

Quiz Date: 30th September 2020

Directions (1-7): Read the following passage carefully and answer the questions given below it. Certain parts are given in bold to answer some of the questions based on the passage.

Economist Jeffrey Sachs has rarely met a boondoggle he didn't like. So it shouldn't be surprising that he has now argued for a "tech tax"—essentially, "finding ways to tax capital income and IP [intellectual property] income". The thing is, he is not the only one. The concept of a tech tax is gathering momentum. The European Union (EU) has been **grappling** with it since March this year. India introduced it in the Finance Act 2018. Australia is considering it and so are a number of other countries. It is a clear sign of the difficulty of dealing with the changing nature of the digital economy.

Cheap services and products built on the back of technological innovation enable productivity growth among the poor. They can aid farmers in price discovery, say, or give a push to financial inclusion and credit access. This is a given. But Dani Rodrik has pointed out that new technologies can also have downsides for developing economies. They show a bias towards skill and education when it comes to job creation. This reduces the labour arbitrage advantage developing economies have. The overall shift in income distribution from labour to IP doesn't help.

The digital economy's combination of intangible capital and disaggregated business models also creates an almighty headache for governments when it comes to taxation. Businesses that depend on monetizing user data for revenue, for instance, may realize millions of dollars of value from a tax jurisdiction without having a significant, taxable presence in it. The revenue can be registered to dummy head offices set up in low tax jurisdictions. Meanwhile, the difficulty of pricing intangible capital accurately undercuts measures such as the arm's length principle meant to keep companies reasonably honest when indulging in transfer pricing for tax avoidance purposes.

In 2011, San Francisco, the heart of the global tech industry, phased out the payroll tax and replaced it with a gross receipts tax—a popular move with tech companies since they often have large workforces before they have revenue. The tactic worked. Tech companies flooded into formerly blighted parts of the city. The unemployment rate fell by almost two-thirds over the next few years. But with the growth came disruption as gentrification pushed poor residents out of their houses and home prices rocketed to well over the national average. Thus, in 2016, members of the city's administration proposed a payroll tax targeting only tech companies; the revenue would be used to build affordable housing and homeless shelters. They had seized upon the most visible target—no matter that a tax targeting a job-creating sector could be counterproductive or that the city's long-running housing problem had as much to do with restrictive building regulations that **choke** supply.

As for India, the 'significant economic presence' (SEP) concept introduced in the Finance Act this year—it means that if a company has an SEP in India, it has tax liabilities here whether it is based here or not—makes instinctive sense. The problem is creating thresholds that don't stifle competition or open New Delhi up to accusations of protectionism. An even bigger problem is finagling such a regulatory change without becoming entangled in existing bilateral tax treaties. These moves take aim at legitimate problems which will grow in scale as IP comes to play an increasingly important role in traditional sectors such as automobile. But the transnational nature of digital businesses demands a multilateral response rather than a patchwork of rivalrous measures. This is difficult at a time when protectionism is on the rise, but all the more important for it. The Organisation for Economic Co-operation and Development's work on a new framework for base erosion and profit shifting for example, could do far more to shape an effective response to the digital economy than the EU's levy. Getting there, however, will require governments to refrain from letting frustration **goad** them into making counterproductive policy.

Q1. What is/are the impediments associated with the implementation of SEP under Finance Act?

(I) Identifying the intensity of the economic presence of a company so that it doesn't restrain the competition.

(II) Intellectual property plays an important role in traditional sectors.

(III) Implementation of SEP might muddle with the existing bilateral tax treaties

- (a) Both (II) and (III)
- (b) Only (II)
- (c) Only (III)
- (d) Both (I) and (III)
- (e) All of these

Q2. How can new technologies become a pitfall for the developing economies?

- (a) Economies wouldn't be able to gain from the available resource of cheap labour.
- (b) Technologies fail to address the skill and educated mass of the country.
- (c) There will be a shift in income distribution from IP to Labour.
- (d) Both (b) and (c)
- (e) All of these

Q3. What were the outcomes of the implementation of the gross receipt tax in San Francisco?

