

BankExamsToday Editorial Summary March 2017

Summary

Ques 1. Explain the characteristics of Direct Benefit Transfer system in India? Ans: Initiated in 2013, it seeks to enhance the governmental delivery mechanism and to precisely target the right beneficiaries avoiding duplication and fraud. The scheme was seeded and groomed by the planning commission. The three facilitators of DBT are Jan Dhan, Aadhar and Mobile (JAM).

Ques 2. What is the significance of initiating DBT in fertilizer Industry ?

Ans: DBT was launched for the fertilizer segment with the view of sealing leakages as well as to monitor the subsidy scheme. The DBT scheme is to roll out benefit transfer via cash payments and to aid it promptly via the Biometrically Authenticated Physical Uptake (BAPU) involving identity confirmation via Aadhar and physical delivery of the subsidized goods. Another defining feature is that subsidies will be given directly to the fertilizer companies than to the beneficiaries. The scheme on an experimental basis will be rolled out in 16 districts at the national level such as Una - Himachal Pradesh, Kishanganj-Bihar, Hoshangabad-Madhya Pradesh, Karnal-Haryana, Kannur- Kerala etc..

Ques 3. Explain the differences between Central Bank of a nation and Commercial Banks ?

Ans: Central Bank is the apex institution of Banking and Financial sector of a nation while commercial banks are nothing more than constituents of the money market. Central banks are non-profit organizations owned by the government while commercial banks are profit making ones owned by shareholders. Central bank serves the functions of currency issuer, Banker and lender of last resort to Banks and other constituents of the financial system, controls the credit creation process for the well being of the economy, and acts as the guardian of foreign currency. While commercial banks can issue only cheques, it creates credit to run business as well as deals in foreign exchange with profit motivation.

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Each nation has its own Central Bank with offices across various centres of the country and the chief of a central bank is designated as Governor. On the other hand Commercial Banks are run by the respective chairman who co-ordinates the activities of hundreds of Bank branches spread across the nation via policy decisions.

Ques 4. Explain the defining features of Pradhan Mantri Awas Yojana?

Ans: Launched in 2015 with the motto of Housing for all, the scheme is the successor of Indira Awas Yojana which aims to fulfill the housing requirements of rural and urban poor by 2022. National Housing Bank and Housing and Urban Development Corporation has been identified as the central nodal agencies for the same. The prime purpose of Pradhan Mantri Awas Yojana is provision of affordable housing to rural and urban poor at reasonable cost levels.

Ques 5. What are the new amendments /Changes announced by the government with respect to the PMAY scheme ?

Ans: Under the auspices of the scheme middle income, low income and Economically Weaker Sections(EWS) will get 4 % exemptions on interest on home loans upto 9 lakh rupees and 3 % interest exemption on loans to build new houses in villages or for the purpose of renovation. Similarly central assistance per house for EWS has been increased to 1.5 lakh rupees from previous 70,000 rupees.

Ques 5. What is the significance of the 4 GST Supplementary bills that has been approved by the Union Cabinet and will be introduced as money bills in Lok Sabha ?

Ans: The original GST bill that has been ratified by the parliament and approved by the President of India in fact requires these 4 GST supplementary bills viz, Central GST(C-GST), Integrated GST(I-GST), Union Territory GST(UT-GST) and the GST compensation to the states Law along with the State GST(S-GST) that has to be approved separately by the concerned state legislatures for the smooth roll out of Goods and Services Tax as the All India Taxation Regime in July 2017.

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Ques 6. Comment on the salient features of Goods and Services Tax(GST) ?

Ans: Expected to be rolled out in July 2017 the motto of the tax regime is 'One Nation, One Tax Regime'. It aims to replace the complicated combo of 17 different tax charges into a single levy. On successful implementation of the tax regime the tax proceeds will be equally shared between centre and states in equal proportions.

Ques 7. Enumerate on the different tax slabs under the newly proposed GST regime ?

Ans: The GST council has approved four types of tax slabs for different goods and services such as 5 % , 12 % , 18 % and 28 % plus an additional cess on Demerit goods such as aerated drinks, luxury cars and tobacco products.

Ques 8. What is Minimum Reserve System ?

Ans: Minimum Reserve System refers to the policy followed by the RBI for the issue of currency in which RBI can issue currency if and only if it maintains a minimum reserve in gold and foreign exchange against which it can possibly issue currency which is a liability . Under the policy framework the minimum reserve which RBI maintains is Rupees 200 crores of which 115 crores is the worth of gold reserves. This system was introduced back in 1956.

Ques 10. What are the advantages and disadvantages of Minimum Reserve System ?

