





# RBI GRADE B 2020

MODEL TEST PAPER



RBI GRADE B 2020 EXAM

## RBI Grade B 2020 Model Test Paper – ESI & FM

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1. As of September 2020, how many States and UTs are connected with one nation one ration card schemes?

- (1) 20
- (2) 25
- (3) 24
- (4) 26
- (5) 28

**Answer key: 4**

Solution:

- The 'One Nation One Ration Card' plan is an ambitious endeavour of the Government to ensure the delivery of food security entitlements to all beneficiaries covered under the National Food Security Act, 2013 (NFSA), irrespective of their physical location anywhere in the country, by implementing nation-wide portability of ration cards under the ongoing central sector scheme on 'Integrated Management of Public Distribution System (IM-PDS)' in association with all States/UTs.
- Recently, Ministry of Consumer Affairs, Food & Public Distribution approved the integration of Ladakh and Lakshadweep with existing national portability cluster of 24 States/UTs.

**2. The Parliamentary Standing Committee on Finance has submitted its report on "Financing the Start-up Ecosystem". The committee recommended the abolition of long-term capital gains (LTCG) tax for investment in start-ups for at least period of \_\_\_\_\_.**

- (1) 6 months
- (2) 12 months
- (3) 15 months
- (4) 24 months
- (5) 36 months

**Answer key: 4**

Solution:

- A parliamentary standing committee on finance led by Jayant Sinha has tabled the 12th report on 'Financing the start-up ecosystem' in Parliament.
- It recommended removal of LTCG tax for all investments in start-up companies on the grounds that a strong start-up ecosystem can propel investments, jobs, and demand creation.
- The panel said the LTCG should be abolished for at least the next two years to encourage investments.

**3. Which of the following does not fall under the category of Interest Rate Risk?**

- (1) Basis Risk
- (2) Yield Curve Risk
- (3) Embedded Risk Option
- (4) Reinvestment Risk
- (5) Compliance Risk

**Answer key: 5**

Solution:

- Interest Rate Risk: Interest rate risk is the potential for investment losses that result from a change in interest rates.
- If interest rates rise, for instance, the value of a bond or other fixed-income investment will decline.
- The change in a bond's price given a change in interest rates is known as its duration.
- Types of Interest Rate risk are: Repricing Risk, Basis Risk, Yield Curve Risk, Embedded Risk option, Reinvestment Risk.

**4. Which one of the following is not a part of the current account under the Balance of Payment?**

- (1) Export and Import of Merchandise
- (2) Shipping fees
- (3) Gifts, Grants and Remittances
- (4) NRI Deposits
- (5) Both 3 and 4

**Answer key: 4**

Solution:

- Current Account: The current account on the balance of payments measures the inflow and outflow of goods, services, investment incomes and transfer payments.
- The main components of the current account are:
  - A. Trade in goods (visible balance)
  - B. Trade in services and (invisible balance), e.g. insurance and services like shipping, banking etc.
  - C. Current transfer and Investment incomes, e.g. dividends, interest, and migrants' remittances from abroad

**5. Basel 1 had defined 5 credit risk weights i.e. 0%, 10%, 20%, 50%, and 100%. 20% is defined for which of the following?**

- (1) Government or central bank claims
- (2) OECD interbank claims
- (3) Residential mortgages
- (4) Commercial and Consumer loans
- (5) None of the above

**Answer key: 2**

Solution:

- Basel I is the first set of regulations defined by the BCBS and is a part of what is known as the Basel Accords.
- The Bank Asset Classification System classifies a bank's assets into five risk categories on the basis of a risk percentage: 0%, 10%, 20%, 50%, and 100%.
- The assets are classified into different categories based on the nature of the debtor

Risk Weight	Asset Class
0%	Cash and gold held in the bank. Obligation on OECD governments and U.S. treasuries.
20%	Claims on OECD banks. Securities issued by U.S. government agencies. Claims on municipalities.
50%	Residential mortgages.
100%	All other claims such as corporate bonds, less-developed countries' debt, claims on non-OECD banks, equities, real estate, plant and equipment.

6. The Reserve Bank of India (RBI) has released the guidelines for on tap licensing of Small Finance Banks in the Private Sector. According to the guidelines, small finance banks should maintain a minimum capital to risk-weighted assets ratio of \_\_\_\_\_.

- (1) 10%
- (2) 7.5%
- (3) 15%
- (4) 12%
- (5) 9%

**Answer key: 3**

**Solution:**

- The Reserve Bank of India (RBI) has released guidelines for on tap licensing of small finance banks in the country.
- Non-banking financial companies, microfinance institutions and local area banks in the private sector (which are controlled by residents) can opt for conversion into small finance banks. They should have an experience of at-least five years in the area.
- The minimum equity capital required for setting up a small finance bank will be Rs 200 crore (up from Rs 100 crore currently).
- Small finance banks should maintain a minimum capital to risk-weighted assets ratio of 15%.

7. A type of tax that takes a larger percentage of income from the higher income group people as compared to lower income group people is known as \_\_\_\_\_.

- (1) Progressive Tax
- (2) Proportional Tax
- (3) Regressive Tax
- (4) Wealth Tax
- (5) None of these

**Answer key: 1**

Solution:

- A progressive tax is based on the taxpayer's ability to pay. It imposes a lower tax rate on low-income earners than on those with a higher income. This is usually achieved by creating tax brackets that group taxpayers by income ranges.
- A proportional tax is an income tax system that levies the same percentage tax to everyone regardless of income. A proportional tax is the same for low, middle, and high-income taxpayers. Proportional taxes are sometimes referred to as flat taxes.
- A regressive tax is a tax applied uniformly, taking a larger percentage of income from low-income earners than from high-income earners. It is in opposition to a progressive tax, which takes a larger percentage from high-income earners.

**8. According to the BASEL II norms, the Common Equity Tier 1 capital recommended by the Reserve Bank of India is \_\_\_\_\_.**

- (1) 4.5%
- (2) 5.5%
- (3) 6.5%
- (4) 1.5%
- (5) 2.5%

**Answer key: 2**

Solution:

- Basel 2: It has 3 Pillars:
  1. Pillar 1 - Minimum capital requirements
  2. Pillar 2 - Supervisory review process
  3. Pillar 3 - Market discipline
- Pillar 1 – Minimum Capital Requirements: Revised Capital Accord or Basel II defines the capital requirement as
- CRAR Ratio =  $\text{Capital} / (\text{RWA's for Credit Risk} + \text{RWA's for Market Risk} + \text{RWA's for Operational Risk})$

