

Banking Daily Quiz Blog - August 8



1. Read the following passage carefully and answer the questions given below it. Certain words have been printed in bold to help you locate them, while answering some of the questions.

Brexit is an abbreviation for "British exit," which refers to the June 23, 2016, referendum whereby British citizens voted to exit the European Union. The referendum roiled global markets, including currencies, causing the British pound to fall to its lowest level in decades. Prime Minister David Cameron, who supported the United Kingdom remaining in the European Union, resigned on July 13 as a result. Home Secretary Theresa May, leader of the Conservative Party, became Prime Minister.

Supporters of Brexit based their opinions on a variety of factors, from the global competitiveness of British businesses to the European debt crisis to concerns about immigration. Britain had already opted out of the European Union's monetary union – meaning that it uses the pound instead of the euro – and the Schengen Area, meaning that it does not share open borders with a number of other European nations. "Out" campaigners argued that Brussels' bureaucracy is a drag on the British economy and that European Union laws and regulations threaten British sovereignty.

At least one influential voice suggested that a British exit from the European Union (EU) could actually be good for the political bloc. For former Pimco executive and current economic adviser at Allianz, Mohamed El-Erian, a Brexit may be just what the EU needs to stabilize and secure its future. In an article published in The Guardian, El-Erian proposed that Brexit could actually solve a fundamental problem currently plaguing the EU. That problem is a fundamental difference of opinion amongst EU member states as to what the purpose of the EU actually is supposed to be.

On the one side, the British view holds that the purpose of the EU is to exist as a “super free-trade zone,” whereas the German-French view is that the political bloc exists to facilitate greater integration. The divergence is ultimately a roadblock that El-Erian argued could be removed if the U.K. simply left. If such a roadblock were removed, then it could actually have a number of positive economic and political implications.

Because the exit process could stretch over two years once Article 50 of the Lisbon Treaty is invoked (and there is no deadline for invoking it), predictions about Brexit's future impact on British citizens are mostly speculation; however, experts suggest that Brexit is likely to mean slower economic growth for the country. A slowdown in investments may also lead to fewer jobs, lower pay and higher unemployment rates. Britain relies on the EU for export far more than the EU depends on Britain. The absence of seamless access to European markets also may mean fewer exports and foreign investments. Additionally, consumers and employers reacting to "doom and gloom" news about Brexit's potential fallout alone may contribute to an economic slowdown as companies hire fewer people and consumers spend less money.

In particular, slowed growth in Britain would translate to contraction in Ireland, since exports of goods to the United Kingdom account for nearly one-third of Ireland's total output. The flow of Irish labor to the United Kingdom might be curbed, which would in turn exert pressure on Irish wages as more people compete for fewer jobs.

Michael R. Bloomberg, former mayor of New York City and founder of Bloomberg News, pointed out the EU could penalize Britain, imposing harsh limitations, to deter other member states from following its example. Capital Economics, a research consultancy, stated that Britain's exit could result in "looser monetary conditions" around the world. According to the firm, Britain's exit could *prolong* the ECB's bond buying program and even increase its size. "The Bank of England is likely to keep interest rates low for longer and, if necessary, may even announce further policy easing," an analyst at the firm wrote in a note, adding that the European Central Bank (ECB)'s purchase program could potentially increase in size in the future.

The pound could continue to take a pounding. If Britain can no longer rely on continental Europe for barrier-free trade and mobility, there is a strong chance that capital will leave the country to avoid getting stuck there. In other words, investors may sell pounds (or pound-denominated assets) to purchase those denominated in dollars, euros, or francs. A sharp fall could last for longer than anticipated as politicians and deal makers try to establish new trade agreements and economic pacts that can take many months or even years to ratify.

Furthermore, if the domestic economy of the U.K. does slip into recession, it will keep the Bank of England (BoE) from raising interest rates to protect the currency, further compounding the problem.

A. **How does Brexit affect Ireland?**

A

The flow of Irish labor to the United Kingdom might be curbed, which would in turn exert pressure on Irish wages as more people compete for fewer jobs.

