

Reading Comprehension Questions For SBI PO 2020



Direction (1 – 5) : Read the following passage carefully and answer the questions that follow. Certain words/phrases have been printed in bold to help you locate them while answering some of the questions.

On the face of it, the Securities and Exchange Board of India's decision to slap a penalty of ₹ 7,269 crore, its highest ever, on PACL Ltd and its directors for mobilising funds under an illegal collective investment scheme (CIS) may appear harsh. This is in addition to an earlier disgorgement order which directed the firm to refund ₹ 49,100 crore collected from investors. But PACL seems like a fit case for SEBI to levy deterrent penalties, given its long-running crusade against Ponzi operators who target the most vulnerable section of small savers. Over the last couple of years, SEBI has unearthed over 200 money-pooling schemes that hadn't registered with it, in violation of its CIS regulations. But PACL has been the largest and most blatant repeat offender under this law. The group is estimated to have raised ₹ 49,100 crore from over 5.85 crore investors, making it larger in scope than the Sahara scam.

PACL's modus operandi was to collect upfront payments from small investors in the villages of Rajasthan and Uttar Pradesh for a scheme to 'develop' barren agricultural land situated in far-flung States. Investigations revealed that the scheme had all the hallmarks of a classic Ponzi operation. For one, though they were ostensibly buying land, PACL's investors had no say either in the location or the development of the plots they bought. Two, plots across different regions were sold for identical prices, on the promise of fabulous returns. Worst of all, PACL did not even own 80 per cent of the land that it sold. As these facts came to light, SEBI issued its first cease-and-desist notice to PACL in 1998. But for the 16 years that followed, PACL adopted various **dilatory** tactics to stymie the regulator by refusing to comply with directives, failing to appear for hearings and filing counter-claims in the high

court, even as it continued to mobilise new money. Along the way, thanks to the somewhat ambiguous definition of a CIS under the original regulations, it even secured a favourable ruling from the Rajasthan High Court. It is only when this ruling was set aside by the Supreme Court last year that SEBI was able to proceed against PACL in full measure. Thankfully, the definition of a CIS has since been tightened, with any money-pooling involving a corpus of ₹ 100 crore or more, now requiring registration.

In imposing this penalty on PACL, SEBI has used its newly won powers under the Prevention of Fraudulent and Unfair Trade Practices Regulations, which specify a fine of up to three times the illegal profits made by perpetrators of a fraud. Having imposed this mammoth disgorgement order and penalty though, the critical task ahead for SEBI would be to identify the actual small investors in PACL, so that the monies disgorged can be refunded to them. Little progress on this front has been made in the Sahara case. But a sound mechanism for restitution of lost money is a must-have, if victims of financial fraud are to regain their faith in the system.

Source:

<https://www.thehindubusinessline.com>

1. Which among the following sentences is **TRUE** according to the passage?

(1) SEBI has imposed a penalty of Rs. 7000 cr. on PACL Ltd and its directors for mobilising funds under an illegal collective investment scheme.

(2) PACL group have raised Rs. 49,100 cr. from over 5.85 cr. people, under their Ponzi schemes.

(3) The CIS definition states that if a money pooling scheme has a corpus of over Rs. 100 cr, it has to be registered with SEBI.

A. Both 1 and 2

B. Only 2

C. Only 3

D. Both 2 and 3

E. All of the above

2. Which among the following were the wrong doings of PACL Ltd.?

- A. PACL collected money from small investors for a scheme to 'develop' barren agricultural land.
- B. The investors had no rights in the location or the development of the plots.
- C. PACL didn't even own the lands which it sold to its investors.
- D. Only B and C
- E. All of the above

3. Which group, according to the author is most vulnerable to be tricked by the fraudulent schemes?

- A. Small savers
- B. New investors
- C. Big investors
- D. Illiterate people
- E. Private employees

4. Which of the following is **NOT TRUE** regarding the PACL's scheme?

- (1) Most of the land being sold by PACL was not even owned by it.
 - (2) The investors had a say in the land being bought.
 - (3) The scheme took investments from small rural investors.
- A. Only 1
 - B. Only 2
 - C. Both 1 and 2
 - D. Only 3
 - E. None of these

5. Which among the following express the **OPPOSITE** meaning of the word "**Dilatory**" as given in the passage?

- A. Backward
- B. Procrastinating
- C. Diligent
- D. Laggard
- E. Slack

Direction (6 – 10) : Read the passage and answer the following questions.

Donald Trump's presidency poses a risk to the global economy, a leading credit ratings agency has warned, highlighting his unpredictability, his administration's aggressive tone and his break with established "norms" in international relations. Less than a month into a

presidency characterised by frequent Twitter tirades and an executive to order to ban citizens from some Muslim-majority countries from entering the US, Fitch said Trump posed a threat to global economic conditions. Fitch is one of three big ratings agencies that assign credit scores to governments based on their perceived ability to repay debts. It said in Friday's strongly worded statement that the new US administration could damage those scores, known as sovereign ratings. "The Trump administration represents a risk to international economic conditions and global sovereign credit fundamentals," it said. "US policy predictability has diminished, with established international communication channels and relationship norms being set aside and raising the prospect of sudden, unanticipated changes in US policies with potential global implications." Key risks, from Fitch's perspective, included possible disruptions to trade relations, limits on migration that affect the amount of money foreign workers in the US send home, and "confrontational exchanges" between policymakers that could spark swings in currencies and other financial markets. "The materialisation of these risks would provide an unfavourable backdrop for economic growth, putting pressure on public finances that may have rating implications for some sovereigns," the ratings agency added. It joined other commentators in predicting a possible boost to economic growth from Trump's planned infrastructure spending, his plans to cut red tape and promised tax cuts. Outlining a brighter scenario, Fitch said: "One interpretation of current events is that, after an early flurry of disruptive change to establish a fundamental reorientation of policy direction and intent, the administration will settle in, embracing a consistent business- and trade-friendly framework that leverages these aspects of its economic programme, with favourable international spillovers." But it went on to play down that prospect. In Fitch's view, the present balance of risks points toward