	<b>Regulatory Capital</b>	<b>As % to RWAs</b>
(i)	Minimum Common Equity Tier 1 Ratio	5.5
(ii)	Capital Conservation Buffer (comprised of Common Equity)	2.5
(iii)	Minimum Common Equity Tier 1 Ratio plus Capital Conservation Buffer [(i)+(ii)]	8.0
(iv)	Additional Tier 1 Capital	1.5
(v)	Minimum Tier 1 Capital Ratio [(i) +(iv)]	7.0
(vi)	Tier 2 Capital	2.0
(vii)	Minimum Total Capital Ratio (MTC) [(v)+(vi)]	9.0
(viii)	Minimum Total Capital Ratio plus Capital Conservation Buffer [(vii)+(ii)]	11.5

**9. What is the maximum amount of loan that can be extended against security of funds held in NRE Account either to the depositors or third parties?**

- (1) 10 lakhs
- (2) 25 lakhs
- (3) 50 lakhs
- (4) 75 lakhs
- (5) 100 lakhs

**Answer key: 5**

Solution:

- An NRE account is a bank account opened in India in the name of an NRI, to park his foreign earnings.
- NRE accounts are exempt from tax. Neither the balance, nor the interest earned on these accounts is taxable.
- The maximum amount of loan that can be extended against security of funds held in NRE Account either to the depositors or third parties is 100 lakhs

**10. The estimate which measure the number of persons who remains unemployed with respect to one week is called \_\_\_\_\_**

- (1) Usual Status Unemployment
- (2) Monthly Status Unemployment
- (3) Daily Status Unemployment
- (4) Weekly Status unemployment
- (5) None of the above

**Answer key: 4**

Solution:

- National Sample Survey Office (NSSO), an organization under Ministry of Statistics and Programme Implementation (MoSPI) measures unemployment in India on following approaches:
  - A. **Usual Status Approach:** This approach estimates only those persons as unemployed who had no gainful work for a major time during the 365 days preceding the date of survey.
  - B. **Weekly Status Approach:** This approach records only those persons as unemployed who did not have gainful work even for an hour on any day of the week preceding the date of survey.
  - C. **Daily Status Approach:** Under this approach, unemployment status of a person is measured for each day in a reference week. A person having no gainful work even for 1 hour in a day is described as unemployed for that day.

**11. The Kotak Committee was constituted with the primary objective of improving standards concerning corporate governance of listed companies in India. The committee recommended the reduction in the maximum number of listed entity directorships from 10 to \_\_\_\_\_ by April 1, 2020.**

- (1) 9
- (2) 8
- (3) 7
- (4) 6
- (5) 5

**Answer key: 3**

Solution:

- Capital market regulator Securities and Exchange Board of India has approved sweeping changes to the corporate governance framework for listed companies.
- The Kotak Committee was constituted with the primary objective of improving standards concerning corporate governance of listed companies in India.
- The committee recommended the reduction in the maximum number of listed entity directorships from 10 to 8 by April 01, 2019 and to 7 by April 1, 2020
- **Impact:** Currently, only one individual hold 10 director positions; one holds nine and one holds eight. These three individuals will have to give up their directorships in some companies.



**12. Which one of the following is not a service provided under the Digital India Programme?**

- (1) Digital Locker
- (2) SBM app
- (3) E-Hospital
- (4) Pradhan Mantri Gramin Digital Saksharta Abhiyaan
- (5) E-Sampark

**Answer key: 4**

Solution:

- The Digital India Programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy.
- Users can find information about the Digital India Programme, programme pillars, Digital India Week, programme management, etc.
- Services provided under Digital India Programme are: Digital Locker, Attendance.gov.in, MyGov.in, Swachh Bharat Mission (SBM) Mobile app, E-Sign framework, E-Hospital application, National Scholarship Portal and E-Sampark.

**13. Which one of the following reports is not published by World Economic Freedom?**

- (1) Engaging Tomorrow Consumer Report
- (2) World Economic Outlook
- (3) Global Competitive Index
- (4) Environmental Performance Index
- (5) Both 1 and 2

**Answer key: 2**

Solution:

Various reports published by World Economic Forum are:

- Engaging Tomorrow Consumer Report
- Inclusive growth & Development Report
- Environmental Performance Index
- Global Competitive Index
- Global Energy Architecture Performance Index Report
- Global Gender Gap Report

- Global Information Technology Report
- Human Capital Report
- Inclusive growth & Development report
- Outlook on Global Agenda
- The Global Risk Report
- Travel and Tourism Competitiveness Report

**14. Under which article of the Indian Constitution, the Finance Commission made recommendations on the distribution of the net proceeds of taxes between the Centre and the states?**

- (1) 250
- (2) 280
- (3) 282
- (4) 285
- (5) 272

**Answer key: 2**

Solution:

- The Finance Commission is a constitutional body, that determines the method and formula for distributing the tax proceeds between the Centre and states, and among the states as per the constitutional arrangement and present requirements.
- Under Article 280 of the Constitution, the President of India is required to constitute a Finance Commission at an interval of five years or earlier.

**15. According to the FRBM Act, which of the following documents is/are presented before the Parliament in addition to the Budget documents?**

- (1) Medium term fiscal Policy
- (2) Fiscal Term Strategy Statement
- (3) Macro-Economic Framework Statement
- (4) Both 1 and 3
- (5) All 1, 2 and 3

**Answer key: 5**

Solution:

- The Fiscal Responsibility and Budget Management Act (FRBM Act), 2003, establish financial discipline to reduce fiscal deficit.

- The FRBM Act aims to introduce transparency in India's fiscal management systems.
- The Act's long-term objective is for India to achieve fiscal stability and to give the Reserve Bank of India (RBI) flexibility to deal with inflation in India.
- The FRBM Act was enacted to introduce more equitable distribution of India's debt over the years.
- The FRBM Act made it mandatory for the government to place the following along with the Union Budget documents in Parliament annually:
  - a. Medium Term Fiscal Policy Statement
  - b. Macroeconomic Framework Statement
  - c. Fiscal Policy Strategy Statement

**16. Which one of the following is not a part of the Monetary Base managed by the RBI?**

- (1) Banknotes and coins held by the public
- (2) Demand Deposits
- (3) Deposit held by the GOI with the RBI
- (4) Capital of institution regulated by the RBI
- (5) All of the above are included

**Answer key: 2**

Solution:

- A monetary base is the total amount of a currency that is either in general circulation in the hands of the public or in the commercial bank deposits held in the central bank's reserves.
- This measure of the money supply typically only includes the most liquid currencies; it is also known as the "money base"
- Currency in circulation refers to banknotes and coins held by the public – money we use in our everyday lives.
- Bank reserves are cash deposits that financial institutions hold in their accounts at the central bank.
- The monetary base does not include non-cash assets, such as demand deposits, time deposits, or checks.

**17. \_\_\_\_\_ occurs when there is huge reduction in supply in relation to demand.**

- (1) Stagflation
- (2) Bottleneck Inflation
- (3) Skewflation

- (4) Galloping Inflation  
 (5) None of the above

**Answer key: 2**

Solution:

**GALLOPING INFLATION:** is a type of inflation that occurs when the prices of goods and services increases at a two-digit or three-digit rate per annum.

