economic Outlook. The United Nations Development Programme (Option D) is responsible for publishing the Human Development Report.

Final Answer: The World Economic Forum (WEF)

Answer: (C)

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Q9.

Solution**Concept:**

The Kessler Syndrome is a theoretical scenario proposed by NASA scientist Donald J. Kessler in 1978. It addresses the growing challenges of space debris management in orbital mechanics and space exploration.

Solution:

- (a) The hypothesis states that the density of human-made objects in Low Earth Orbit (LEO) could become high enough that collisions between objects would trigger a cascading chain reaction.
- (b) In this scenario, each collision generates hundreds of fragments of high-velocity space junk. Each new piece of debris increases the likelihood of further accidental collisions with operational satellites or spacecraft.
- (c) Over time, this runaway cascade creates an impassable belt of debris around Earth. This would destroy vital global communications networks and render satellite operations and human space flight unsafe for generations.
- (d) Breaking down alternative options: Option A describes solar panel degradation caused by solar flares and cosmic radiation. Option C describes cryptographic threats from quantum computing, which is a computer science issue. Option D refers to gravitational transitions around Lagrange points, which are natural orbital mechanics phenomena.

Final Answer: A cascading effect where the density of objects in Low Earth Orbit is high enough that collisions generate debris, leading to further collisions.

Answer: (B)

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Q10.

Solution**Concept:**

A Credit Default Swap (CDS) is a widely used financial derivative contract designed to transfer credit risk exposure associated with fixed-income products from one party to another.

Solution:

- (a) A CDS operates much like an insurance policy against a borrower's default. The buyer of the CDS makes regular, periodic premium payments to the seller of the contract over its duration.
- (b) In return, the seller agrees to pay out a specific compensation amount to the buyer if the underlying entity, such as a corporation or a sovereign nation, defaults on its debt or experiences a specified credit event.
- (c) Investors use these instruments to hedge existing credit risks in their portfolios, while speculators use them to bet on changes in the creditworthiness of debt issuers without actually owning the underlying bonds.
- (d) Evaluating the options: Option A describes a Bilateral Currency Swap Agreement managed between central banks. Option C describes Contingent Convertible bonds (CoCos), which are hybrid capital instruments. Option D describes a fixed-income mutual fund, which is a pooled investment vehicle rather than a private derivative contract.

Final Answer: A financial contract allowing an investor to “swap” or offset their credit risk with that of another investor, acting effectively as insurance against default.

Answer: (B)

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Q11.

Solution**Concept:**

The Atacama Desert's extreme aridity is heavily influenced by cold ocean currents that cause strong atmospheric stability along the western coast of South America.

Solution:

- (a) The Humboldt Current, also known as the Peru Current, is a cold, low-salinity eastern boundary current that flows northward along the coast of Chile and Peru.
- (b) This cold current chills the marine air layer directly above it. Because cold air holds less moisture than warm air, it suppresses the evaporation needed to form rain clouds.
- (c) This cooling creates a pronounced thermal inversion layer where warm air sits above cold air, preventing the vertical convective lift necessary for precipitation.
- (d) Other currents listed like Agulhas and Kuroshio are warm currents, while the Benguela Current is a cold current that creates the Namib and Kalahari deserts in southwestern Africa.

Final Answer: The Humboldt Current

Answer: (B)

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Q12.

Solution**Concept:**

Predatory pricing is an anti-competitive marketing and corporate strategy designed to drive rivals out of a market and establish a monopoly position.

Solution:

- (a) Predatory pricing occurs when a dominant market player deliberately sets the prices of its goods or services at an artificially low level, often below its average variable cost.
- (b) The immediate objective is to force existing competitors to sustain unsustainable financial losses until they are driven out of business, while also deterring new entrants.
- (c) Once competition is eliminated or severely weakened, the dominant firm raises its prices to monopoly levels to recoup its short-term losses and maximize long-term profits.
- (d) Other options describe separate phenomena such as price-fixing collusion, dynamic algorithmic pricing, or geographic price discrimination.

Final Answer: A dominant firm temporarily sets its prices below average variable cost to drive competitors out of the market.

Answer: (B)

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Q13.

Solution**Concept:**

Revenue Deficit is a key fiscal indicator in the budget of the Government of India that tracks the shortfall in current, non-investment financial operations.