- (I) Tech companies had spread even to the areas which were once neglected in the city.
 - (II) Poor residents had to face severe hardship as the home prices were increased to well over the national average.
 - (III) Unemployment rate had fallen by two-thirds over the next few years
- (a) Only (I)
 - (b) Only (III)
 - (c) Both (I) and (II)
 - (d) Both (II) and (III)
 - (e) All (I) (II) and (III)

Q4. What is the author's opinion regarding the proposal for the re-introduction of the payroll tax?

- (I) Payroll tax on tech companies wouldn't solve the housing problem as restrictive building regulations contributes equally to the problem.
 - (II) Payroll tax on tech companies might be disadvantageous as they reduce the unemployment rate of the country.
 - (III) Payroll tax would push the poor residents to out of their houses and home prices will rise over the national average.
- (a) Only (I)
 - (b) Only (III)
 - (c) Both (I) and (II)
 - (d) Both (II) and (III)
 - (e) All (I) (II) and (III)

Q5. Choose the word which is most similar in the meaning of the word given in bold "**GRAPPLING**" as given in the passage.

- (a) Tussling
- (b) Annexing
- (c) Avowing
- (d) Blanching
- (e) Capitulating

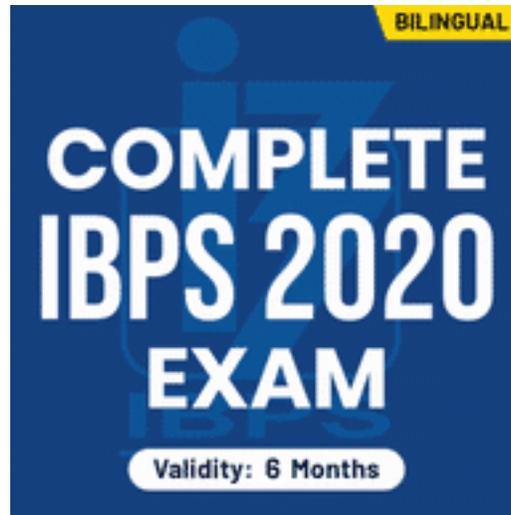
Q6. Choose the word which is most similar in the meaning of the word given in bold "**GOAD**" as given in the passage.

- (a) Capacious
- (b) Provoke
- (c) Certitude
- (d) Debacle

(e) Elucidate

Q7. Choose the word which is opposite to the word given in bold "CHOKER" as given in the passage.

- (a) Throttle
- (b) Occlude
- (c) Liberate
- (d) Obstruct
- (e) Rapport



Directions (8-12): In the following questions, few sentences are given. Choose and mark the sentence which contains grammatical or contextual error in it. If all the sentences are grammatically and contextually correct, mark option (e) i.e. "all are correct" as the answer choice.

- Q8. (a) The Japan-India Association was set up in 1903, and is one of the oldest international friendship bodies in Japan.
- (b) Sebi came up with certain recommendation to make the platform more accessible, but no amendment to the ICDR Regulations was carried out.
- (c) Hundreds of train passengers were stranded between stations while police dealt with a trespasser on the tracks
- (d) A job that does not provide adequate spending power is mostly meaningless for only a pittance gets recycled back into the economy.
- (e) All are correct

- Q9. (a) It took a long time for Japanese imports to penetrate the American consumer markets.
- (b) Cheap services and products built on the back of technological innovation enable productivity growth among the poor.
- (c) For reasons of security, you are kindly requested to keep your luggage with you at all times.
- (d) The police were able to recover the woman's stolen purse after they caught and arrested the thief that had taken it.
- (e) All are correct

- Q10. (a) A fiscal deficit overshoot poses upside risks to inflation, one of the few macro indicators that remain favourable.

