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Passage No. 116

Directions: Read the passage and answer the questions that follow:

India's economic fortunes continue to be tied to the sharply **fluctuating** price of oil. At a gathering of prominent oil ministers in New Delhi on Monday, Prime Minister Narendra Modi urged oil-producing countries to reduce the cost of energy in order to aid the global economy in its path towards recovery. Mr. Modi also called for a review of payment terms, demanding the partial use of the rupee instead of the U.S. dollar to pay for oil, in order to ease the burden on oil-importing countries in the wake of the strengthening of the dollar. With well over 80% of its oil demand being met through imports, India clearly has a lot at stake as oil prices have risen by as much as 70% in rupee terms in the last one year. Notably, speaking at the same event, Saudi Arabian Energy Minister Khalid A. Al-Falih refused to openly commit to lower oil prices, opting instead to say that the price of oil could have been much higher but for the efforts taken by his country to boost supply. This is not surprising given the absence of significant rival suppliers in the global oil market willing to help out India.

India's policymakers now face the difficult task of safely steering the economy in the midst of multiple external headwinds. For one, the current account deficit widened to 2.4% of gross domestic product in the first quarter of 2018-19 and is expected to reach 3% for the full year. The rupee, which is down about 16% since the beginning of the year, doesn't seem to be showing any signs of recovery either. Further, the growth in the sales of petrol and diesel has already been affected adversely as their prices have shot through the roof. All this will likely weigh negatively on the prospects of the Indian economy, the world's fastest-growing, in the coming quarters. In this scenario, the decision to marginally cut taxes imposed on domestic fuels is unlikely to be of any significant help to consumers. What is required is a steep cut in Central and State taxes for the benefit to carry through to the consumers, which, of course, is unlikely given the government's fiscal needs. Another long-term solution to the oil problem will be to increasingly tap into domestic sources of energy supply while simultaneously encouraging consumers to switch to green alternatives. This will require a stronger policy framework and implementation. In the short term, the government could look to diversifying its international supplier base to manage shocks better. But such a choice carries geopolitical risks, such as in the case of Iran. Since it will take a length of time to **wean** the economy off oil imports, policymakers should also be willing to think beyond just the next election if India's over-reliance on oil is to come to an end for good.

Questions:

1. Which among the following correctly explains the opinion of the Oil Minister of Saudi Arabia regarding the increasing oil prices in the international market?

- A. The Oil Minister of Saudi Arabia is of the opinion that no other country is complaining regarding the increasing oil prices in the international market and India should not complain.
- B. There is no other solution available to Saudi Arabia apart from increasing the prices of oil so that it can fund its war expenses.
- C. There is the notion among US and its allies that Saudi Arabia can always cut down on the oil prices but it is not doing so.
- D. There is no chance that oil prices will come down in the near future and actually everybody should thank Saudi Arabia that the oil prices are not higher than the present rates.
- E. India is an ally of Saudi Arabia for a long time now and the country will give discount to India in the future.

2. Which among the following is the reason that India is very much concerned with the oil prices in the international market?

- A. India is a leading producer of oil and also a leading economy in the country thereby it should have stronghold over the dynamics of the global oil prices.
- B. The global oil prices should not be more than that in India and that is why India must know the prices prevailing in the international market.
- C. India imports the majority of its oil demand and that is why the prices in the international market affect the economy of the country.
- D. There is always the option that India can opt to sell its oil blocks to the countries that want to come and do business in India.
- E. None of the above

3. Which among the following is correct regarding the requests made by the Prime Minister of India in the meeting of the Oil Ministers in New Delhi, as described in the passage?

- A. The Prime Minister requested that India should be made to wait for more oil supply so that India can tap on the domestic resources for production of oil.
- B. The Prime Minister requested that the Indian Oil Companies should be given proper training in order to produce more oil from the domestic sources.
- C. The Prime Minister requested that the suppliers of oil should allow India to make a part of its payment in the domestic currency in order to avert the fluctuations in the exchange rate.
- D. The Prime Minister requested that the cost of oil should be reduced in order to make energy affordable in the world.
- E. Both C and D

4. Which among the following is a long-term solution offered by the author in order to address the energy supply related issues prevailing in India?

- A. The government should open more oil exploration companies so that there is no competition and everybody should be able to make profits.
- B. The government should focus on ensuring that there is no oil supply from the foreign countries in order to ensure that nobody is making any loss.
- C. India should focus on exploring the domestic resources for oil available in the country as imports are creating all the issues.
- D. India should try to diversify its supply base since more countries should be added in the list of suppliers to the country.
- E. Both C and D

5. Which among the following is a short-term step that should be taken by the government in order to address the issues regarding oil supply in the country?