Solution:

- (a) It is defined precisely as the excess of the government's total revenue expenditure over its total revenue receipts during a given financial year.
- (b) Revenue expenditure includes day-to-day administrative expenses, salaries, pensions, subsidies, and interest payments that do not result in the creation of physical or financial assets.
- (c) Revenue receipts consist of tax revenues and non-tax revenues that do not create any future repayment liabilities or reduce public assets.
- (d) A high revenue deficit indicates that the government is borrowing funds to finance regular consumption rather than investing in asset-creating capital projects.

Final Answer: The difference between total revenue expenditure and total revenue receipts.

Answer: (A)

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Q14.

Solution**Concept:**

The tracking and economic analysis of historical wealth accumulation patterns and income inequality across developed nations.

Solution:

- (a) "Capital in the Twenty-First Century" is a famous economic treatise published in 2013 by the French economist Thomas Piketty.
- (b) The book analyzes extensive historical datasets from Europe and the United States dating back to the eighteenth century to track the evolution of wealth concentration.
- (c) Its central thesis argues that when the rate of return on capital is greater than the rate of economic growth, wealth concentrates rapidly, risking democratic stability.
- (d) The other listed authors are also prominent economists, but they have written different influential works on development and trade.

Final Answer: Thomas Piketty

Answer: (B)

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Q15.

Solution**Concept:**

CORSIA stands for Carbon Offsetting and Reduction Scheme for International Aviation, which is a global market-based mechanism designed to stabilize net carbon emissions.

Solution:

- (a) Developed by the International Civil Aviation Organization (ICAO), CORSIA addresses CO₂ emissions from international flights, which are not covered under national Paris Agreement targets.
- (b) The scheme mandates that airlines monitor their emissions and purchase certified carbon offsets to balance out any emissions that exceed a designated baseline level.
- (c) It represents the first global market-based sector-specific framework aimed at mitigating climate impacts from cross-border transportation.
- (d) This global framework does not apply to maritime shipping, heavy manufacturing, or road transport, making international civil aviation the correct answer.

Final Answer: International Civil Aviation

Answer: (C)

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Q16.

Solution**Concept:**

Under international trade law, rules of origin are the specific criteria applied to determine the national source of a traded commodity.

Solution:

- (a) Free Trade Agreements require rules of origin to ensure that preferential tariff benefits are granted only to goods produced or transformed within member nations.
- (b) The value addition criterion mandates that a specific minimum percentage of a product's final value must be generated through labor or materials within the exporting country.
- (c) This criterion ensures that raw materials imported from non-member countries undergo substantial domestic processing and transformation.
- (d) This prevents non-member countries from using member states merely as simple transshipment hubs to bypass standard import tariffs illegally.

Final Answer: Whether a product has undergone sufficient transformation in a member country to qualify for preferential tariff treatment under a Free Trade Agreement.

Answer: (B)

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Q17.

Solution**Concept:**

Greenwashing is a deceptive corporate marketing and communication practice concerning the environmental sustainability claims of an organization.

Solution:

- (a) It involves organizations making misleading, unverified, or unsubstantiated claims to project an environmentally responsible public image.
- (b) In capital markets, companies may exaggerate their environmental credentials to attract capital from ESG (Environmental, Social, and Governance) funds without executing actual changes.
- (c) Financial regulators actively monitor greenwashing to protect sustainable investors from deceptive corporate disclosure reports.
- (d) Other options describing money laundering or physical share dematerialization do not capture the environmental marketing aspect that defines greenwashing.

Final Answer: Organizations making misleading or unsubstantiated claims about the environmental benefits of their products, services, or investments.

Answer: (C)

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Q18.

Solution**Concept:**

Open Market Operations (OMOs) are a core monetary policy tool used by central banks to regulate liquidity and control inflation in the banking system.

Solution:

- (a) When the Reserve Bank of India sells government securities in the open market, commercial banks purchase these bonds using their cash reserves.
- (b) This transaction immediately transfers cash from commercial banks to the central bank, thereby absorbing excess liquidity from the banking sector.
- (c) A reduced money supply raises commercial borrowing costs, which cools down excessive aggregate demand and helps curb domestic inflationary pressures.
- (d) Conversely, buying securities injects liquidity into the system, which is the exact opposite of the liquidity absorption scenario described in the question.

Final Answer: It absorbs liquidity from the banking system, which can help in curbing inflationary pressures.

Answer: (B)

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Q19.

Solution**Concept:**

The Mahalwari System was one of the three primary land revenue frameworks introduced by the British administration in colonial India.

