SBI PO Mains English Memory Based Paper 12th Sept 2026

Q1. In the following question, five sentences are given. Four of them contain grammatical, structural, or idiomatic errors. Identify the one sentence that is grammatically correct and contextually meaningful.
(a) Walking through the foreign exchange department late in the evening, the chief risk officer finally noticed the suspicious transaction logs.
(b) The central bank's stringent regulatory framework is not only applicable to public sector banks but also to private non-banking financial companies.
(c) The managing director prefers allocating capital toward green infrastructure initiatives than investing in high-risk speculative derivative markets.
(d) Had the regional manager addressed the employee grievances in a timely manner, the trade union would not have call for an indefinite strike.
(e) The compliance team highlighted that the bank was drastically different than its competitors in terms of digital security infrastructure.
Ans.(a)
Sol. The correct answer is (a)
Explanation:
Sentence A is completely correct in its grammar, structure, and parallelism. The participial phrase "Walking through..." correctly modifies the subject "the chief risk officer".
Grammatical Rule: Participial modifiers must clearly refer to the correct subject to avoid dangling modifiers.
Sentence Structure: [Participial Phrase], [Subject] + [Verb] + [Object].
Example: Walking down the street, she found a lost wallet.
Analysis of other sentences:
Option B:
• **Error:** Faulty Parallelism. The correlative conjunction pair "not only... but also" must join parallel structures. Here, "not only" precedes the adjective "applicable", while "but also" precedes the prepositional phrase "to private...".
• **Grammatical Rule:** Elements joined by "not only... but also" must be structurally parallel.
• **Sentence Structure:** Subject + Verb + Adjective + not only + Prepositional Phrase 1 + but also + Prepositional Phrase 2.
• **Example:** The rule is applicable not only to banks but also to companies.
• **Correct Sentence:** The central bank's stringent regulatory framework is applicable not only to public sector banks but also to private non-banking financial companies.
Option C:
• **Error:** Incorrect preposition with the verb "prefer". The verb "prefer" takes the preposition "to", not "than".
• **Grammatical Rule:** Use "prefer X to Y", not "prefer X than Y".
• **Sentence Structure:** Subject + prefers + Gerund 1 + to + Gerund 2.
• **Example:** He prefers reading to writing.
• **Correct Sentence:** The managing director prefers allocating capital toward green infrastructure initiatives to investing in high-risk speculative derivative markets.

Option D:
• **Error:** Incorrect verb form after modal perfect auxiliary. The structure "would not have" requires the past participle form of the verb (v3), which is "called", not the base form "call".
• **Grammatical Rule:** Modal verb + have + Past Participle (V3)
• **Sentence Structure:** Had + Subject + V3..., Subject + would not have + V3.
• **Example:** If you had studied, you would not have failed.
• **Correct Sentence:** Had the regional manager addressed the employee grievances in a timely manner, the trade union would not have called for an indefinite strike.
Option E:
• **Error:** Incorrect preposition. The adjective "different" is followed by the preposition "from", not "than".
• **Grammatical Rule:** Use "different from" when comparing two entities.
• **Sentence Structure:** Subject + Verb + different + from + Object.
• **Example:** My approach is different from yours.
• **Correct Sentence:** The compliance team highlighted that the bank was drastically different from its competitors in terms of digital security infrastructure.
Conclusion:
Option A is the only grammatically error-free sentence.
So the correct answer is (a)

Q2. In the following question, a sentence is given with a part printed in bold. The bold phrase may contain a grammatical, idiomatic, or structural error. Select the option from the choices given below that best replaces the bold part to make the sentence grammatically correct and contextually meaningful. If the sentence is correct as it is, select "No improvement required" as your answer.
The audit committee demanded to know the reason **why did the senior accountant fail to report the compliance breach** despite receiving multiple alerts from the internal risk control team.
(a) why the senior accountant failed to report the compliance breach
(b) that why the senior accountant failed in reporting the compliance breach
(c) why had the senior accountant failed to report the compliance breach
(d) as to why did the senior accountant fail in reporting the compliance breach
(e) No improvement required
Ans.(a)
Sol. The correct answer is (a)
Why the highlighted part is incorrect:
The original sentence uses an inverted question order ("why did the senior accountant fail") inside an indirect question clause. In indirect/reported questions or noun clauses, inverted word order (auxiliary verb before subject) must not be used; instead, normal assertive word order (subject + verb) should be followed.
The correct replacement & explanation:
The correct replacement is **"why the senior accountant failed to report the compliance breach"**.
This changes the inverted order to assertive order: Subject ("the senior accountant") + Verb ("failed")
Explanation of incorrect options:

