

Intense Revision Plan for Prelims

2018 Day 2

1. Barter system is became obsolete when we started the use of cash. In this regard consider the following statements about Barter system?

1. In the barter system a monarch or a king monitors and controls the value of goods.
2. Double coincidence of wants is an essential prerequisite for the barter system,.

Which of the above statements is/are true?

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

Ans B

- Following are some of the drawbacks of the barter system:
- Double Coincidence of Wants:
 - Refers to one of the assumption of barter system that led to its failure. The double coincidence of wants implies that the exchange of goods and services between two individuals would take place only when both the individuals require each other's goods. For instance, the exchange of goods can only take place between Mr. M and Mr. N in case Mr. N requires the good that Mr. M is selling. On the other hand, Mr. M is also willing to purchase the good that Mr. N is selling.
- **Common Measure of Value:**
 - Constitutes one of the important reasons for the failure of the barter system. In barter system, there is no common measure of value; therefore, it is difficult to find out any fixed ratio for exchanging goods and services.
 - For example, an individual is willing to buy wheat in exchange of cloth. In such a case, the condition of double coincidence of wants is satisfied. However, another problem that arises in this exchange is the exchange value of cloth and wheat.
- And No authority tried to control or monitor the system.

2. Which of the following statement is true regarding Giffen Goods?

1. All goods for which the demand will decrease when price rises are giffen goods.
2. In giffen goods, Income effect is greater than the substitution effect.

Which of the above statements is/are NOT true?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2

(d) Neither 1 nor 2

Ans A

- In economics and consumer theory, a Giffen good is a product that people consume more of as the price rises and vice versa—violating the basic law of demand in microeconomics
- A Giffen good is a good for which demand increases as the price increases, and falls when the price decreases.
- A Giffen good is typically an inferior product that does not have easily available substitutes, as a result of which the income effect dominates the substitution effect. Giffen goods are quite rare, to the extent that there is some debate about their actual existence. The term is named after the economist Robert Giffen.

3. Which of the following is/are a feature of perfectly competitive market?

1. Free and Perfect Competition
2. Cheap and Efficient Transport and Communication
3. All the firms produce and supply the identical products.
4. There are no restrictions on the entry of new firms into market or on the exit of existing firms from the market.

Select the correct answer using the codes given below:

- (a) 1,2 and 4
- (b) 1, 3 and 4
- (c) 1 and 4 only
- (d) All The above

Ans D

- Features of a Perfect Market:
- A perfect market has the following conditions:
- **Free and Perfect Competition:**
 - In a perfect market, there are no checks either on the buyers or sellers. They are free to buy or to sell to any person. It means there are no monopolies.
- **Cheap and Efficient Transport and Communication:**
 - Uniform price for the commodity would not be possible if the changes in the prices are not quickly adjusted or the commodity cannot be quickly transported. Thus cheap and efficient means of transport and communication are must.
- **Wide Extent:**
 - Sometimes wide market is regarded as the same thing as the perfect market. For wide market, the commodity should have permanent and universal demand. The commodity should be portable. Means of transport and communication should be quick. There should be peace and security and extensive division of labour.
- **Large number of firms:**

- In this market, a product is produced and sold by large number of firms. Since there are large number of firms, therefore each firm is supplying only a small part of the total supply in the market, thus no one firm has any market power. It implies that no firm can influence the price of the product rather each must accept the price set by the forces of market demand and supply. The firms are price-takers instead of price-makers.
- **Large number of buyers:**
 - In a perfectly competitive market, there are large numbers of buyers each demanding a small part of the total market supply of the product. As a result, no single buyer is in a position to influence the market price determined by the forces of market demand and supply.
- **Homogeneous Product:**
 - In a perfectly competitive market, all the firms produce and supply the identical products. It means that the products of all the firms are perfect substitutes of each other. As a result of this, the price elasticity of demand for a firm's product is infinite.
- **Free entry and exit:**
 - In a perfectly competitive market, there are no restrictions on the entry of new firms into market or on the exit of existing firms from the market.
- **Perfect knowledge:**
 - In a perfectly competitive market, the firms and the buyers possess perfect information about the market. It implies that no buyer or firm is ignorant about the price prevailing in the market.
- **Perfect mobility of factors of production:**
 - In a perfectly competitive market, the factors of production are completely mobile leading to factor-price equalization throughout the market.
- Also Read NCERT Micro Economics

4. Which of the following is true regarding the Fiat Money?

1. It has only intrinsic value of the material used.
2. It is made a legal tender by a government decree.

Which of the above statements is/are true?

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

Ans B

- Fiat Money does not have any Intrinsic value. It is just paper currencies. It is made a legal tender by government Decree only

5. Consider the statement regarding the High Power Money:

1. It is the total liability of government of any country and includes External Commercial Borrowings.
2. Deposits held by government and commercial bank with a central bank(RBI in India) comes under the High Powered Money.
3. High powered money affects the Ease of doing business.