Galloping inflation has adverse effect on middle- and low-income groups; as a result, they are not able to save money for future.

**BOTTLENECK INFLATION:** This inflation takes place when the supply falls drastically, and the demand remains at the same level.

Such situations arise due to supply-side hurdles, hazards or mismanagement which is also known as structural inflation. This could be put in the 'demand-pull inflation category.

**Stagflation:** It is a situation where the inflation rate is high, the economic growth rate slows down, and unemployment is also high

Stagflation = High Inflation + High Unemployment + Stagnant Growth.

**Skewflation:** It means that some sectors are facing inflation while other sectors of economy do not.

For example – Food prices may rise due to increase in prices of onion and tomatoes, whereas prices of other commodities remain same

**18. Under the Equity scheme launched by Mutual Fund, what is the minimum investment required in equity & equity related instruments?**

- (1) 65% of total asset  
 (2) 80% of total asset  
 (3) 75% of total asset  
 (4) 51% of total asset  
 (5) None of the above

**Answer key: 1**

Solution:

- Equity Funds invest in the shares of different companies.
- The fund manager tries to offer great returns by spreading his investment across companies from different sectors or with varying market capitalizations.
- **Large-Cap Funds** – which typically invest a minimum of 80% of their total assets in equity shares of large-cap companies (the top 100).

- These schemes are considered to be more stable than the mid-cap or small-cap focused funds.
- **Mid-Cap Funds** – which usually invest around 65% of their total assets in equity shares of mid-cap companies (101-250th placed companies according to market capitalization).
- These schemes tend to offer better returns than the large-cap schemes but are also more volatile than them.
- **Small-Cap Funds** – which typically invest around 65% of their total assets in equity shares of small-cap companies (251st and below placed companies according to market capitalization).
- These schemes tend to offer great returns than the large-cap and mid-cap schemes but are also highly volatile.

**19. Who is the head of the committee constituted by the GOI to draft a new direct tax law to replace the existing Income Tax Act, 1961?**

- (1) Usha Thorat
- (2) Viral Acharya
- (3) Urjit Patel
- (4) Shaktikanta Das
- (5) Akhilesh Ranjan

**Answer key: 5**

Solution:

- Government had constituted a committee under Akhilesh Ranjan to draft a new direct tax law to replace the existing Income Tax Act, 1961.
- Some of the key recommendation of the committee are:
  - A. Single corporate tax: 25% corporate tax rate for all companies.
  - B. It has recommended sweeping changes to the personal income tax rates, with the creation of five slabs
  - C. The committee has recommended the application of DTAA along with domestic law, instead of the present system, where the tax entity can choose its jurisdiction.
- Now, the Corporate Tax rates were reduced from 30 percent to 22 percent and for new manufacturing units the rates were reduced to 15 percent.

**20. According to George and Jerry, which of the following is not the fundamental function of Management?**

- (1) Controlling
- (2) Planning

- (3) Staffing
- (4) Organizing
- (5) All are the primary functions

**Answer key: 3**

Solution:

- According to George & Jerry, there are four fundamental functions of management. They are planning, organizing, actuating, and controlling.

**21. The career stage in which the person begins to search for work and gets in first appointment through recruitment or selection process is called \_\_\_\_\_**

- (1) Exploration Stage
- (2) Establishment Stage
- (3) Mid-career Stage
- (4) Late-career Stage
- (5) Decline Stage

**Answer key: 2**

Solution:

- Career development is the process of improving an individual's abilities in anticipation of future opportunities for achieving career objectives.
- **Establishment:** It is a career development stage in which one begins to search for work. It includes getting one's first job. It takes many years to search for a right job. The problems of this stage include making mistakes, learning from those mistakes and assuming increased responsibilities.

**22. How much fund will be invested by Google in India in the next five to seven years with the aim of consolidating its position in the digital ecosystem?**

- (1) 5 Billion dollars
- (2) 15 billion dollars
- (3) 10 billion dollars
- (4) 20 billion dollars
- (5) 25 billion dollars

**Answer key: 3**

Solution:

- Google will invest \$10 billion in India over the next five to seven years with the aim of consolidating its position in the digital ecosystem of the world's fifth-largest economy that is emerging as a battleground for global internet giants.

**23. Which one of the following factors is satisfiers as per the Two-Factor Theory of Motivation?**

- (1) Achievement
- (2) Interpersonal relations
- (3) Salary
- (4) Job Security
- (5) None of the above

**Answer key: 1**

Solution:

- **Motivational factors-** According to Herzberg, the hygiene factors cannot be regarded as motivators. The motivational factors yield positive satisfaction. These factors are inherent to work. These factors motivate the employees for a superior performance. These factors are called satisfiers.
- These are: Achievement, Recognition, Advancement, Work itself, Possibility of growth and responsibility etc.

**24. Which leadership theory describes how leaders maintain their position in groups and how they develop relationships with other members that can contribute to growth or hinder development?**

- (1) LMX Theory
- (2) Likert Management System
- (3) System Theory
- (4) Path Goal Theory
- (5) Trait Theory

**Answer key: 1**

Solution:

- Leader-Member Exchange Theory, also known as LMX or the Vertical Dyad Linkage Theory, explores how leaders and managers develop relationships with team members
- It explains how those relationships can either contribute to growth or hold people back.

- Relationship between managers and members of the group is developed through 3 stages:  
**Role-taking:** This happens initially when members join newly, and managers take time to assess their qualities  
**Role-making:** At this stage managers categorizes his team members into In-group or Out-group depending on the trust, loyalty and commitment shown by them  
**Routinization:** During this last phase, routines between team members and their managers are established. In-Group team members work hard to maintain the good opinion of their managers, by showing trust, respect, empathy, patience, and persistence. Out-Group members may start to dislike or distrust their managers.

**25. According to the latest report (2016-18) of Sample Registration System (SRS) Maternal Mortality Ratio (MMR) of India per 100,000 live births has declined to \_\_\_\_\_ in 2016-18 from 122 in 2015-17.**

- (1) 113
- (2) 114
- (3) 118
- (4) 120
- (5) 117

**Answer key: 1**

Solution:

- MMR: It is the annual number of maternal deaths per 100,000 live births.
- According to the special bulletin on Maternal Mortality in India 2016-18; released by the Office of the Registrar General's Sample Registration System (SRS), the Maternal Mortality Ratio (MMR) in India has declined to 113 in 2016-18 from 122 in 2015-17.