B

The Irish investors would not invest in U.K.

C

Domestic economy of the Ireland would slip into recession, it would keep the Bank of Ireland (BoI) from raising interest rates to protect the currency, further compounding the problem.

D

Both (a) and (c)

E

None of these

Solution

Refer the sixth paragraph, “The flow of Irish labor to the United Kingdom might be curbed, which would in turn exert pressure on Irish wages as more people compete for fewer jobs.” Hence only option (a) is true in context of the passage.

B. Which of the following is TRUE in context of the passage?

(A) Britain had already opted out of the European Union's monetary union – meaning that it uses the pound instead of the euro .

(B) Britain's exit could result in "looser monetary conditions" around the world.

(C) Home Secretary Theresa May, leader of the Conservative Party, became Prime Minister of Britain after the resignation of David Cameron on July 3, 2016.

A Only (A) is correct

B Only (B) is correct

C Both (B) and (C) are correct

D Both (A) and (B) are correct

E All are correct

Solution

Refer the second and seventh paragraphs for options A and B. Refer the first paragraph for option C which is incorrect as she became Prime Minister on 13th July, 2016. Hence only options (A) and (B) are correct.

C. Which of the following words means nearly the same to the word PROLONG as used in the passage?

A Abbreviate

B Expedite

C Halt

D Advance

E Protract

Solution

Prolong means extend the duration of. Protract means extend, draw out. Hence 'prolong' and 'protract' are similar in meanings.

D. Which of the following sentences is NOT TRUE in the context of the passage?

A
The divergence is ultimately a roadblock that El-Erian argued could be removed if the U.K. simply left.

B
The flow of Irish labor to the United Kingdom might be curbed, which would in turn exert pressure on Irish wages as more people compete for fewer jobs.

C

Investors may sell pounds to purchase those denominated in dollars, euros, or francs.

D

The Bank of England is likely to keep interest rates low for longer and, if necessary, may even announce further policy easing.

E

All are true.

Solution

All the given sentences are true in the context of the passage.

E. What will be the future impact of Brexit on British citizens?

(A) There would be economic slowdown that might lead to fewer jobs, lower pays and higher unemployment rates.

(B) Fewer exports and foreign investments.

(C) It would lead to better monetary conditions around the country.

A

Only (A) is true

B

Only (B) is true

C

Both (B) and (C) are true

D Both (A) and (B) are true

E All are true.

Solution

Refer the fourth and fifth lines of fifth paragraph, “a slowdown in investmentsforeign investments.” Hence options A and B are correct.

F. What does the author mean by the phrase “doom and gloom” in the context of the passage?

A Optimistic situation

B A situation that is pessimistic or despondent

C Vivacious situation

D Both (a) and (c)

E None of these.

Solution

This phrase refers to Brexit that would lead to economic slowdown and results in a pessimistic situation for consumers and employers. Hence option (b) is true.

Five statements are given below, labelled a, b, c, d and e. Among these, four statements are in logical order and form a coherent paragraph. From the given options, choose the option that does not fit into the theme of the paragraph.

2. choose the option that does not fit into the theme of the paragraph.

A

The council, nominally the apex body that governs the new tax regime (where it is the Finance Minister who actually calls the shots), offered some more elements aimed at fine-tuning what was heralded as a “revolutionary” tax.

B

There was high drama as Modi summoned BharatiyaJanata Party president Amit Shah from his Kerala mission and went into a huddle with Finance Minister ArunJaitley the previous day.

C

At its official launch some days after the announcement, 1.5 crore bank accounts were opened for people living below poverty line.

D

Naturally, expectations of a “big bang” announcement were heightened; many, chastened by the sudden announcement of demonetisation last November, were also nervous because of the “anything-is-possible” fear associated with policymaking in the Modi era.

E

What actually came out of the council’s nine-hour-long deliberation could not have been more underwhelming.