- (b) Human resources realized that the job for receptionist would require an immediate start date since the former receptionist had quit her job without notice.
- (c) At the conference, I will be sharing a hotel room with a colleague from finance the department of my firm.
- (d) Had they have any savings they didn't need, they would've re-paid their son's student loan.
- (e) All are correct

Q11. (a) Indian airlines are creating a lots of job opportunities in the US by placing orders for the Boeing flights.

- (b) It is very unlikely that you will be able to recover a twenty dollar bill if you drop it on the street somewhere, as someone is sure to pick it up for themselves.
- (c) Without favorable operating conditions, factory workers were not able to keep up with production demand.
- (d) A large amount of ducks in the area will leave here and fly south for the winter.
- (e) All are correct

Q12. (a) In an effort to recover her lost ID, Claire went to the school office to see if anyone had found it and turned it in.

- (b) The lawyer requested a break in the court case, but the judge demurred.
- (c) The woman put forward a red silk as well as a blue one for our inspection.
- (d) You will only need a small amount of cash on the trip since most of the expenses have been paid.
- (e) All are correct

Directions (13-15): In the questions given below few sentences are given which are grammatically correct and meaningful. Connect them by the word given above the statements in the best possible way without changing the intended meaning. Choose your answer accordingly from the options to form a correct, coherent sentence.

Q13. **ALTHOUGH**

- (A) The lack of hot air balloons at last weekend's Stillwater Balloon Festival left many people feeling deflated.
- (B) The organizer is already looking at ways to improve the event and bring it back next year
- (C) The report says tracking digital use, purchases and sales is increasingly important
- (D) The festival was promoted with having five hot air balloons with two offering tethered rides both days
- (a) Only C-D
- (b) Both A-D and B-C
- (c) Only B-C
- (d) Only A-B
- (e) None of these

Q14. **ASSUMING THAT**

- (A) The existing power-purchase agreements (PPAs) for thermal plants do not allow any increase in fuel costs
- (B) The private developers had quoted fixed fuel costs for the supply of electricity under long-term contracts
- (C) The coal price would remain unchanged in the long-term.
- (D) If the panel's recommendations are also accepted by states procuring electricity from these plants, consumers could end up picking up the tab.
- (a) Only C-D
- (b) Both A-C and B-C
- (c) Only B-C

- (d) Only A-B
(e) None of these

Q15. SO THAT

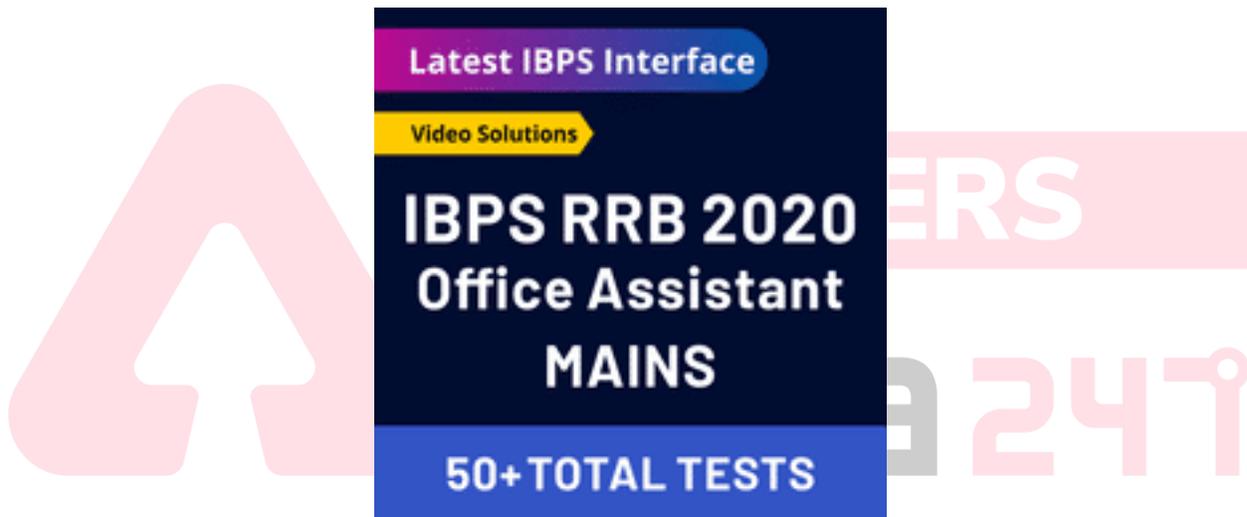
(A) The letter says that the costs associated with conducting field trials under the regulations for GM organisms are extremely restrictive to research institutes and small biotech companies.