Solution:

- (a) Formulated by Holt Mackenzie in 1822, this land revenue system was implemented across the North-West Provinces, Central India, and parts of the Punjab region.
- (b) Under this mechanism, the basic unit of revenue assessment was the entire village or estate, collectively referred to as the Mahal.
- (c) The revenue settlement was negotiated collectively with the village community, and the village headman or Lambardar was responsible for collecting and paying the revenue.
- (d) This contrasts with the Ryotwari system (settlement with individual cultivators) and the Zamindari system (settlement with large landlords).

Final Answer: Revenue settlement made with the village community or village headman representing the entire village estate.

Answer: (C)

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Q20.

Solution**Concept:**

Ambush marketing is an aggressive corporate marketing tactic used by companies to capitalize on the massive public attention surrounding a major event.

Solution:

- (a) It occurs when a brand designs creative campaigns to associate its products directly with an event like the Olympics or World Cup without paying official sponsorship fees.
- (b) This strategy allows the company to gain visibility and confuse consumers into believing they are official partners, bypassing expensive commercial licensing.
- (c) This tactic deflects public attention away from genuine corporate sponsors who have paid substantial amounts for exclusive promotional rights.
- (d) This definition matches the concept of unauthorized brand association, making option B the correct answer.

Final Answer: A company attempts to associate its products with a major event without paying the official sponsorship fees.

Answer: (B)

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Q21.

Solution**Concept:**

The Digital Markets Act (DMA) is a regulatory framework enacted to ensure contestable and fair markets in the digital sector by regulating large tech companies designated as gatekeepers.

Solution:

- (a) Enacted by the European Union, the DMA targets large online platforms that provide core platform services, such as search engines, app stores, and messenger services.
- (b) These gatekeepers are subject to strict obligations and prohibitions to prevent them from abusing their market power, such as banning self-preferencing.
- (c) The regulation aims to protect consumers and allow smaller tech companies to compete on a level playing field.
- (d) Therefore, it is a landmark initiative of the European Union, making option B the correct answer.

Final Answer: The European Union

Answer: (B)

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Q22.

Solution**Concept:**

CRISPR-Cas9 is a groundbreaking gene-editing technology adapted from a naturally occurring genome editing system in bacteria.

Solution:

- (a) The technology allows scientists to make highly precise modifications to genomic DNA in living organisms by cutting DNA strands at specific locations.
- (b) It uses a guide RNA molecule to locate a specific sequence of DNA, and the Cas9 enzyme acts as molecular scissors to cut it.
- (c) This tool has revolutionized biotechnology, medicine, and agriculture, offering potential cures for genetic disorders and improving crop resilience.
- (d) Other options like mRNA vaccine synthesis or synthetic meat production may utilize biotechnology but do not define the specific mechanism of CRISPR-Cas9.

Final Answer: Highly precise editing of genomic DNA in living organisms.

Answer: (B)

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Q23.

Solution**Concept:**

The Palme d'Or (Golden Palm) is one of the most prestigious awards in the global film industry, presented to the director of the best feature film of the festival.

Solution:

- (a) The award was introduced in 1955 and is the highest prize awarded at the Cannes Film Festival held annually in France.
- (b) Other major festivals have their own distinct top prizes, such as the Golden Lion at the Venice Film Festival and the Golden Bear at the Berlin International Film Festival.
- (c) The Toronto International Film Festival primarily features a People's Choice Award instead of a jury-selected grand prize.
- (d) Thus, the Palme d'Or is uniquely associated with Cannes, making option C correct.

Final Answer: Cannes Film Festival

Answer: (C)

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Q24.

Solution**Concept:**

Special Drawing Rights (SDR) are an international reserve asset created by the International Monetary Fund (IMF) to supplement member countries' official reserves.

Solution:

- (a) The value of an SDR is determined based on a weighted basket of five major global currencies that meet specific export and financial market criteria.
- (b) The current basket includes the US Dollar, the Euro, the Chinese Renminbi (Yuan), the Japanese Yen, and the British Pound Sterling.
- (c) The Chinese Renminbi was the most recent addition to this basket, joining in 2016 to reflect its growing role in global financial systems.
- (d) Currencies like the Indian Rupee, Swiss Franc, or Australian Dollar are not part of this reserve basket, making option A the correct answer.

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

Answer: (A)

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Q25.

Solution**Concept:**

The Washington Declaration is a bilateral security agreement signed in April 2023 between the United States and South Korea during a summit in Washington.