Option B: Incorrect. Using "that why" together is redundant and ungrammatical.
Option C: Incorrect. Retains inverted word order ("why had the senior accountant failed")
Option D: Incorrect. Retains inverted word order ("why did the senior accountant fail")
Option E: Incorrect. The original sentence suffers from an inverted word order error in an indirect clause.
So the correct answer is (a)

Q3. In the following question, five sentences are given. Four of them are grammatically and contextually correct. Identify the one sentence that contains a grammatical, structural, or idiomatic error.
(a) The finance minister assured the delegation that the government remains committed to supporting sustainable economic growth.
(b) The company's market capitalization surged past the billion-dollar mark following the successful public offering of its subsidiary.
(c) The court directed the defaulting borrower to deposit twenty percent of the total outstanding amount before the next date of hearing.
(d) Among all the regional branches operating across the country, the southern zone registered the highest growth rate in retail credit expansion.
(e) The chief risk analyst cautioned that unless the bank doesn't bolster its cybersecurity protocols immediately, it will remain vulnerable to sophisticated ransomware attacks.
Ans.(e)
Sol. The correct answer is (e)
Explanation:
Sentence E contains a double negative error. The conjunction "unless" means "if... not" and already carries a negative conditional meaning. Adding "doesn't" creates a double negative, which is grammatically incorrect.
Grammatical Rule: Do not use negative words like "not", "does not", or "cannot" inside a clause introduced by "unless".
Sentence Structure: Subject + Verb + that + unless + Subject + Affirmative Verb..., Main Clause.
Example: Unless you study hard, you will not pass.
Correct Sentence: The chief risk analyst cautioned that unless the bank bolsters its cybersecurity protocols immediately, it will remain vulnerable to sophisticated ransomware attacks.
Analysis of other sentences:
Option A: Correct. "Committed to supporting" is grammatically correct as "to" acts as a preposition taking a gerund.
Option B: Correct. Proper use of past tense, prepositions, and vocabulary.
Option C: Correct. Verb pattern "directed someone to do something" is correctly used.
Option D: Correct. Proper superlative degree construction "highest growth rate".
Conclusion:
Option E contains a grammatical error due to double negative usage.
So the correct answer is (e)

Q4. In the following question, five sentences are given. Four of them are grammatically and contextually correct. Identify the one sentence that contains a grammatical, structural, or idiomatic error.

(a) The economic research division highlighted that the newly introduced taxation policy will have far-reaching implications for domestic manufacturing units.

(b) Having reviewed the revised loan restructuring proposals, the consortium of lenders agreed to extend the repayment timeline by six months.

(c) The managing director emphasized that the success of the expansion project depends entirely on how efficiently the capital is allocated.

(d) The investigative agency probe into the financial transactions of the shell company to determine whether funds had been illegally siphoned off.

(e) Scarcely had the merger notification been published on the stock exchange portal when trading in the target company's shares was temporarily suspended.

Ans.(d)

Sol. The correct answer is (d)

Explanation:

Sentence D contains a subject-verb agreement and tense error. The singular subject "The investigative agency" is followed by the noun/base form "probe" instead of a conjugated main verb. In the past tense, it should be "probed", or in the present tense, "probes" / "is probing". Given the past perfect context later in the sentence ("had been illegally siphoned off"), the main past tense verb "probed" or "is probing" is required.

Grammatical Rule: A singular subject requires a properly conjugated singular verb.

Sentence Structure: Subject + Past Verb + Prepositional Phrase + Infinitive Phrase.

Example: The agency probed the matter to find the truth.

Correct Sentence: The investigative agency probed into the financial transactions of the shell company to determine whether funds had been illegally siphoned off.

Analysis of other sentences:

Option A: Correct. Proper clause structure and tense usage.

Option B: Correct. Perfect participial phrase "Having reviewed..." correctly modifies "the consortium of lenders".

Option C: Correct. Grammatically sound use of noun clause introduced by "how efficiently".

Option E: Correct. Proper inversion structure with "Scarcely had... when...".