(B) On 24 October, 170 European scientists from 75 research centres in more than a dozen countries released a position paper urging that the law should change in the short term.

(C) Legal experts say that there is no mechanism to appeal the European court's ruling.

(D) Crops with small DNA adaptations made through gene editing would follow the regulations for varieties produced through conventional methods.

- (a) Only B-D
(b) Both A-C and B-C
(c) Only B-C
(d) Only A-B
(e) None of these



Solutions

S1. Ans. (d)

Sol. Both the alternatives (I) and (III) are correct. Refer to the 3rd line of the 5th paragraph, *“The problem is creating thresholds that don’t stifle competition or open New Delhi up to accusations of protectionism. An even bigger problem is finagling such a regulatory change without becoming entangled in existing bilateral tax treaties.”* However, alternative (II) is incorrect. It is to be noted that the next line “These moves take aim at legitimate problems which will grow in scale as IP comes to play an increasingly important role in traditional sectors such as automobile” does not state any challenge for SEP. Hence, option (d) is the most viable answer choice.

S2. Ans. (a)

Sol. Refer to the 3rd sentence of the 2nd paragraph “But Dani Rodrik has pointed out that new technologies can also have downsides for developing economies. They show a bias towards skill and education when it comes to job creation. *This reduces the labour arbitrage advantage developing economies have.* The overall shift in income distribution from labour to IP doesn’t help.” These lines also indicate that new technologies create more jobs for the skilled and educated. Also there has been a shift in the income distribution from labour to IP. Hence, only option (a) is correct.

S3. Ans. (e)

Sol. Refer to the 3rd line of the 4th paragraph “*The tactic worked. Tech companies flooded into formerly blighted parts of the city. The unemployment rate fell by almost two-thirds over the next few years. But with the growth came disruption as gentrification pushed poor residents out of their houses and home prices rocketed to well over the national average.*” All the given points are mentioned in these sentences of the passage. Hence, option (e) is the most suitable answer choice.

S4. Ans. (c)

Sol. Refer to the 6th line of the 4th paragraph “Thus, in 2016, members of the city’s administration **proposed a payroll tax** targeting only tech companies; the revenue would be used to build affordable housing and homeless shelters. They had seized upon the most visible target—**no matter that a tax targeting a job-creating sector could be counterproductive** or **that the city’s long-running housing problem had as much to do with restrictive building regulations** that choke supply.” These lines verify the author’s opinion towards payroll tax on tech companies. However, alternative (III) is an outcome of the implementation of gross receipt tax. Since, alternatives (I) and (II) are correct, option (c) becomes the most suitable answer choice.

S5. Ans. (a)

Sol. Grappling means engage in a close fight or struggle without weapons; wrestle; while Tussling means engage in a vigorous struggle or scuffle. Since, both the words have similar meaning, option (a) becomes the most suitable answer choice.

Annexing means add as an extra or subordinate part, especially to a document.

Avowing means assert or confess openly.

Blanching means flinch or grow pale from shock, fear, or a similar emotion.

Capitulating means cease to resist an opponent or an unwelcome demand; yield.

S6. Ans. (b)

Sol. Goad means provoke or annoy (someone) so as to stimulate an action or reaction; while Provoke means stimulate or incite (someone) to do or feel something, especially by arousing anger in them.

