

Quiz Date: 9th September 2020

Directions (1-5): Read the passage carefully and answer the questions given below it. Certain carefully and answer the questions given below it. Certain words/phrases have been given in bold to help you locate them while answering some of the questions.

The objective of monetary policy varies in different countries. In the UK, the objective of monetary policy is to deliver price stability – implying low inflation – and, subject to that, to support the government’s economic objectives including those for growth and employment. Price stability in the UK is defined by the government’s inflation target of two per cent.

In the US, monetary policy has two basic goals: to promote maximum sustainable output and employment, and to promote stable prices.

In India, according to the Reserve Bank of India (RBI) Act, 1934, the objectives of the Reserve Bank are “...to regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage.” The formulation, framework and institutional architecture of monetary policy in India have evolved over time around these objectives – maintaining price stability; ensuring adequate flow of credit to sustain growth; and securing financial stability.

Modernising monetary policy framework should not be confused with another approach popularly called inflation targeting (IT) just because over the years, from 1990 to 2008, about two dozen countries adopted it, prominent amongst them being Australia, Canada, New Zealand, and UK. IT assumes that price stability is explicitly the mandate and a quantitative target for inflation is publicly announced.

Overall, monetary policy is based on a wide set of information that includes an inflation forecast; transparency in operations; and accountability mechanism. As can be easily noted, the IT approach mount blinkers on the central bank and **absolves** it from other responsibilities: IT was in disrepute after the onset of the great recession in 2008. India resisted adopting IT all these years as it binds the central banker, and after minting its own Multiple Indicator Approach in 1997, demonstrated its efficiency by following it meticulously to stave off the Southeast Asian Crisis as well as the great recession.

The monetary policy framework can be modernised by a number of initiatives which are successfully followed in other countries. In the UK, every months, the agent’s Summary compiled by the Bank of England’s (BoE’s) 12 agents, following discussions with 700 businesses, is published to assist the monetary policy makers in **conjunction** with intelligence from other sources. Similarly, in the US, the Beige Book, published eight times every year, is based on anecdotal information on current economic conditions collected by each of the Federal Reserve Banks in their respective districts through reports and interviews with key business contacts, economists, market experts, and other sources. The Beige Book is an important source of real-time market intelligence for the Federal Open Market Committee (FOMC).

Q1. Which of the following is not one of the objectives of the RBI? Answer in the context of the passage.

- (a) To operate the credit system and currency of India
- (b) To secure financial stability in the country.
- (c) To regulate the issue of banknotes and keep the reserves
- (d) To ensure adequate fund outflow
- (e) None of these

Q2. Which of the following is/are the objectives of monetary policy in the UK? Answer in the context of the passage.

- (A) To attract FIIs and set up new industries
 - (B) To ensure price stability and maintain low inflation
 - (C) To support the government's economic objectives for growth and employment
- (a) Only (A) and (B)
 - (b) Only (B) and (C)
 - (c) Only (A) and (C)
 - (d) Only (B)
 - (e) All (A), (B) and (C)

Q3. Find the incorrect statement in the context of the given passage.

- (A) The goal of the monetary policy in the USA is to maintain price stability and generate employment.
 - (B) Price stability in the UK is defined by the government's inflation target of 2%.
 - (C) The Beige Book provides input to the Federal Reserve Banks.
- (a) Only (A) and (B)
 - (b) Only (B) and (C)
 - (c) Only (A) and (C)
 - (d) Only (C)
 - (e) All (A), (B) and (C)

Q4. What initiative(s) is/are followed in different countries for the modernization of the monetary policy framework?

- (A) Agent's summary compiled by the Bank of England's 12 agents is published to assist the monetary policy makers.
 - (B) In India' the Reserve Bank collects information from PSBs for the modernization of the monetary policy framework.
 - (C) In the US, the Beige Book, based on anecdotal information on current economic conditions collected by Federal Reserve Banks, is published eight times every year.
- (a) Only (A)
 - (b) Only (B)
 - (c) Only (C)
 - (d) Only (A) and (C)
 - (e) Only (B) and (C)

Q5. Which of the following factors does not help frame monetary policy? Answer in the context of the passage.

- (a) Transparency in operations
- (b) Accountability mechanism

- (c) Foreign funds inflow
- (d) Inflation forecast
- (e) None of these

Directions (6 — 10) : Rearrange the following seven sentences (a), (b), (c), (d), (e), (F) and (G) in the proper sequence to form a meaningful paragraph; then answer the questions given below them.

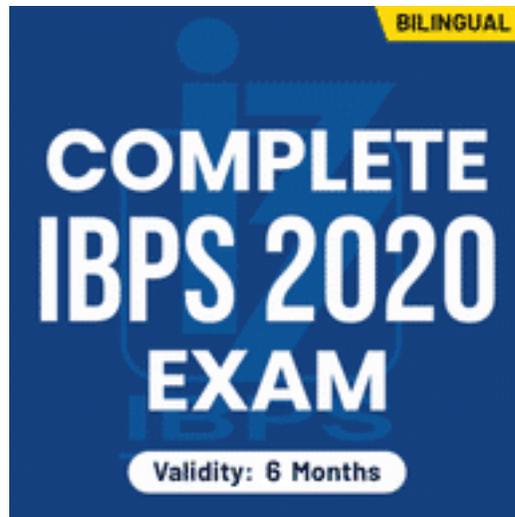
- (A) But seriously, how much would you pay to know what thoughts are swimming around in someone else's head ?
- (B) In most fictional movies thus, the idea of reading minds of seeing the private intentions of another, and the possibility of intervening in those plans — has always been highly attractive
- (C) Such fantastical questions have long been the bread and butter of fiction.
- (D) Today, more than four centuries since the phrase, "A penny for your thoughts ?", was first recorded, inflationary accounting makes that ancient penny worth more than \$40.
- (E) The going rate for a "thought" - a probe into the thinking of another - was once quite a bargain.
- (F) And if you could really know their truthfulness how much more would you pay?
- (G) Even with the sliding value of the dollar, this still seems quite a bargain.