Conclusion:

Option D contains a grammatical error in verb conjugation.

So the correct answer is (d)

Q5. In the following question, five sentences are given, out of which four are logically coherent and form a unified thematic passage. Identify the one sentence that is incoherent or out of context with the others, and select it as the correct answer.

(a) The synthesis of stable covalent organic frameworks (COFs) has unlocked new possibilities for targeted drug delivery systems due to their high pore volume and customizable chemical structures.

(b) Biocompatibility tests demonstrate that functionalized COF nanocarriers can encapsulate therapeutic molecules without triggering immediate immune-system neutralization.

(c) Controlled release mechanisms engineered into these crystalline polymers ensure that oncology treatments are delivered specifically to microenvironments with elevated acidity.
(d) Industrial-scale polymer synthesis requires continuous distillation units operating under precise temperature controls to optimize monomer purity and output yield.
(e) Preclinical trials indicate that intracellular degradation rates of the carrier matrix can be fine-tuned by adjusting the linker linkages within the framework.
Ans.(d)
Sol. The incoherent statement is (d)
Contextual explanation:
Statements A, B, C, and E form a coherent biological/medical passage focusing on covalent organic frameworks (COFs) as nanocarriers for targeted drug delivery and oncology treatment. Statement D introduces general industrial manufacturing processes (distillation units, monomer yield), which strays from the specific biomedical application theme.
Theme: Application of covalent organic frameworks (COFs) in targeted nanomedicine and drug delivery systems.
Explanation of each statement:
A: Contextual. Introduces COFs for targeted drug delivery.
B: Contextual. Discusses biocompatibility tests of COF nanocarriers.
C: Contextual. Explains controlled drug release mechanisms for oncology treatments using these polymers.
D: Incoherent. Discusses general industrial chemical engineering/distillation units rather than medical drug delivery.
E: Contextual. Elaborates on preclinical trials and degradation rates of the carrier matrix.
Conclusion:
Statement D is out of context.
So the correct answer is (d)

Q6. Instruction:
In the following question, a sentence is given with a part printed in bold. The bold phrase may contain a grammatical, idiomatic, or structural error. Select the option from the choices given below that best replaces the bold part to make the sentence grammatically correct and contextually meaningful. If the sentence is correct as it is, select "No improvement required" as your answer.
Had the central bank raised the cash reserve ratio earlier in the fiscal year, **the rising inflationary pressures would have been curtailed much effectively**.
(a) the rising inflationary pressures would being curtailed much more effectively
(b) the rising inflationary pressures could have been curtailed far more effectively
(c) the rising inflationary pressures had been curtailed far more effective
(d) the rising inflationary pressures would have curtailed much effectively
(e) No improvement required
Ans.(b)
Sol. The correct answer is (b)
Why the highlighted part is incorrect:

The highlighted part uses the phrase "much effectively", which is grammatically incorrect. When modifying an adverb like "effectively" to show comparison, we must use comparative degree modifiers such as "far more effectively" or "much more effectively". Simply using "much" directly before the positive degree adverb "effectively" is ungrammatical.

The correct replacement & explanation:

The correct replacement is **"the rising inflationary pressures could have been curtailed far more effectively"**.

In conditional sentences, "far more" correctly modifies the adverb "effectively" to express comparative degree. Additionally, the modal verb "could have been" correctly fits the third conditional inverted structure ("Had + Subject + V3...")

Explanation of incorrect options:

Option A: Incorrect. Uses ungrammatical verb form "would being".

Option C: Incorrect. Fails to use the conditional main clause structure (modal + have + been) and incorrectly uses the adjective "effective" instead of the adverb "effectively".

Option D: Incorrect. Uses active voice "would have curtailed" instead of passive voice "would have been curtailed", and retains the error "much effectively".

Option E: Incorrect. The original sentence contains an adverb modifier error.

So the correct answer is (b)

Q7. In the following question, a sentence is given with a part printed in bold. The bold phrase may contain a grammatical, idiomatic, or structural error. Select the option from the choices given below that best replaces the bold part to make the sentence grammatically correct and contextually meaningful. If the sentence is correct as it is, select "No improvement required" as your answer.

The appellate court observed that the newly submitted evidence **was not only crucial to establishing the defendant's innocence but also** to exposing systemic flaws in the prosecution's investigation.