**26. In which leadership style the leader makes the decision with active participation of the employees, share information with them and seeks suggestions from them?**

- (1) Achievement- oriented
- (2) Directive
- (3) Participative
- (4) Supportive
- (5) None of the above

**Answer key: 3**



Solution:

- Participative: The leaders invite and encourage the team members to play an important role in decision-making process, though the ultimate decision-making power rests with the leader.
- The leader guides the employees on what to perform and how to perform, while the employees communicate to the leader their experience and the suggestions.

**27. Which one of the following is not a content theory of Motivation?**

- (1) Maslow's need hierarchy
- (2) Equity Theory
- (3) Herzberg's two factor theory
- (4) ERG theory
- (5) Both A and D

**Answer key: 2**

Solution:

- Content (or need) theories of motivation focus on factors internal to the individual that energise and direct behaviour.
- Such theories regard motivation as the product of internal drives that compel an individual to act or move toward the satisfaction of individual needs.
- Major content theories of motivation are Maslow's hierarchy of needs, Alderfer's ERG theory, Herzberg's motivator-hygiene theory, and McClelland's learned needs or three-needs theory.

**28. According to the Ministry of Rural Development a total of 86,81,928 new job card from 1<sup>st</sup> April 2020 till 12<sup>th</sup> September 2020 have been issued under MGNREGS. Which state topped the list in issuing maximum number of job cards?**

- (1) Gujarat
- (2) Haryana
- (3) Madhya Pradesh
- (4) Uttar Pradesh
- (5) Maharashtra

**Answer key: 4**

Solution:

- Mahatma Gandhi NREGS is a demand driven wage employment scheme.

- Every adult member of a household in a rural area, having job card (as per Mahatma Gandhi NREG Act), is eligible for a demand for a job under the scheme.
- According to the Ministry of Rural Development, a total of 86,81,928 new job card during the current FY so far, has been issued as compared to 36,64,368 new job cards issued during the same period of the FY 2019-20.
- Uttar Pradesh had issued the highest number of job cards from 1<sup>st</sup> April to 12<sup>th</sup> September 2020 followed by Bihar.

**29. Which of the following types/channels of communication is also known as grapevine?**

- (1) Downward Communication
- (2) Vertical Communication
- (3) Horizontal Communication
- (4) Formal Communication
- (5) Informal Communication

**Answer key: 5**

Solution:

- The Informal Communication is the casual and unofficial form of communication wherein the information is exchanged spontaneously between two or more persons without conforming the prescribed official rules, processes, system, formalities, and chain of command.
- Grapevine is an informal channel of business communication.
- It is called so because it stretches throughout the organization in all directions irrespective of the authority levels.
- Example: Suppose the profit amount of a company is known. Rumour is spread that this much profit is there, and, on that basis, bonus is declared.

**30. The practice of sharing information between members of an organisation that are on different levels of hierarchy is known as \_\_\_\_\_**

- (1) Horizontal communication
- (2) Diagonal communication
- (3) Both A and B
- (4) Downward communication
- (5) None of the above

**Answer key: 5**

Solution:

- **Vertical Communication:** The practice of sharing information between members of an organisation that are on different levels of hierarchy. Most communications in organisations are considered to be vertical.
- Vertical communication can be used both in a downward and upward direction.

### Passage (Q31-34)

The \_\_\_\_\_ [A] is a leading reference for measuring an economy's innovation performance. It provides detailed metrics about the innovation performance of 131 countries and economies around the world. Its \_\_\_\_\_ [B] indicators explore a broad vision of innovation, including political environment, education, infrastructure, and business sophistication. The 2020 edition sheds light on the state of innovation financing by investigating the evolution of financing mechanisms for entrepreneurs and other innovators, and by pointing to progress and remaining challenges – including in the context of the economic slowdown induced by the coronavirus disease (COVID-19) crisis.

**31. Which of the following will come in place of blank [A] as mentioned in the passage?**

- (1) Global Innovation Index
- (2) Global Competitive Index
- (3) Inclusive growth & Development report
- (4) World Economic Outlook
- (5) None of the above

**Answer key: 1**

Solution:

- The Report mentioned in the above passage is Global Innovation Index.
- It was released by World Intellectual Property Organisation (WIPO).
- The 2020 edition of the Global Innovation Index (GII) presents the latest global innovation trends and the annual innovation ranking of 131 economies.

**32. Which will replace [B] as mentioned in the above passage?**

- (1) 60
- (2) 80
- (3) 40
- (4) 30
- (5) 50

**Answer key: 2**

Solution:

- The GII ranking is based on a set of 80 indicators classified into the Innovation Input Sub-Index, which has five innovation measures— Institutions, Human capital and research, Infrastructure, Market sophistication, and Business sophistication—and the Innovation Output Sub-Index, which is measured by Knowledge and technology outputs and Creative outputs.

**33. What is the theme of the index which was discussed in the above passage?**

- (1) Who Will Finance Innovation?
- (2) Creating Healthy Lives — The Future of Medical Innovation.
- (3) 'Energizing the World with Innovation
- (4) Innovation Feeding the World
- (5) None of the above

**Answer key: 1**

Solution

- The Report mentioned in the above passage is Global Innovation Index.
- It was released by World Intellectual Property Organisation (WIPO).
- The 2020 edition of the Global Innovation Index (GII) presents the latest global innovation trends and the annual innovation ranking of 131 economies.
- The theme of this year's GII - Who Will Finance Innovation? - is timely given the human and global economic damage wreaked by the COVID-19 global pandemic.

**34. What is India's rank in the above index?**

- (1) 48
- (2) 57
- (3) 66
- (4) 40
- (5) 54

**Answer key: 1**

Solution:

- Global Innovation Index. was released by World Intellectual Property Organisation (WIPO).
- The 2020 edition of the Global Innovation Index (GII) presents the latest global innovation trends and the annual innovation ranking of 131 economies.

- Switzerland, Sweden, the USA, the UK, and Netherlands are the top five countries while India ranked at 48<sup>th</sup> place.

### Passage (35-38)

A component, Innovation and Agri-entrepreneurship Development programme has been launched under \_\_\_\_\_ [A] in order to promote innovation and agripreneurship by providing financial support and nurturing the incubation ecosystem. The objective of the above scheme is to incentivize the states that increase their investment in Agriculture and allied sectors and to provide flexibility and autonomy to the States in planning and executing programmes for agriculture.

**35. Which of the following will come in place of blank [A] as mentioned in the passage?**

- (1) RKVY-RAFTAAR
- (2) National Mission on Sustainable agriculture
- (3) PMKSY
- (4) PKVY
- (5) PMFBY

**Answer key: 1**

Solution:

- The scheme mentioned in the above passage is RKVY-RAFTAAR.
- RKVY scheme was initiated in 2007 by National Development Council under Ministry of Agriculture and Farmers' Welfare as an umbrella scheme for ensuring holistic development of agriculture and allied sectors by allowing states to choose their own agriculture and allied sector development activities as per the district/state agriculture plan.