a less benign global outcome. The administration has abandoned the Trans-Pacific Partnership, confirmed a pending renegotiation of the North American Free Trade Agreement, rebuked US companies that invest abroad, while threatening financial penalties for companies that do so, and accused a number of countries of manipulating exchange rates to the US's disadvantage. The full impact of those moves would not be known for some time and things could yet change, it conceded. "But the aggressive tone of some administration rhetoric does not portend an easy period of negotiation ahead, nor does it suggest there is much scope for compromise." The countries whose credit ratings were most at risk were those with close economic and financial ties with the US which Trump's administration felt had some kind of unfair advantage, Fitch said. "Canada, China, Germany, Japan and Mexico have been identified explicitly by the administration as having trade arrangements or exchange rate policies that warrant attention, but the list is unlikely to end there," it said. Fitch also highlighted that the US had the world's largest immigrant population and said tighter controls and possible deportations, therefore, risked having wide economic repercussions. Fitch's concerns centre on the issue of "remittance flows", the money foreign workers send to individuals in their home countries, which in the US include Mexico, Honduras, El Salvador, Guatemala and Nicaragua. The agency also warned of risks to countries that have benefited from investment by US firms and where some of the money has helped fund industries in those countries that export back to America.

Source:

<https://www.theguardian.com/us-news/2017/feb/10/trump-presidency-poses-threat-to-global-economy-fitch-ratim>

6. What is sovereign rating based on?

- A. Hatred towards muslims
- B. Investment risks
- C. Administrations indecisiveness
- D. Aggressiveness of ruling party.
- E. None of these

7. The Trump's government banning of the Muslims reveal which of the following aspects of his administration?

- A. Fighting terrorists
- B. Discouraging foreign trade
- C. Maintaining law and order
- D. Encouraging foreign trade
- E. None of the above

8. How does the abandonment of the trans-pacific partnership affect USA?

- A. It discourages foreign trade
- B. It encourages the economic growth
- C. It discourages communication
- D. It has provided an opportunity of financial incentives to the US companies
- E. None of the above

9. Which of the following is an expected outcome of Trump making new remittance laws?

- A. It will help boost the country's production.
- B. It may halt the economic growth for the time being but will eventually give US economy a big boom.
- C. It will prove to be a backlash.
- D. It will result in adverse reactions from the banned states in terms of violence.
- E. None of these

10. The passage is talking about the handicaps that the trump administration suffers from. Which of the following, based on the arguments given in the passage, can be inferred to be the most threatening?

- A. Mendacious
- B. Bigotry
- C. Intimidating
- D. Credulous
- E. None of the above

###ANSWERS###

1. Ans. D.

Statement 1 is incorrect as it has been mentioned in the introductory paragraph that SEBI has imposed a penalty of Rs. 7,269 cr. on PACL Ltd and its directors for mobilising funds under an illegal collective investment scheme.

Statement 2 has been mentioned at the end of the first paragraph.

Statement 3 has been mentioned at the end of the second paragraph.

Thus the correct response is option D as it includes both the correct statements.

2. Ans. E.

The second paragraph talks about the details of the scheme and also the way PACL has duped the investors. All the options have been mentioned in the paragraph and thus the correct response is option E which considers all the options.

3. Ans. A.

The author in the first paragraph makes it a point that the 'small savers' segment is the most vulnerable to the frauds like the Ponzi schemes.

So, the correct response is option A.

4. Ans. B.

The scheme put forward by PACL has been described in the second paragraph. While statements 1 and 3 are in accordance with the data given in the paragraph, option 2 is in complete contrast with the data and thus option B is the correct response.

5. Ans. C.

'Dilatory' means intended to cause a delay.

'Procrastinating' means to delay or postpone action; put off doing something.

'Diligent' means having or showing care and conscientiousness in one's work or duties.

'Laggard' means a person who makes slow progress and falls behind others.

'Slack' means having or showing laziness or negligence.

Hence option C is the correct response.

6. Ans. B.

Sovereign rating is an insight into the level of risk associated with investing in a

particular country mainly where political risk is just one of the reasons. A credit rating agency will evaluate the country's economic and political environment to determine a representative credit rating. It is clear from the discussion in the passage about the administration being very aggressive, due to which its predictability, as well as the credibility in the investment market, is marred.

7. Ans. B.

The passage mentions that the banning of the Muslims will reduce the cash flow of the US currency in and out of the country. One of the key risks, from Fitch's perspective, associated with this ban included possible disruptions to trade relations. Hence, the correct answer is option B

8. Ans. A.

Trans-pacific agreement is a trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. Abandoning any kind of trade agreement discourages foreign trade and in any country, a country's import export relations matter a lot in determining country's economical growth and development.

It has been mentioned in the passage that US has abandoned the treaty which makes it further clear that the administration doesn't have a positive approach towards foreign trade.

9. Ans. C.

A remittance is a transfer of money by a foreign worker to an individual in his home country. Money sent home by migrants competes with international aid as one of the largest financial inflows to developing countries. In order to stop this inflow, Trump has made new remittance laws for countries like Canada. However, according to the passage, 'Fitch also highlighted that the US had the world's largest immigrant population and said tighter controls and possible deportations, therefore, risked having wide economic repercussions.'

10. Ans. B.

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