(a) was crucial not only to establish the defendant's innocence but also

(b) was crucial not only to establishing the defendant's innocence but also

(c) was not only crucial for establishing the defendant's innocence but

(d) was crucial to establishing not only the defendant's innocence but also

(e) No improvement required

Ans.(b)

Sol. The correct answer is (b)

Why the highlighted part is incorrect:

The original highlighted phrase breaks parallel structure. The correlative conjunction "not only... but also" must connect parallel elements. In the original sentence, "not only" comes before the adjective "crucial", whereas "but also" comes before the prepositional phrase "to exposing...". To make the sentence parallel, "was crucial" should precede "not only", allowing "not only" to sit right before the prepositional phrase "to establishing...".

The correct replacement & explanation:

The correct replacement is **"was crucial not only to establishing the defendant's innocence but also"**.

This structure ensures that "not only" and "but also" both introduce parallel prepositional phrases starting with "to": "to establishing the defendant's innocence" and "to exposing systemic flaws". Note that the adjective "crucial" takes the preposition "to" followed by a gerund ("establishing")

Explanation of incorrect options:

Option A: Incorrect. Using "to establish" creates non-parallel structure with the second part of the sentence ("to exposing")

Option C: Incorrect. Omits the compulsory element "also" from the correlative pair "not only... but also" and maintains faulty parallelism.

Option D: Incorrect. Places "not only" after the preposition "to", making it non-parallel with "but also to exposing" (which includes the preposition "to")

Option E: Incorrect. The original sentence contains a parallelism error.

So the correct answer is (b)

Directions {8-9} : Read the following passage carefully and answer the questions that follow.

(I) The widespread adoption of Precision Agriculture—driven by real-time satellite imaging, soil-sensor arrays, and autonomous machinery—has dramatically enhanced crop yields while minimizing water and fertilizer consumption. By enabling farmers to apply resources at micro-regional levels rather than across entire fields, this technology-driven approach promises to make global food production far more resource-efficient. However, this transition has also created an unprecedented reliance on proprietary ag-tech software platforms and cloud ecosystems, raising critical concerns regarding farm-level data privacy, vendor lock-in, and the erosion of traditional agronomy skills.

(II) ___________________________

(III) As a result, agricultural policy experts are lobbying for open-access data standards and comprehensive "Right to Repair" legislation to ensure that independent farmers retain full control over their equipment and operational data without sacrificing productivity.

Q8. Which of the following options most appropriately fills the blank in Paragraph (II) to ensure a logical transition and contextual continuity between Paragraphs (I) and (III)?

(a) Equipment manufacturers have responded to these growing concerns by making all farm machinery software completely open-source, allowing rural operators to modify diagnostic codes and hardware components without violating intellectual property laws or losing manufacturer warranties.

(b) As farm machinery becomes increasingly bound to centralized cloud systems, growers often find themselves unable to repair their own tractors or extract their own crop-yield data without paying exorbitant licensing fees to multinational equipment conglomerates.

(c) Agronomists argue that digital farming tools have rendered natural soil chemistry irrelevant, proving that synthetic fertilizers and automated irrigation systems can sustain high crop yields indefinitely without requiring environmental monitoring.

(d) Global agricultural markets have consequently experienced a complete collapse in food production, as smallholder farmers unanimously rejected modern digital tools in favor of pre-industrial manual farming techniques.

(e) Financial institutions are now refusing to extend credit to agricultural enterprises that utilize smart machinery, citing that automated farming techniques carry significantly higher operational risks than traditional manual labor.

Ans.(b)
Sol. The correct answer is (b)
Explanation:
Paragraph (I) introduces the reliance on proprietary ag-tech software and concerns over vendor lock-in. Paragraph (III) opens with "As a result...", pointing to policy actions like "Right to Repair" and open data access. To logically connect the two, Paragraph (II) must describe the specific problem caused by software restrictions—namely, farmers' inability to repair equipment or access data independently. Option B fills this gap perfectly.
Explanation of other incorrect options:
Option A: Incorrect. This contradicts Paragraph (III), which states experts are lobbying for such legislation precisely because manufacturers have not voluntarily made software open-source.
Option C: Incorrect. This contradicts Paragraph (I), which praises precision agriculture for optimizing water and fertilizer consumption.
Option D: Incorrect. This presents an extreme claim of "complete collapse" and "unanimous rejection" that is unsubstantiated by the text.
Option E: Incorrect. Financial credit refusal is out of context and introduces an irrelevant secondary topic.
So the correct answer is (b)