**36. The scheme mentioned in the above passage was launched in which year?**

- (1) 2020
- (2) 2005
- (3) 2000
- (4) 2007
- (5) 2015

**Answer key: 4**

Solution:

- RKVY scheme was initiated in 2007 as an umbrella scheme for ensuring holistic development of agriculture and allied sectors.
- The scheme incentivizes States to increase public investment in Agriculture & allied sectors. The Cabinet has approved for the continuation of the ongoing Centrally Sponsored Scheme Rashtriya Krishi Vikas Yojana (RKVY) as Rashtriya Krishi Vikas Yojana- Remunerative Approaches for Agriculture and Allied Sector Rejuvenation (RKVY-RAFTAAR) for three years i.e. 2017-18 to 2019-20.

**37. Which of the following is/are the sub-schemes that come under the above scheme?**

- (1) Bringing Green Revolution to Eastern India
- (2) Crop diversification plan
- (3) Saffron Mission
- (4) Reclamation of Problem Soil
- (5) All of the above

**Answer key: 5**

Solution:

- Sub-schemes under RKVY are:
  1. Bringing Green Revolution to Eastern India (BGREI),
  2. Crop Diversification Program (CDP),
  3. Reclamation of Problem Soil (RPS),
  4. Foot & Mouth Disease – Control Program (FMD-CP),
  5. Saffron Mission,
  6. Accelerated Fodder Development Programme (AFDP).
  7. Beekeeping.

**38. Which one of the following statements is not correct about the above scheme?**

- (1) It comes under the Ministry of Agriculture and Farmer's Welfare.
- (2) It is a Centrally Sponsored Scheme.
- (3) The fund is divided in the ratio of 60:40 between the centre and states in states and 70:30 for North Eastern and Himalayan states
- (4) For UTs the grant is divided in the ratio of 80:20 between centre and states
- (5) Both 3 and 4

**Answer key: 4****Solution:**

- RKVY scheme was initiated in 2007 by National Development Council under Ministry of Agriculture and Farmers' Welfare as an umbrella scheme for ensuring holistic development of agriculture and allied sectors by allowing states to choose their own agriculture and allied sector development activities as per the district/state agriculture plan.
- It is a centrally sponsored scheme
- The fund between centre and states will be shared in the ratio of 60: 40 except in the case of north eastern and hilly states where the sharing pattern is 90:10.
- For UTs the grant is 100% as Central share

**Passage (Q39-42)**

The Reserve Bank of India proposed to introduce exchange-traded and over the counter (OTC) interest rate derivatives products that would be accessible to both foreign investors and retail participants. Retail participants can only use the product for hedging, while non-retail participants can use it for any purpose. Presently, only interest rate futures and interest rate options are allowed on government securities. With the introduction of many more IRF products, corporate debt could also be incorporated for making derivatives over time, say experts. Foreign Portfolio Investors (FPIs) would be allowed to transact in permitted exchange-traded interest rate derivatives (IRD) for collective Rs \_\_\_\_\_ [A] crore in net long positions.

**39. According to the proposal and the draft guidelines released by the Reserve Bank of India, Retail participants can be allowed to trade on which of the following?**

- (a) Forward rate agreement
- (b) Interest rate swap
- (c) European interest rate options

- (1) Only a
- (2) Only b
- (3) Both a and c
- (4) Both a and b
- (5) All a, b, and c

**Answer key: 5**

Solution:

- According to the RBI retail participants can be allowed to trade on Forward Rate Agreement (FRA), Interest Rate Swap (IRS), and European Interest Rate Options (IRO), including caps, floors, collars, and reverse collars.
- Non-retail traders can take exposure in swaptions and structured derivative products, excluding leveraged derivatives and derivatives on derivatives.

**40. Which will come in place of [A] as mentioned in the above passage?**

- (1) 1000 crores
- (2) 7500 crores
- (3) 15000 crores
- (4) 5000 crores
- (5) 10,000 crores

**Answer key: 4**

Solution:

- According to the guidelines, Foreign Portfolio Investors (FPIs) would be allowed to transact in permitted exchange-traded interest rate derivatives (IRD) for a collective Rs 5,000 crore in net long positions.
- The net short position of an FPI on exchange traded IRDs shall not exceed its long position in government securities and other rupee debt securities

**41. According to the guidelines, Resident Indian companies with a minimum net worth of Rs \_\_\_\_\_ crore will be eligible to trade in these products.**

- (1) 100 crores
- (2) 200 crores
- (3) 500 crores
- (4) 1000 crores
- (5) 1500 crores

**Answer key: 3**

Solution:

- According to the guidelines, Resident Indian companies with a minimum net worth of Rs 500 crore will be eligible to trade in these products.
- The products should be benchmarked to any floating interest rate benchmark published by the Financial Benchmark Administrator (FBA) or price or index used in IRDs in OTC markets shall be a benchmark published by an FBA or approved by The Fixed Income Money Market and Derivatives Association of India (FIMMDA) for this purpose.



42. A \_\_\_\_\_ uses options contracts to hedge interest rate risk to protect variable rate borrowers against rising rates or lenders against falling rates in the case of a reverse collar.

- (1) Interest rate collar
- (2) Interest rate swap
- (3) Reverse Interest rate collar
- (4) Overnight indexed swap
- (5) None of the above

**Answer key: 1**

Solution:

- An interest rate collar uses options contracts to hedge interest rate risk to protect variable rate borrowers against rising rates or lenders against falling rates in the case of a reverse collar.
- A collar involves selling a covered call and simultaneously buying a protective put with the same expiration, establishing a floor and a cap on interest rates.
- While the collar effectively hedges interest rate risk, it also limits any potential upside that would have been conferred by a favourable movement in rates.

### Passage (Q43-Q47)

The Reserve Bank of India (RBI) has released revised priority sector lending (PSL) guidelines to augment funding for COVID-19 impacted companies. This has come after a comprehensive review of the PSL guidelines to align them with emerging national priorities and bring sharper focus on inclusive development, after having wide ranging discussions with all stakeholders. Bank finance to start-ups (up to \_\_\_\_\_ [A] crore); loans to farmers for installation of solar power plants for solarisation of grid connected agriculture pumps and loans for setting up Compressed Bio Gas (CBG) plants have been included as fresh categories eligible for finance under priority sector. From FY22, a weight of \_\_\_\_\_% [B] would be assigned to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower and the per capita PSL is less than Rs 6,000. The target for lending to small and marginal farmers will rise to \_\_\_\_\_[C] in FY24 from 8% now for all categories of banks, except Urban Co-operative Bank (UCBs).