Solution:

- (a) The declaration primarily focuses on strengthening nuclear deterrence and strategic cooperation to counter growing nuclear threats from North Korea.
- (b) Under this agreement, the US pledged to increase the deployment of strategic assets, including nuclear-armed submarines, to the Korean Peninsula.
- (c) It also established a joint Nuclear Consultative Group to involve South Korea in strategic planning for nuclear contingencies.
- (d) While trade and artificial intelligence are areas of bilateral cooperation, they do not form the core focus of this specific declaration, making option C correct.

Final Answer: Strengthening nuclear deterrence against threats from North Korea.

Answer: (C)

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Q26.

Solution**Concept:**

The Real Effective Exchange Rate (REER) is a comprehensive macroeconomic metric used to assess a nation's international trade competitiveness.

Solution:

- (a) REER measures the weighted average of a country's currency relative to an index or basket of major foreign currencies.
- (b) Unlike the Nominal Effective Exchange Rate (NEER), REER adjusts these values to account for inflation differentials between the home country and its trading partners.
- (c) A rising REER indicates that a nation's exports are becoming more expensive and less competitive globally, while a falling REER suggests improving competitiveness.
- (d) This makes option B the accurate definition, as it captures both the multi-currency basket weighting and inflation adjustments.

Final Answer: The weighted average of a country's currency relative to an index or basket of other major currencies, adjusted for the effects of inflation.

Answer: (B)

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Q27.

Solution**Concept:**

Under the Constitution of India, the power to issue extraordinary legal remedies known as writs is a cornerstone of judicial review for protecting citizen rights.

Solution:

- (a) Article 32 empowers the Supreme Court of India to issue writs like Habeas Corpus, Mandamus, Prohibition, Quo Warranto, and Certiorari for enforcing Fundamental Rights.
- (b) Simultaneously, Article 226 grants a similar power to the High Courts of the various states to issue writs for fundamental and ordinary legal rights.
- (c) The President holds executive powers but cannot directly issue judicial writs.
- (d) Therefore, this constitutional power is shared concurrently by both the Supreme Court and the High Courts, making option C the correct choice.

Final Answer: Both the Supreme Court and the High Courts

Answer: (C)

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Q28.

Solution**Concept:**

The expenditure method calculates a nation's Gross Domestic Product (GDP) by summing all final expenditures made on goods and services within the economy.

Solution:

- (a) The standard components of this method include private consumption, government spending, gross capital investment, and net exports (exports minus imports).
- (b) To avoid the logical error of double-counting, the value of intermediate goods used up in the production process is strictly excluded.
- (c) Only the final goods and services, or the value added at each stage of production, are counted in the GDP calculation.
- (d) Since intermediate goods are excluded, option A is the correct answer to the question asking what is not included.

Final Answer: The value of intermediate goods used in the production of final goods.

Answer: (A)

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Q29.

Solution**Concept:**

The National Company Law Tribunal (NCLT) is a quasi-judicial body in India that adjudicates issues relating to Indian companies, corporate governance, and insolvency.

Solution:

- (a) The NCLT was established under the Companies Act, 2013, based on the legal and structural recommendations of the Eradi Committee.
- (b) The V. Balakrishna Eradi Committee was set up to examine existing laws relating to insolvency and commercial winding-up proceedings to streamline corporate restructuring.
- (c) Other listed committees focus on different sectors: Uday Kotak on corporate governance, P.J. Nayak on banking governance, and Narasimham on financial system reforms.
- (d) Thus, the Eradi Committee is the correct origin for the establishment of the NCLT, making option B correct.

Final Answer: V. Balakrishna Eradi Committee

Answer: (B)

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Q30.

Solution**Concept:**

The National Multidimensional Poverty Index (MPI) measures poverty across health, education, and living standards to capture non-monetary deprivations.

Solution:

- (a) In India, the National MPI is published periodically by NITI Aayog, serving as the nodal agency for tracking multidimensional poverty.
- (b) The methodology is closely aligned with the global MPI developed by the Oxford Poverty and Human Development Initiative and the UNDP.
- (c) It uses data from the National Family Health Survey (NFHS) to analyze deprivation across twelve indicators at national, state, and district levels.
- (d) While MoSPI collects general statistics, NITI Aayog specifically prepares and releases this policy-driven index, making option C the correct answer.

Final Answer: NITI Aayog

Answer: (C)

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Answer Key

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