Q9. Which of the following best reflects the theme or central idea of the overall passage?
(a) Technological innovation in farming will inevitably fail unless traditional manual cultivation practices are fully restored across global agricultural sectors.
(b) Global food security is endangered primarily by the widespread refusal of smallholder farmers to adopt cloud-based ag-tech platforms.
(c) Proprietary equipment manufacturers are justified in charging high licensing fees to fund continuous satellite imaging updates and soil-sensor diagnostics.
(d) While precision agricultural technologies optimize resource efficiency, their reliance on restrictive software locks threatens farmer autonomy, necessitating legislative safeguards.
(e) Open-access data standards in agriculture have successfully eliminated corporate monopolies over modern farming equipment.
Ans.(d)
Sol. The correct answer is (d)
Explanation:
The passage presents a balanced overview of precision agriculture: Paragraph (I) establishes its efficiency benefits alongside concerns over data privacy and vendor reliance; Paragraph (II) elaborates on how proprietary software restrictions prevent self-repair and data access; and Paragraph (III) highlights policy responses, such as "Right to Repair" laws and open-access standards. Option D concisely captures both the positive impact of efficiency and the critical need for legislative safeguards against software lock-in.
Explanation of other incorrect options:
Option A: Incorrect. The passage does not claim technology will fail completely or advocate returning to traditional manual farming.

Option B: Incorrect. The passage focuses on the challenges posed by corporate vendor lock-in, not on farmers refusing technology.
Option C: Incorrect. The passage criticizes exorbitant licensing fees and vendor lock-in rather than justifying them.
Option E: Incorrect. The passage explicitly states in Paragraph (III) that experts are lobbying for open standards, meaning these protections are not yet fully realized or universally effective.
So the correct answer is (d)

Directions {10-14} : Read the following multi-paragraph passage carefully and answer the questions that follow.
Paragraph I
The resilience of US consumer demand has long served as the primary engine driving macro-economic stability, yet recent econometric indicators signal a profound structural divergence across income strata. Throughout late 2025 and early 2026, real disposable income growth among middle- and lower-income households decelerated sharply under the cumulative weight of persistent core inflation and elevated debt-servicing costs. As post-pandemic excess savings were systematically exhausted, lower-tier demographic segments increasingly relied on revolving credit to sustain basic non-discretionary consumption. Consequently, delinquency rates on auto loans and credit cards surged past pre-pandemic benchmarks, forcing major commercial lenders to tighten underwriting standards and expand loss reserves. This contraction in marginal propensity to consume among lower-income brackets stands in stark contrast to the sustained spending power of affluent households, whose balance sheets remain insulated by substantial asset price appreciation in equity and real estate markets.
Paragraph II
This widening consumption bifurcation has generated severe operational headwinds for corporate retail strategies, triggering widespread earnings revisions across the retail and consumer staples sectors. Middle-market retailers reliant on discretionary spending have reported contracting gross margins, as cost-conscious consumers selectively defer big-ticket purchases and trade down to private-label discount alternatives. Conversely, luxury goods providers and premium experiential services continue to post resilient revenue growth, underscoring a dual-track retail economy. Recognizing this structural realignment, equity analysts warn that corporate pricing power is deteriorating rapidly outside the top-income decile. Firms unable to adapt their value propositions face severe margin compression, as input cost pressures can no longer be passed on to increasingly price-sensitive household budgets.
Paragraph III
The broader macroeconomic ramifications of this K-shaped consumption dynamic pose a complex dilemma for the Federal Reserve's monetary policy trajectory. While aggregate personal consumption expenditures (PCE) data appears moderately robust on the surface—skewed heavily upward by the top twenty percent of income earners—underlying credit conditions in the real economy reflect systemic fragility. Monetary policymakers face the delicate task of balancing sticky service-sector inflation against the risk of triggering a credit-led contraction in main-street domestic demand. Financial stability experts emphasize that if high borrowing costs persist alongside deteriorating labor market liquidity, the stress currently concentrated in subprime and lower-income credit portfolios could spill over into broader banking sector liquidity, ultimately jeopardizing the prospects for a smooth economic landing.

Q10. Which of the following statements, if true, would most strengthen the claim made in Paragraph I regarding the widening financial vulnerability of low-to-middle income US households?