Solution

The paragraph is about the doubt in the mind of the people regarding the various reforms brought by the Modi government in the last few months. It can be viewed the sentences BDEA forms the coherent paragraph. Option (c) doesn't fit in this sequence as it talks about some specific statistics regarding the opening of bank accounts which is nowhere discussed in the remaining statements, and hence is the correct choice of elimination.

Five statements are given below, labelled a, b, c, d and e. Among these, four statements are in logical order and form a coherent paragraph. From the given options, choose the option that does not fit into the theme of the paragraph.

3. choose the option that does not fit into the theme of the paragraph.

A

It followed consecutive years of drought in India with production dipping to 16 million tonnes in 2015-16, the lowest in six years.

B

New Delhi has been trying to refashion its ties with Africa with its IndiaAfrica Summit outreach efforts with the first such event being held in New Delhi in 2008.

C

So much so that India seems unable to keep a commitment it made to Mozambique last year to import pigeon peas—a popular pulse variety locally known as arhar—prompting a visit by Mozambican officials to New Delhi to seek clarity on the matter.

D

The MoU or pact signed with Mozambique to buy arhar grown there was seen as the centrepiece of Prime Minister NarendraModi’s visit to the East African country in last July.

E

A bumper crop should ordinarily mean good news but a record harvest of pulses in India last year has led to a problem of plenty.

Solution

It can be viewed that sentences ECDA forms the coherent paragraph as it is talking about the commitment given by the Indian government to Mozambique regarding the import of pigeon peas (arhar). Among the given options, only option (b) has no connection with any of the other sentences of the paragraph as it is talking about renewing the ties between India and Mozambique. Hence sentence (b) is the correct choice.

Five statements are given below, labelled a, b, c, d and e. Among these, four statements are in logical order and form a coherent paragraph. From the given options, choose the option that does not fit into the theme of the paragraph.

4. choose the option that does not fit into the theme of the paragraph.

A

That would have created a huge accounting mess.

B

The Reserve Bank of India (RBI) has finally released numbers that show how most of the currency notes that were cancelled were deposited in banks.

C

The minor relief is that the value of notes returned was not greater than the value of currency printed by the Indian central bank.

D

The press release by the Union finance ministry after the new currency data was made public similarly tries to broaden the set of benefits from demonetisation.

E

The airy hopes that the Indian central bank would be able to extinguish a substantial chunk of its liabilities—and some mistakenly also argued that this would provide a fiscal bonanza that the government could use to recapitalize the banking system—have been believed.

Solution

The paragraph is about the lessons of demonetization. Going through the sentences, we find that sentences BECA form a coherent paragraph while sentence (d) is not a part of the paragraph. The coherent paragraph talks about failure to recapitalize the bank as the value of notes returned was not greater than the value of currency printed by the Indian central bank while sentence (d) talks about broadening the set of benefits from demonetization which does not relate to other sentences. Hence sentence (d) is the right choice.

Five statements are given below, labelled a, b, c, d and e. Among these, four statements are in logical order and form a coherent paragraph. From the given options, choose the option that does not fit into the theme of the paragraph.

5. choose the option that does not fit into the theme of the paragraph.

A

There are two possible reasons for this, First, the impact on broad money was far less severe than the effect on base money thanks to the growth in bank deposits.

B

Every policy has a stated goal as well as secondary consequences, some of which are unintended.

C

The main negative economic consequence of demonetisation has been the disruption of unorganized supply chains that are dependent on cash transactions; it is still not clear how smoothly they were being rebuilt as the economy was remonetized.

D

Second, informal contracts to settle financial transactions could have kept economic exchange going during the worst weeks of the cash crunch.

E

However, it is also true that the Indian economy did not collapse because of the disruption of the monetary base, as some economists had predicted.

Solution

Going through the sentences, we find that sentences CEAD form a coherent paragraph while sentence (b) is not a part of the paragraph. The sentences forming the coherent paragraph talks about the negative economic consequences of demonetization and reasons behind the non-failure of Indian economy because of disruption of the monetary base while sentence (b) talks about policy having goal and consequences, which is unrelated here. Hence sentence (b) is the correct choice.