Since, both the words have similar meaning, option (b) becomes the most suitable answer choice.

Capacious means having a lot of space inside; roomy.

Certitude means absolute certainty or conviction that something is the case.

Debacle means a sudden and ignominious failure; a fiasco.

Elucidate means make (something) clear; explain.

S7. Ans. (c)

Sol. Choke means fill (a space) so as to make movement difficult or impossible; while Liberate means to help someone or something to be free. Since both the words are opposite of each other, option (c) is the most suitable answer choice.

Throttle means attack or kill (someone) by choking or strangling them.

Occlude means stop, close up, or obstruct (an opening, orifice, or passage).

Obstruct means block (an opening, path, road, etc.); be or get in the way of.

Rapport means a close and harmonious relationship in which the people or groups concerned understand each other's feelings or ideas and communicate well.

S8. Ans. (b)

Sol. Among all the given sentences, sentence (b) is incorrect. It is to be noted that ‘certain’ is always followed by a plural noun while ‘a certain’ is followed by a singular noun. Therefore, “recommendation” should be replaced by “recommendations”. Since, all the other sentences are correct, option (b) is the most suitable answer choice.

S9. Ans. (c)

Sol. Among the given sentences, sentence is grammatically incorrect. It is to be noted “kindly” and “requested” cannot be used together in a sentence, since “kindly” and “please” are used in active voice while “requested” is used in a sentence of passive voice. Therefore, “kindly” should be omitted from sentence (c) to make it grammatically viable. Since all the other sentences are correct, option (c) is the most suitable answer choice.

S10. Ans. (d)

Sol. Among the given sentences, sentence (d) is grammatically incorrect. In sentence (d) “have” should be replaced by “had” as after “had/have/ has” the verb is always in its past participle (V3) form. Since, all the other sentences are correct, option (d) is the most suitable answer choice.

S11. Ans. (a)

Sol. Among all the sentences, sentence (a) is grammatically incorrect. “a lots of” should be replaced by “a lot of” or “lots of” as both the phrases mean a large number or amount of (things, people, etc.) However, “a lots of” is an incorrect idiom. Since, all the other sentences are grammatically correct, option (a) is the most suitable answer choice.

S12. Ans. (e)

Sol. All the given sentences are grammatically viable and contextually meaningful. Since, none of the given sentences require any corrections; option (e) becomes the most suitable answer choice.

S13. Ans. (d)

Sol. Statements (A) and (B) can together form a grammatically correct and coherent sentence without altering the context of the sentence using the connector “although” which means in spite of the fact that; even though. Therefore, the sentence thus formed is ***“Although the lack of hot air balloons at last weekend’s Stillwater Balloon Festival left many people feeling deflated, the organizer is already looking at ways to improve the event and bring it back next year”***. Hence, option (d) is the most suitable answer choice.

S14. Ans. (b)

Sol. Combinations (A)-(C) and (B)-(C) can successfully frame grammatically correct and contextually meaningful sentence using the connector “assuming that” which means accepting something as true; if. Therefore the sentences thus formed using the combinations A-C and B-C respectively are:

“The existing power-purchase agreements (PPAs) for thermal plants do not allow any increase in fuel costs assuming that The coal price would remain unchanged in the long-term.”

“The private developers had quoted fixed fuel costs for the supply of electricity under long-term contracts, assuming that the coal price would remain unchanged.”

S15. Ans. (a)

Sol. Statements (B) and (D) can together form a grammatically correct and coherent sentence without altering the context of the sentence using the connector “so that”. “So that” is used as a subordinate clause to show purpose or to give an explanation. It is used to show an action producing an intended result or a cause producing an effect. Therefore, the sentence thus formed is ***“On 24 October, 170 European scientists from 75 research centres in more than a dozen countries released a position paper urging that the law should change in the short term so that crops with small DNA adaptations made through gene editing would follow the regulations for varieties produced through conventional methods”***. Hence, option (a) is the most suitable answer choice.

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