(I) Commercial credit bureaus recorded an unprecedented spike in credit card utilization rates paired with a surge in minimum-only monthly payments among households earning below the median national income.

(II) Consumer confidence indices among households earning over $150,000 annually dropped slightly due to short-term volatility in tech sector equities.

(III) Major consumer finance companies reported that loan default rates among prime, high-credit-score borrowers remained completely stable throughout early 2026.

(a) Only (III)
(b) Both (I) and (II)
(c) Only (I)
(d) Both (I) and (III)
(e) All (I), (II), and (III)

Ans.(c)

Sol. The correct answer is (c)

Explanation:

Paragraph I argues that middle- and lower-income households face increasing financial stress, causing them to rely heavily on revolving credit and experience higher delinquency rates.

• **Statement (I) directly strengthens** this claim by providing empirical evidence of increased credit card utilization and reliance on minimum payments among lower-income groups.

• Statement (II) relates to high-income households and tech equities, which is irrelevant to lower-income financial distress.

• Statement (III) concerns prime/high-credit borrowers remaining stable, which highlights balance sheet resilience rather than strengthening the claim about lower-to-middle income vulnerability.

Hence, only Statement (I) strengthens the claim.

So the correct answer is (c)

Q11. Which of the following can be correctly inferred from Paragraph II and Paragraph III regarding corporate pricing dynamics and macroeconomic data?

(I) Aggregated PCE numbers can mask structural economic fragility because disproportionate spending by high-income earners obscures financial distress in lower-income brackets.

(II) Corporate pricing power has expanded uniformly across all retail segments due to sustained luxury goods spending.

(III) Non-luxury retailers are experiencing margin compression because price-sensitive consumers are migrating toward cost-effective private-label goods.

(a) Only (I)
(b) Both (I) and (III)
(c) Only (II)
(d) Both (II) and (III)
(e) All (I), (II), and (III)

Ans.(b)
Sol. The correct answer is (b)
Explanation:
Let us analyze each statement for valid inferences:
• **Statement (I) can be inferred:** Paragraph III states that aggregate PCE data appears robust on the surface because it is skewed heavily upward by the top 20% of earners, disguising real credit fragility.
• **Statement (II) cannot be inferred:** Paragraph II explicitly states that corporate pricing power is deteriorating rapidly outside the top-income decile, so it has not expanded uniformly.
• **Statement (III) can be inferred:** Paragraph II explains that middle-market retailers are experiencing contracting gross margins as cost-conscious consumers trade down to private-label discount alternatives.
Thus, statements (I) and (III) are valid inferences.
So the correct answer is (b)

Q12. Identify the INCORRECT statement(s) based on the passage:
(I) Delinquency rates on auto loans and credit cards among lower-income segments remained comfortably below pre-pandemic levels throughout early 2026.
(II) Asset price appreciation in real estate and equity markets provided a financial buffer for affluent household balance sheets.
(III) Commercial lenders responded to rising lower-tier delinquency rates by loosening credit underwriting standards to stimulate demand.
(a) Only (I)
(b) Both (II) and (III)
(c) Only (II)
(d) Both (I) and (III)
(e) All (I), (II), and (III)
Ans.(d)
Sol. The correct answer is (d)
Explanation:
Let us examine the truth value of each statement according to the passage to identify which are INCORRECT:
• **Statement (I) is INCORRECT:** Paragraph I mentions that delinquency rates on auto loans and credit cards "surged past pre-pandemic benchmarks", not that they remained comfortably below.
• **Statement (II) is CORRECT:** Paragraph I states that affluent households' balance sheets remain insulated by "substantial asset price appreciation in equity and real estate markets".
• **Statement (III) is INCORRECT:** Paragraph I notes that lenders responded to surging delinquency rates by tightening underwriting standards, not loosening them.
Since statements (I) and (III) are incorrect, the correct choice is Both (I) and (III)
So the correct answer is (d)

Q13. Identify the CORRECT statement(s) based on the passage:
(I) Middle-market retailers have maintained expanding gross margins by seamlessly transferring input costs to low-income consumers.