- A. There should be a separate ministry to address the issues pertaining to the oil and petroleum products in the country so that there is no burden on any other ministry.
- B. The government should try to engage more countries for exports from the country so that it can strike deals for import of oil from all such countries.
- C. It is important to note that the government has announced to cut down the taxes on the valuable items so that price of oil can be increased.
- D. The government should have more oil suppliers to the country so that there is no dearth of options in front of the government.
- E. All the above

6. Which among the following is similar in meaning to the word **Wean as used in the passage?**

- A. Improve B. Improvise C. Declare D. Rectify E. None of the above

7. Which among the following is opposite in meaning to the word **Fluctuating as used in the passage?**

- A. Stable B. Continental C. Oscillating D. Astounding E. None of the above

Correct Answers:

1	2	3	4	5	6	7
D	C	E	C	D	E	A

Explanations:

1. Refer to, **“Speaking at the same event, Saudi Arabian Energy Minister Khalid A. Al-Falih refused to openly commit to lower oil prices, opting instead to say that the price of oil could have been much higher but for the efforts taken by his country to boost supply.”**

It is clear from the above lines that Saudi Arabia is not going to do anything more to bring down the prices of oil in the international market whereas it is also said that because of Saudi Arabia only, the prices are not higher further in the international market.

Among the given options, option A is not correct since it is not there in the passage whereas options B and C can also be ruled out due to the same fact that these are also irrelevant in the context of the passage. Option E is there but it is contrary to what has been said in the passage. Only option D is there that explains properly the opinion of the Oil Minister of Saudi Arabia.

This makes option D the correct choice among the given options.

2. Refer to, **“With well over 80% of its oil demand being met through imports, India clearly has a lot at stake as oil prices have risen by as much as 70% in rupee terms in the last one year.”**

It is clear from the above lines that India is concerned since it imports the majority of its oil shares from other countries. That is why it matters to the country that the prices in the international market are going up or down.

Among the given options, only option C is there that perfectly explains the reason of the concern shown by India regarding the prices of the oil in the international market. Other options are either out of context or they are not correct according to the information given in the passage.

This makes option C the correct choice among the given options.

3. Refer to, **“India’s economic fortunes continue to be tied to the sharply fluctuating price of oil. At a gathering of prominent oil ministers in New Delhi on Monday, Prime Minister Narendra Modi urged oil-producing countries to reduce the cost of energy in order to aid the global economy in its path towards recovery. Mr. Modi also called for a review of payment terms, demanding the partial use of the rupee instead of the U.S. dollar to pay for oil, in order to ease the burden on oil-importing countries in the wake of the strengthening of the dollar.”**

Now, it is true that Indian Prime Minister has requested to make sure that the cost of energy comes down in the world in order to make it easier for global economic recovery. He has also urged to revise the payment terms so that some of the payment could be made in Indian currency only.

Among the given options, both C and D are correct as they represent the requests made by the Prime Minister in the meeting whereas options A and B can be eliminated on the ground that they are irrelevant in the context of the information given in the passage.

This makes option E the correct choice among the given options.

4. Refer to, **“Another long-term solution to the oil problem will be to increasingly tap into domestic sources of energy supply while simultaneously encouraging consumers to switch to green alternatives. This will require a stronger policy framework and implementation.”**

It is clear from the above lines that it is required on the part of the government that domestic sources should be tapped in order to produce more energy in the country. There are also other options given such as making people use green sources of energy or cutting down on the central and the state taxes in order to bring down the prices of oil.

Among the given options, options A, B and D do not imply even one of the long-term solutions described in the passage in order to address the needs of the country and the issues being faced by the country regarding the supply of oil in the country. Only C is there that implies the correct long-term solution given in the passage.

This makes option C the correct choice among the given options.

5. Refer to, **“In the short term, the government could look to diversifying its international supplier base to manage shocks better. But such a choice carries geopolitical risks, such as in the case of Iran.”**

It is clear from the above lines that the government should diversify its supplier base from the international community so that it does not have to worry about the supply of oil to India at any time.

Among the given options, others are out of context and not even mentioned in the passage also except option D. Option D correctly explains that India should include more countries in the international supplier base and that would mean no dearth of options in front of the country.

This makes option D the correct choice among the given options.

6. The word *wean* has been used in the passage to imply that it would take a long time to make sure that the oil imports to the country come down with the policy decisions being taken at present by the government.

Among the given options, A, C and D can be eliminated since they are irrelevant in the given context whereas *improvise* means *make up*. So, it can also be eliminated from consideration as the synonym of the given word.

This makes option E the correct choice among the given options.

7. The given word *fluctuating* has been used in the passage in the sense that the price of oil in the country is not stable and there have been many ups and downs in the prices of oil in the international market in the recent months. We have to find an opposite to this given word.

Among the given options, *continental* can be ruled out as the antonym of the word whereas *oscillating* is actually a synonym of the given word. *Astounding* refers to something significant and amazing. Only A is there that will imply the opposite of the given word.

This makes option A the correct choice among the given options.





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