Ans: The policy of Minimum Reserve System is quite elastic in nature and it doesn't require any additional increase in reserves for the issuance of additional currency. Hence it suits to the economic framework of developing nations as well as poor countries. However the main drawback is that it poses serious threats in the form of inflationary pressures.

Ques 11. How new currency is being issued by the RBI ?

Ans: Based on the pace of economic growth of a nation RBI decides on the worth of the currency that has to be issued to sustain the money supply. For the same RBI procures certain assets such as Gold, foreign

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securities, Gov securities, commercial paper, internal bills of exchange, rupee coin etc which acts as the back up reserves for issuance of additional currency.

Ques 12. Explain the role and relevance of Foreign Investment Promotion Board in Indian Economy?

Ans: FIPB(Foreign Investment Promotion Board) is a national agency of Government of India vested with the duty to recommend and regulate the Foreign Direct Investment that doesn't come under the automatic route. It was primarily constituted under Prime Minister's Office (PMO) in 1990's when economy was being liberalized and globalized. In 1996 it has undergone a reformation process and got transferred to the Department of Industrial Policy and Promotion (DIPP). Later it further got transferred to the Department of Economic Affairs and Ministry of Finance. FIPB has acted as the institutional framework that authorizes FDI, and approve the same on behalf of the Government, if the concerned investments has assumed approval than automatic route. So far FIPB has handled investment applications to the tune of Rs 5000 crores.

Ques 13. Why does the Central government has recently ventured into banishing the FIPB ?

Ans: Scrapping of the FIPB framework was an important policy announcement of the Budget 2017-18 document. The reasons for scrapping the FIPB framework involves the fact that 90% of FDI as of now assumes automatic route, rendering the FIPB the nature of a white elephant. Also the remaining 10% of FDI inflows are handled and approved by respective sectoral regulatory frameworks of various ministries .

Ques 14. Comment on the specifics of Idea-Vodafone merger ?

Ans: India's second largest telecom major Vodafone and third largest telecom major Idea cellular has jointly approved their merger, with the purpose of strengthening their operations in India against Bharti Airtel and Reliance Jio. The combined entity will become the number 1 telecom entity in India with 40 crore subscribers, 35% of customer market share, and 41% of telecom market share dislodging Bharti Airtel to number 2 position. The merger is expected to completely materialize by 2018. As per the merger agreement, Idea Cellular's Kumar Mangalam Birla will be the new Chairman of the merged entity, while

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Thomas Reisten of Vodafone India will be the Chief Financial Officer, Balesh Sharma of Vodafone India will assume the position of Chief Operating Officer, while Chief Executive Officer post will be assigned based on due consultations between both the entities. In the proposed new entity Vodafone will own 45.1% stake while Kumar Mangalam Birla and other promoters of Idea Cellular group will hold 26%, 4.9% stake will be transferred to Aditya Birla Group of Idea Cellular for Rupees 3874 Crores in cash right after the merger. Over a period of 5 years Idea Cellular and its promoter Aditya Birla will buy out another 9.5% stake to realize the motto of merging of equals.

Ques 15. Comment on the specifics of the acquisition of the business from Mallinckrodt LLC by Piramal enterprises?

Ans: World's third largest producer of inhaled medical anaesthetics Piramal has acquired a portfolio of drugs for spasticity and pain management from Mallinckrodt LLC for a cash consideration of USD 171 million. The business acquired includes products under development as well as those that is being marketed in the US market.

Ques 16. Briefly explain the acquisition of Thallion Pharmaceuticals by Taro Pharma?

Ans: Canadian Thallion Pharmaceuticals will be fully acquired by Taro Pharma an indirect arm of Sun Pharmaceuticals for 2.7 million Canadian Dollars. The acquisition will get materialised by April 1, 2019.

Ques 17. Explain the acquisition that has been initiated by WNS recently?

Ans: WNS is a NASDAQ listed business process management that has acquired Healthhelp which specialises in radiology , cardiology , oncology , pain management etc. for USD 95 million . It has also recently acquired US based Denali Sourcing Services for USD 40 million to improve its capabilities with regard to sourcing and procurement.

Ques 18. Explain the acquisition Certon Software by Cyient?

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Ans: Cyient primarily an IT consulting and software company has acquired Certon for an undisclosed amount to enable itself to manufacture safety critical products for its medical, aerospace and transportation clients.

Ques 19. Explain the specifics of Tech Mahindra's acquisition of CJS Solutions?

Ans: Tech Mahindra limited an Indian company in software segment has acquired CJS solutions which are a US based health care information technology consulting firm for USD 110 million. The acquisition was aimed at boosting up cross-selling and thereby revenue of Tech Mahindra.