**43. Which of the following will replace the blank [A] as mentioned in the above passage?**

- (1) 25 crores
- (2) 50 crores
- (3) 75 crores
- (4) 100 crores
- (5) None of the above

**Answer key: 2**

Solution:

- Recently, Start-ups have been brought under the ambit of PSL norms.
- Loans up to ₹50 crore to start-ups, as per definition of the ministry of commerce and industry, will qualify under PSL.

**44. According to the revised guidelines, what is the maximum amount of loan that can be availed per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres?**

- (1) 1 crore
- (2) 5 crores
- (3) 7 crores
- (4) 10 crores
- (5) 15 crores

**Answer key: 4**

Solution:

- As per the guidelines, for improvement of health infrastructure, credit limit for health infrastructure (including those under 'Ayushman Bharat') has been doubled
- Now loans up to a limit of ₹10 crore per borrower for building health care facilities including under 'Ayushman Bharat' in Tier II to Tier VI centres.

**45. Which of the following will replace the blank [B] as mentioned in the above passage?**

- (1) 75%
- (2) 100%
- (3) 125%
- (4) 50%

(5) 150%

**Answer key: 3**

Solution:

- According to the revised guidelines, there will be an incentive framework for districts with comparatively lower flow of credit and a dis-incentive framework for districts with comparatively higher flow of priority sector credit.
- From FY22, a weight of 125% would be assigned to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower and the per capita PSL is less than Rs 6,000.
- A lower weight of 90% would be assigned for incremental priority sector credit in the identified districts where the credit flow is comparatively higher and where the per capita PSL is greater than Rs 25,000.

**46. According to the revised PSL guidelines, what is the maximum amount of loans that can be given for the purposes like solar-based power generators, biomass-based power generators, windmills, micro-hydel plants?**

- (1) 10 crores
- (2) 15 crores
- (3) 20 crores
- (4) 25 crores
- (5) None of the above

**Answer key: 5**

Solution:

- Loans up to ₹50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
- Loans up to ₹5 crore per borrowing entity to FPOs/FPCs undertaking farming with assured marketing of their produce at a pre-determined price.
- Bank loans up to a limit of Rs 30 crore to borrowers for purposes like solar-based power generators, biomass-based power generators, windmills, micro-hydel plants.

**47. Which of the following will replace the blank [C] as mentioned in the above passage?**

- (1) 9%
- (2) 10%

- (3) 12%
- (4) 15%
- (5) 8.5%

**Answer key: 2**

Solution:

- The targets prescribed for small and marginal farmers and weaker sections are being increased in a phased manner
- The target for lending to small and marginal farmers will rise to 10% in FY24 from 8% now for all categories of banks, except Urban Co-operative Bank (UCBs).
- The target for credit to weaker sections will rise to 12% in FY24 from 10% now for all banks, except RRBs, who will continue to have a 15% target for this category.

### Passage (Q48-50)

It is an umbrella scheme incorporating ongoing schemes of the Ministry like Mega Food Parks, Integrated Cold Chain and Value Addition Infrastructure, Food Safety and Quality Assurance Infrastructure, etc. and also new schemes like Infrastructure for Agro-processing Clusters, Creation of Backward and Forward Linkages, Creation / Expansion of Food Processing & Preservation Capacities. Recently 27 projects were approved under the scheme for integrated cold chain and value addition infrastructure of the scheme and is estimated to provide direct and indirect employment for 16,200 farmers.

**48. Name the scheme which was mentioned in the above passage.**

- (1) Pradhan Mantri Kisan Sampada Yojana
- (2) Pradhan Mantri Fasal Bima Yojana
- (3) Pradhan Mantri Krishi Sinchayee Yojana
- (4) Paramparagat Krishi Vikas Yojana
- (5) None of the above

**Answer key: 1**

Solution:

- The scheme mentioned in the above passage is Pradhan Mantri Kisan Sampada Yojana.
- It was launched in the year 2016.
- It is a central sector scheme and comes under the Ministry of Food Processing Industries.

**49. In which year the above discussed scheme was launched?**

- (1) 2015
- (2) 2014
- (3) 2016
- (4) 2017
- (5) 2018

**Answer key: 3**

Solution:

- In 2016, MoFPI introduced an umbrella Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters or SAMPADA, which was proposed to be implemented with an allocation of ₹6,000 crores for the period of 2016-20.
- In 2017, SAMPADA was renamed as the Pradhan Mantri Kisan Sampada Yojana (PMKSY).

**50. The 27 new integrated cold chain projects will leverage a total investment of Rs \_\_\_\_\_ crore for creation of modern, innovative infrastructure and effective cold chain facilities for food processing sector across the nation.**

- (1) 648 crores
- (2) 754 crores
- (3) 743 crores
- (4) 865 crores
- (5) 456 crores

**Answer key: 3**

Solution:

- The government has approved 27 cold chain projects in 11 states with a grant-in-aid of Rs 208 crore under the Pradhan Mantri Kisan SAMPADA Yojana (PMKSY).
- The projects have been approved across the states of Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, Kerala, MP, Punjab, Rajasthan, Tamil Nadu (4) and Uttar Pradesh.
- The 27 new integrated cold chain projects will leverage a total investment of Rs 743 crore for creation of modern, innovative infrastructure and effective cold chain facilities for food processing sector across the nation.

**Passage (Q51-54)**

Labour falls under the Concurrent List of the Constitution. Therefore, both Parliament and state legislatures can make laws regulating labour. In 2019, the Ministry of Labour and Employment introduced four Bills to consolidate 29 central laws. The government proposes to increase the ambit of social security by including gig workers and inter-state migrant workers, it has also proposed measures that will provide greater flexibility to employers to hire and fire workers without government permission. Recently, president has given the approval to three bills i.e. Industrial Relations Code Bill, 2020, Code on Social Security Bill, 2020 and Occupational Safety, Health and Working Conditions Code Bill, 2020.

**51. According to the Industrial Relation code bill 2020, the government has proposed to introduce more conditions restricting the rights of workers to strike, alongside an increase in the threshold relating to layoffs and retrenchment in industrial establishments having \_\_\_\_\_ workers.**

- (1) 100
- (2) 150
- (3) 200
- (4) 250
- (5) 300

**Answer key: 5**

Solution:

- The government has proposed to introduce more conditions restricting the rights of workers to strike, alongside an increase in the threshold relating to layoffs and retrenchment in industrial establishments having 300 workers from 100 workers or more at present.
- The Industrial Relations Code has raised the threshold for requirement of standing order rules of conduct for workmen employed in industrial establishments to over 300 workers.
- This implies industrial establishments with up to 300 workers will not be required to furnish a standing order, a move which experts say would enable companies to introduce arbitrary service conditions for workers.