Select the correct answer using the codes given below

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

Ans A

- In simple terms High Powered Money (HPM) is the net or total liability of the monetary authority of any nation.....in India it is the liability of RBI .
- It is simply the sum of all currency in circulation with the people of country , cash kept in the commercial bank vaults along with the deposits of govt. of the country and commercial banks.
- The term liability basically means that when people/govt/commercial banks produce the currency/claims....the RBI has to pay value equal to currency/claim.
- The RBI uses this H.P.M. for regulation of money supply in the economy . By controlling the money supply RBI regulates (i.e tries to regulate) the inflation in eco.
- RBI uses the H.P.M for process of money creation . Money creation will increase the supply of money in eco.
- When RBI needs to pump extra money in eco. it injects a certain amount of high powered money (Say H) into eco.(by purchase of govt bonds/assets etc).
- High Powered money does not have any impact on the Ease of Doing Business Directly

6. Which of the following statement is/are true regarding National Mission on Cultural Mapping of India?

1. It is a submission under 'Ek Bharat Shreshtha Bharat' umbrella
2. It is launched by Ministry of Culture.
3. Mission also seeks to open a direct channel of communication of artists with the Government and peer to peer communication among artists

Select the correct answer using the codes given below

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

Ans D

- This Mission is part of the 'Ek Bharat Shreshtha Bharat' umbrella. Ministry of Culture launched it in the year of commemoration of the birth centenary of Pandit Deen Dayal Upadhyay.
- Aim
- Converting the vast and widespread cultural canvas of India into an objective cultural map
- Designing a mechanism to fulfil the aspirations of the whole artist community of the nation
- Preserving the rich cultural heritage of this country in the form of a cultural repository of artists and art forms
- The Mission also seeks to open a direct channel of communication of artists with the Government and peer to peer communication among artists for talent honing and handholding of each other.
- The Cultural Mapping of India portal will serve as a repository/consolidated database of information about cultural assets and resources i.e. a cultural inventory at one place for essential planning, sustainable economic development and for preserving the scattered and near extinct art forms.

7. Consider the statements regarding the Anuyatra Scheme:

1. It is launched by the Union Ministry of Family and Welfare.
2. It is an initiative for the persons with special needs.

Which of the above statements is/are true?

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

Ans B

- it is an initiative by by the Government of Kerala under its "Anuyatra" – or walking together campaign – for the persons with special needs.

8. Which of the following statements is/are true regarding the Eklavya Model Residential Schools?

1. The Eklavya Model Residential School Scheme was started under the budget of 2017-18
2. It provides educational support for the students in slums of urban region.

Select the correct answer using the codes given below.

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

Ans D

- Ministry of Tribal Affairs has actively initiated various efforts during the last three years to make more EMRS.
- Eklavya Model Residential School Scheme **was started in 1998** and first school was started in the year 2000 in Maharashtra.
- EMRSs have been functioning as institutions of excellence for tribal students.
- Results of these schools have been generally better than other Government schools in the tribal areas.
- In order to further educational opportunities for more ST children, Government seeks to extend the facility of EMRSs in all the 672 Blocks where ST population is more than 50% of the total population in a span of next five years.
- As per existing EMRS Guidelines of 2010, at least one EMRS is to be set up in each Integrated Tribal Development Agency (ITDA) / Integrated Tribal Development Project (ITDP) having 50% ST population in the area.

9. Which of the following statements is/are true regarding the Biotechnology Innovation Organization (BIO)?

1. It is the largest trade organization in the world that represents the biotechnology industry.
2. BIO holds a trade meeting each year in the United States.

Select the correct answer using the codes given below.

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

Ans C

- The Biotechnology Innovation Organization (BIO) is the largest trade organization in the world that represents the biotechnology industry.
- BIO holds a trade meeting each year in the United States, which are essential for the business development and partnering activities that are required in the biotechnology sector, in which it is expensive to develop products, timelines to develop products are long, and regulatory risks are high.
- The BIO International Convention is the largest global event for the biotechnology industry
- It attracts the biggest names in biotech, offers key networking and partnering opportunities, and provides insights and inspiration on the major trends affecting the industry.

10. Consider the statements regarding United Nations Convention against Corruption (UNCAC):

1. It is a multilateral treaty negotiated by member states of the United Nations (UN).
2. It is promoted by the UN Office on Drugs and Crime (UNODC).
3. It is a legally binding international anti-corruption agreement.

Select the correct answer using the codes given below

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

Ans D

- The United Nations Convention against Corruption (UNCAC) is a multilateral treaty negotiated by member states of the United Nations (UN)
- It is promoted by the UN Office on Drugs and Crime (UNODC).
- It is one of several legally binding international anti-corruption agreements. UNCAC requires state parties to the treaty to implement several anti-corruption measures that focus on five main areas
 - Prevention
 - law enforcement
 - international cooperation
 - asset recovery
 - technical assistance and information exchange

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