Ques 20. Explain the acquisition of Imperial Credit Pvt Ltd by Dr Reddy Laboratories Ltd?

Ans: Dr Reddy Laboratories Ltd, a Hyderabad-based pharmaceutical company has acquired an NBFC, Imperial Credit Pvt Ltd based in Kolkata for an amount of Rs 2.05 crores. The acquisition is expected to boost up Dr Reddy's captive financial activities.

Ques 21. Explain the specifics of the recent acquisition of Brilliant Services Co. Ltd by Cognizant Technology solutions?

Ans: Japan-based intelligent products and solutions company Brilliant Services Co. Ltd which is specializing in digital strategy, product designing as well as engineering and enterprise mobility has been acquired by Cognizant Technology solutions for an undisclosed amount.

Ques 22. Explain the details of two-phased acquisition of TEN sports by Sony corporation?

Ans: Sony pictures Networks India a wholly owned subsidiary of Sony corporation has announced the completion of the first phase of two phased acquisitions of TEN sports from Zee Entertainment Enterprises Ltd. An amount of USD 330 million is involved in the acquisition process.

Ques 23. Explain the nuances associated with the acquisition of Telenor India by Bharti Airtel?

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Ans: Bharti Airtel has entered into an agreement with Telenor South Asia Investments Private Ltd. to acquire Telenor India operations. With this Bharti, Airtel will acquire nearly 44 million customers of Telenor.

Ques 24. Explain the acquisition details of Lloyd Electric's consumer durable business by Havells India?

Ans: Havells India has announced the acquisition of Lloyd Electric's consumer durable business for an amount of Rs 1600 crores. By this arrangement, Havells is expected to gain Lloyd's intellectual property, manpower and distribution network.

Ques 25. Explain the recent business acquisition made by Aurobindo Pharma from TL Biopharmaceutical AG of Switzerland?

Ans: Aurobindo Pharma limited has announced the acquisition of Cell Culture-derived bio- similar products from TL biopharmaceuticals for an undisclosed amount. As per the arrangement, TL pharmaceuticals will supply developmental data for molecules and Aurobindo will produce, commercialise and market these products globally initiating its investments in complex pharmaceutical products.

Ques 26. Explain the acquisition of mCarbon by Nuance Communication?

Ans: Nuance communications, a NASDAQ listed voice and speech recognition company has acquired Noida-based mobile value added services venture mCarbon Tech Innovations for USD 36 million.

Ques 27. Comment on the details of the acquisition of infoSERVER SA by Wipro Ltd?

Ans: In a move aimed at consolidating itself in the Latin American market, Wipro has announced its acquisition of Brazilian IT firm InfoSERVER SA which focusses on custom application development and software deployment services mainly to banks, financial services and insurance companies. The monetary worth of the deal is USD 8.7 million.

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Ques 28. Explain the acquisition details of Sentyln Therapeutics Inc a US-based pharmaceutical company by Cadila Healthcare Ltd.?

Ans: As per the pre-supposed strategy of marking its presence in the US market, Cadila Healthcare Ltd, an Ahmedabad-based pharmaceutical company has acquired Sentyln Therapeutics Inc for an undisclosed amount.

Ques 29. Explain the acquisition of Vidyartha by the educational venture Byju?

Ans: Bangalore based career guidance and academic profile builder Vidyartha has been acquired by Byju for nearly Rs. 50 crores. Byju founded in 2007 has 3.3 lakh subscribers and 7 million in app downloads, helping students for competitive exams like JEE, NEET, CAT, IAS, GRE and GMAT. While Vidyartha focusses on deep profiling of students creating personalized learning plan and highlighting their learning gaps.

Ques 30. Explain the all-stock merger of Housing.com with PropTiger?

Ans: Real estate portal PropTiger backed by News Corp has merged with Housing.com in an all-stock deal by a receipt of USD 50 million in fresh funds from News Corp's REA Group Ltd and USD 5 million from SoftBank group. Housing.com brand name will be maintained by PropTiger. The joint entity will become the largest provider of offline and online services in Real estate space.

Ques 31. Explain the details associated with an acquisition of Pipemonk by FreshDesk?

Ans: Pipemonk a data integration platform that works on the software-as-a-service model has been acquired by FreshDesk a cloud-based customer service software provider for an undisclosed amount.

Ques 32. Explain the acquisition of TitanX by Tata Auto Comp systems?

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Ans: TitanX a global engine cooling supplier has been acquired by Tata's auto component making firm Tata Auto Comp Systems Ltd for an undisclosed amount. The acquisition is in line with Tata's effort to strengthen its presence in cooling and emission control segments.