**52. According to the IRC bill 2020, It is mandatory to give how many days' notice for strikes and lockouts will now apply to all units which was earlier for just public utility firms man?**

- (1) 7 days
- (2) 10 days
- (3) 15 days
- (4) 5 days
- (5) None of the above

**Answer key: 5**

Solution:

- According to the IRC Bill 2020, it is mandatory to give 14-day notice for strikes and lockouts will now apply to all units which was earlier for just public utility firms.
- Definition of strike has been amended to include 'mass casual leave' within its ambit.
- Concerted casual leave on a certain day by 50% or more workers will be treated as a strike.

**53. According to the code on wages, 2019, the maximum bonus received by a labour can be \_\_\_\_\_.**

- (1) 10% of his annual wages
- (2) 5% of his annual wages
- (3) 20% of his annual wages
- (4) 15% of his annual wages
- (5) 25% of his annual wages

**Answer key: 3**

Solution

**The Code on Wages, 2019**

- It seeks to regulate wage and bonus payments in all employments where any industry, trade, business, or manufacture is carried out.
- The central or state government may fix the number of hours that constitute a normal working day. In case employees work in excess of a normal working day, they will be entitled to overtime wage, which must be at least twice the normal rate of wages.
- All employees whose wages do not exceed a specific monthly amount, notified by the central or state government, will be entitled to an annual bonus.
- The bonus will be at least: (1) 8.33% of his wages, or (2) Rs 100, whichever is higher.
- An employee can receive a maximum bonus of 20% of his annual wages.

**54. According to the code on wages, 2019 an employee's wages may be deducted on certain grounds including fines, absence from duty etc. These deductions should not exceed \_\_\_\_\_ of the employee's total wage.**

- (1) 10%
- (2) 25%
- (3) 15%
- (4) 30%
- (5) 50%

**Answer key: 5**

Solution:

- According to the code, Wages will be paid in:
  - 1) Coins
  - 2) Currency notes,
  - 3) By cheque,
  - 4) By crediting to the bank account,
  - 5) Through electronic mode.
- The wage period will be fixed by the employer as either:
  - 1) Daily
  - 2) Weekly
  - 3) Fortnightly
  - 4) Monthly.
- Under the Code, an employee's wages may be deducted on certain grounds including:
  - 1) Fines
  - 2) absence from duty,
  - 3) Accommodation given by the employer
  - 4) Recovery of advances given to the employee, among others.
- These deductions should not exceed 50% of the employee's total wage.

**55. Which one of the following statements correctly defines the difference between forward and future contract?**

- (1) Futures are traded on over the counter while forwards are traded on an organized stock exchange
- (2) Forward are more liquid as compared to future contract
- (3) Forwards required margin payments while future does not
- (4) In Forwards settlement happens at the end of the period while future follows daily settlement
- (5) All are incorrect



**Answer key: 4**

Solution:

**56. The set price at which a derivative contract can be bought or sold when it is exercised is known as \_\_\_\_\_.**

- (1) Strike Price
- (2) Cost of Carry
- (3) Contract price
- (4) Option Price
- (5) None of the above

**Answer key: 1**

Solution:

- A strike price is the set price at which a derivative contract can be bought or sold when it is exercised.
- For call options, the strike price is where the security can be bought by the option holder.
- For put options, the strike price is the price at which the security can be sold.
- Strike price is also known as the exercise price.

**57. Operating Leverage and Financial Leverage of a firm are 5 and 4, respectively. If sales are increased by 10% then earning before tax is increased by \_\_\_\_\_.**

- (1) 100%
- (2) 150%
- (3) 200%
- (4) 50%
- (5) 125%

**Answer key: 3**

Solution:

Degree of Operating Leverage = percentage change in EBIT/percentage change in sales  
 $5 = \text{Percentage change in EBIT}/10$   
**Percentage change in EBIT = 50%**

Degree of Financial Leverage = Percentage change in EBT/Percent change in EBIT

4= Percentage change in EBT/50  
**Percentage change in EBT = 200%**

**58. Under what condition the net present value of a project will be zero?**

- (1) Present value of cash inflow = Present value of cash outflow
- (2) Present value of cash inflow > Present value of cash outflow
- (3) Present value of cash inflow = Future value of cash outflow
- (4) Present value of cash inflow < Present value of cash outflow
- (5) Present value of cash inflow is infinite

**Answer key: 1**

Solution:

- Present value (PV) is the current value of a future sum of money or stream of cash flows given a specified rate of return.
- $\text{Present Value} = \frac{\text{FV}}{(1+r)^n}$   
 where; FV=Future Value; r=Rate of return and n=Number of periods
- Present value is the concept that states an amount of money today is worth more than that same amount in the future.
- Net present value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used in capital budgeting and investment planning to analyze the profitability of a projected investment or project.
- NPV will be zero when Present value of cash inflow = Present value of cash outflow

**59. Who identified the identified three managerial skills essential to successful management i.e. technical, human, and conceptual?**

- (1) Robert Katz
- (2) M. Gene Newport
- (3) Kreitner
- (4) Robert L. Trewelly
- (5) Harold Koontz & Heinz Weihrich

**Answer key: 1**

Solution:

- Robert Katz identifies three critical skill sets for successful leaders: technical skills, interpersonal (or human) skills, and conceptual skills.
- Technical Skills: they give the manager's knowledge and ability to use different techniques to achieve what they want to achieve.

- Conceptual skills present knowledge or ability of a manager for more abstract thinking.
- Human or interpersonal management skills present a manager's knowledge and ability to work with people.

**60. According to Maslow, a person who is looking for breathing, food, water etc. is at which level?**

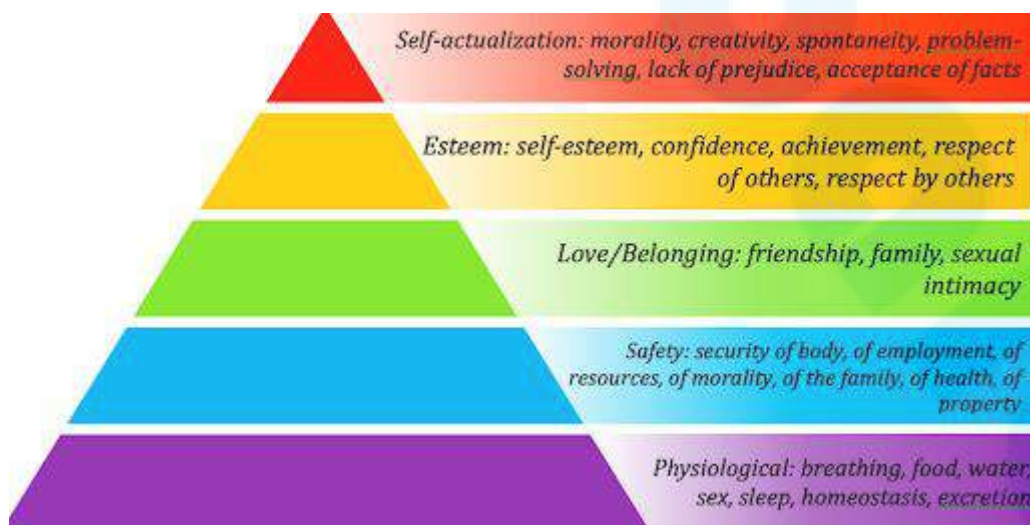
- (1) Physiological
- (2) Safety
- (3) Social
- (4) Esteem
- (5) Self-actualization.