Q6. Which of the following should be the **SECOND** sentence after rearrangement?

- (a) F
- (b) D
- (c) C
- (d) G
- (e) A

Q7. Which of the following should be the **FOURTH** sentence after rearrangement?

- (a) A
- (b) B
- (c) G
- (d) D
- (e) F



Q8. Which of the following be the **SIXTH** sentence after rearrangement?

- (a) E
- (b) G
- (c) C
- (d) B
- (e) A

Q9. Which of the following be the **SEVENTH (LAST)** sentence after rearrangement?

- (a) A
- (b) B
- (c) F
- (d) D
- (e) E

Q10. Which of the following should be the **FIRST** sentence after rearrangement?

- (a) A
- (b) B
- (c) C
- (d) D
- (e) E

Directions (11-15): Each questions below has two blanks, each blank indicating that something has been omitted. Choose the set of words for each blank that best fits the meaning of the sentence as a whole.

Q11. e-Commerce has provided the best platform for boosting the growth of small industries and with the right _____ by Make in India, it could _____ the development of small and medium enterprises.

- (a) approach, hold
- (b) energy, keep
- (c) incentive, do
- (d) direction, mould
- (e) impetus, transform

Q12. Risk capital investments in India in the first half of this year have _____ the money inflow in all of 2014, _____ the stage for another record funding year.

- (a) surpassed, setting
- (b) exceeded, made
- (c) excelled, performed
- (d) failed, erected
- (e) lost, created

Q13. Journalists _____ with the Press Information Bureau (PIB), a status that allows them easy _____ to many government offices, will need to get their police verification done every year.

- (a) certified, course
- (b) accredited, access
- (c) authorised, entrance
- (d) licensed, door
- (e) recognised, approach

Q14. Delhi Police have _____ concerns _____ the security aspect.

- (a) lifted, on
- (b) built, against
- (c) raised, over
- (d) elevated, about
- (e) reduced, for

Q15. The government of Gujarat is _____ on _____ chapters on the founder of the Reliance group, Dhirubhai Ambani, in its school textbooks.

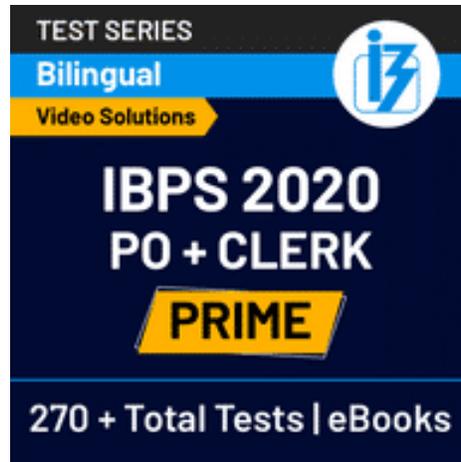
- (a) anxious, offering
- (b) ardent, preceding
- (c) intense, recommending
- (d) keen, introducing
- (e) apathetic, proposing



BANKERS



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Solutions

S1. Ans.(d)

Sol. The objectives of RBI are: “to regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage.” So, (d) is the option which is not the objective of RBI.

S2. Ans.(b)

Sol. The objectives of monetary policy in the UK are “to deliver price stability – implying low inflation – and, subject to that, to support the government’s economic objectives including those for growth and employment.” Hence, statements (B) and (C) are the correct option.

S3. Ans.(d)

Sol. Statement (C) is the incorrect option because as per the passage Federal Reserve Banks provide input to the Beige Book.

S4. Ans.(c)

Sol. The initiative followed for the modernization is: “In US, the Beige Book, published eight times every year, is based on anecdotal information on current economic conditions collected by each of the Federal Reserve Banks in their respective districts through reports and interviews with key business contacts, economists, market experts, and other sources.”

S5. Ans.(e)

Sol. The passage says: “Monetary policy is based on a wide set of information that includes an inflation forecast; transparency in operations; and accountability mechanism.” So, all the options are correct. Hence, (e) will be the answer.

S6. Ans.(b)

Sol. The correct sequence is **EDGAFCB**.

S7. Ans.(a)

Sol. The correct sequence is **EDGAFCB**.

S8. Ans.(c)

Sol. The correct sequence is **EDGAFCB**.

S9. Ans.(b)

Sol. The correct sequence is **EDGAFCB**.

S10. Ans.(e)

Sol. The correct sequence is **EDGAFCB**.

S11. Ans.(e)

Sol. 'impetus, transform' is the correct use.

Impetus- something that makes a process or activity happen or happen more quickly.

Transform-make a marked change in the form, nature, or appearance of.

S12. Ans.(a)

Sol. 'surpassed, setting' is the correct use.

Surpassed- to exceed.

S13. Ans.(b)

Sol. 'accredited, access' is the correct use.

Accredited- give credit to (someone) for something.

Access- the means or opportunity to approach or enter a place.

S14. Ans.(c)

Sol. 'raised, over' is the correct use.

S15. Ans.(d)

Sol. keen, introducing' is the correct use.

Keen- very interested.

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