**Answer key: 1**

Solution:

**Maslow's need hierarchy Theory:**

- This theory assumes that there is a hierarchy of five needs within each individual.
- According to Maslow, individuals are motivated by unsatisfied needs. As each of these needs is significantly satisfied, it drives and forces the next need to emerge. Maslow grouped the five needs into two categories – Higher-order needs and Lower-order needs
- The physiological and the safety needs constituted the lower-order needs. These lower-order needs are mainly satisfied externally.
- The social, esteem, and self-actualization needs constituted the higher-order needs. These higher-order needs are generally satisfied internally, i.e., within an individual.



**61. Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behaviour at work. Which of the following is not correct about his theory?**

- (1) Theory X employee intrinsically does not like work and tries to escape it whenever possible.
- (2) Theory Y employees rank job security on top, and they have little or no aspiration/ambition.
- (3) Theory X employees resist change.
- (4) Theory Y employees are happy to work on their own initiative.
- (5) Theory X employees need to be supervised at every step.

**Answer key: 2**

Solution:

- Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behaviour at work, or two different views of individuals (employees): one of which is negative, called as Theory X and the other is positive, so called as Theory Y.
- According to McGregor, the perception of managers on the nature of individuals is based on various assumptions.

#### **Assumptions of Theory X**

- An average employee intrinsically does not like work and tries to escape it whenever possible.
- Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style.
- Many employees rank job security on top, and they have little or no aspiration/ambition.
- Employees generally dislike responsibilities.
- Employees resist change.
- An average employee needs formal direction.

#### **Assumptions of Theory Y**

- Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs.
- Employees may not require only threat, external control, and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives.
- If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.
- An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility.

- The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the creativity, resourcefulness, and innovative potentiality of the employees can be utilized to solve organizational problems.

**62. Likert has given a continuum of various systems of management. In which system, the superiors have zero trust and confidence in subordinates and the decisions are imposed on subordinates.**

- (1) System 1
- (2) System 2
- (3) System 3
- (4) System 4
- (5) System 5

**Answer key: 1**

Solution:

- Likert has given a continuum of four systems of management.
- He has taken seven variables to differentiate one management system from others: Leadership, Motivation, Communication, interaction-influence, Decision making process, Goal setting and Control Process

**System 1 - Exploitative Authoritative:**

- Responsibility lies in the hands of the people at the upper echelons of the hierarchy.
- The superior has no trust and confidence in subordinates.
- The decisions are imposed on subordinates and they do not feel free at all to discuss things about the job with their superior.
- The teamwork or communication is very little, and the motivation is based on threats.

**System 2 - Benevolent Authoritative:**

- The responsibility lies at the managerial levels but not at the lower levels of the organizational hierarchy.
- The superior has condescending confidence and trust in subordinates
- The subordinates do not feel free to discuss things about the job with their superior.
- The teamwork or communication is very little, and motivation is based on a system of rewards.

**System 3 - Consultative:**

- Responsibility is spread widely through the organizational hierarchy.
- The superior has substantial but not complete confidence in subordinates.
- Some amount of discussion about job related things takes place between the superior and subordinates.
- There is a fair amount of teamwork, and communication takes place vertically and horizontally.
- The motivation is based on rewards and involvement in the job.

**System 4 - Participative:**

- Responsibility for achieving the organizational goals is widespread throughout the organizational hierarchy.
- There is a high level of confidence that the superior has in his subordinates.
- There is a high level of teamwork, communication, and participation.

**63. Which statement correctly describes the difference between Transactional and Transformational Leadership?**

- (1) Transactional leadership is a kind of telling style while transformational is a kind of selling style.
- (2) Transformational Leadership is reactive whereas Transactional Leadership is proactive.
- (3) Transformational Leadership works for improving the present conditions of the organisation while Transactional Leadership works for changing the present conditions of the organisation
- (4) Transformational Leadership is focussed on planning and execution as compared to transactional leadership which promoted innovation.
- (5) All are incorrect

**Answer key: 1**

Solution:

Basis for Comparison	Transactional Leadership	Transformational Leadership
Meaning	A leadership style that employs rewards and punishments for motivating followers is Transactional Leadership.	A leadership style in which the leader employs charisma and enthusiasm to inspire his followers is Transformational Leadership.
Concept	Leader lays emphasis on his relationship with followers.	Leader lays emphasis on the values, ideals, morals and needs of the followers.

Basis for Comparison	Transactional Leadership	Transformational Leadership
Nature	Reactive	Proactive
Best suited for	Settled Environment	Turbulent Environment
Works for	Developing the existing organizational culture.	Changing the existing organizational culture.
Style	Telling	Selling
How many leaders are there in a group?	Only one	More than One
Focused on	Planning and Execution	Innovation

**64. Which one of the following statements correctly describes the difference between orientation and induction?**

- (1) Induction is a process takes place to welcome newcomer to the organization, to make them ready for their job while Orientation is a process which involves assimilation of new joinee into the organization to rehabilitate him at the new workplace and provided with basic information about the company.
- (2) Induction is a two-way process while orientation is a one-way process
- (3) Induction is a long-term process while orientation is a short-term process
- (4) Orientation is done at the introductory stage, which is then followed by the Induction.
- (5) None is correct

**Answer key: 1**

Solution:

Basis for Comparison	Induction	Orientation
Meaning	Induction is a process takes place to welcome newcomer to the organization, to make them ready for their job.	A process which involves assimilation of new joinee into the organization to rehabilitate him at the new workplace and provided with basic information about the company.
Process	One way	Two way
Involves	Introduction of the employee with the organization.	Integration of the employee in the organization.
Time horizon	Short term	Long term

Basis for Comparison	Induction	Orientation
Sequence	First	Second
Form	Detailed presentation or brochure of the company's rules, policies, and employee benefits are provided.	Practical overview of the organization.

**65. In which performance appraisal method, an employee is not appreciated by his direct superior but by another person, usually for HR department?**

- (1) Graphic Scale Method
- (2) Confidential Report
- (3) Field Review Method
- (4) Critical Incidence Method
- (5) Grading Method


**Answer key: 3**

Solution:

- **Field Review Method:** In this method, an employee is not appraised by his direct superior but by another person usually from the HR department.
- This is an appraisal by someone outside the assessee's own department, usually someone from the corporate office or the HR department.
- The basic idea is that such a person may take a more objective view in the appraisal as he is not under the pressure as the superior of the employee may be.



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