(II) Prolonged high borrowing costs and tightening credit conditions risk spreading financial stress from subprime portfolios to broader banking liquidity.
(III) The Federal Reserve faces little to no challenge in setting monetary policy because aggregate PCE reflects uniform health across all consumer income tiers.
(a) Only (II)
(b) Both (I) and (II)
(c) Only (III)
(d) Both (II) and (III)
(e) All (I), (II), and (III)
Ans.(a)
Sol. The correct answer is (a)
Explanation:
Let us evaluate each of the given statements based on the details provided in the passage:
• **Statement (I) is INCORRECT:** Paragraph II explicitly states that middle-market retailers face contracting gross margins because consumers are trading down and deferring big-ticket purchases, meaning firms cannot pass on input costs.
• **Statement (II) is CORRECT:** Paragraph III confirms that persistent high borrowing costs combined with deteriorating labor market liquidity could cause stress in subprime credit portfolios to spill over into broader banking sector liquidity.
• **Statement (III) is INCORRECT:** Paragraph III states that the Federal Reserve faces a "complex dilemma" because aggregate PCE is skewed upward by the top 20%, masking underlying systemic credit fragility.
Therefore, only statement (II) is correct.
So the correct answer is (a)

Q14. Which of the following sequences of events is most accurately implied by the passage?
(a) Trade-down to private-label goods → increased consumer savings → Federal Reserve policy easing → labor market liquidity crisis
(b) Federal Reserve rate cuts → surging luxury spending → lower corporate pricing power → expanded retail margins
(c) Asset price appreciation → middle-market margin expansion → subprime credit defaults → PCE aggregate decline
(d) Exhaustion of savings → increased revolving credit reliance → rising delinquency rates → tightening of lending standards
(e) Tightened underwriting standards → falling luxury demand → subprime default collapse → elevated core inflation
Ans.(d)
Sol. The correct answer is (d)
Explanation:
According to Paragraph I, the logical chronological sequence of events is as follows:
1. Exhaustion of post-pandemic excess savings.
2. Increased reliance on revolving credit to sustain non-discretionary spending.
3. Delinquency rates on auto loans and credit cards surging past pre-pandemic benchmarks.

4. Major commercial lenders tightening underwriting standards and expanding loss reserves.
Option D accurately details this sequence step-by-step.
So the correct answer is (d)

Q15. In the following question, five sentences are given. Four of them contain grammatical, structural, or idiomatic errors. Identify the one sentence that is grammatically correct and contextually meaningful.

(a) The audit committee requested the financial controller to thoroughly analyze the discrepancy, write a detailed report, and submitting it before Friday.

(b) Due to severe liquidity constraints, the startup was forced to lay off nearly half of its workforce, a decision which was met with fierce criticism.

(c) Despite of several reminders sent by the taxation authority, the corporation failed to submit its audited balance sheet for the previous financial year.

(d) The research report clearly demonstrates that high inflation rates adversely affect low-income households much more severe than affluent families.

(e) The newly appointed CEO emphasized that the company's long-term sustainability depends on adhering with global environmental standards.

Ans.(b)

Sol. The correct answer is (b)

Explanation:

Sentence B is grammatically correct and contextually sound in all aspects.

Grammatical Rule: Use appropriate prepositions and relative clauses to maintain sentence flow and grammatical accuracy.

Sentence Structure: [Prepositional Cause Phrase], [Subject] + [Passive Verb] + [Object], [Relative Clause].

Example: Due to heavy rain, the event was postponed, a decision which was welcomed by everyone.

Analysis of other sentences:

Option A:

- **Error:** Lack of parallelism in parallel infinitive structure. The list of actions follows "to": "analyze", "write", and "submitting". The third verb should be in bare infinitive form ("submit"), not gerund ("submitting")
- **Grammatical Rule:** Verbs connected in a list governed by "to" must be in parallel base forms.
- **Sentence Structure:** Verb + to + [Base Verb 1], [Base Verb 2], and [Base Verb 3].
- **Example:** She wanted to read, write, and draw.
- **Correct Sentence:** The audit committee requested the financial controller to thoroughly analyze the discrepancy, write a detailed report, and submit it before Friday.

Option C:

- **Error:** Redundant preposition usage. The word "despite" does not take the preposition "of". Either use "despite" alone or "in spite of".
- **Grammatical Rule:** Despite = In spite of. Never use "despite of".
- **Sentence Structure:** Despite + Noun Phrase, Main Clause.
- **Example:** Despite the rain, we went out.

• **Correct Sentence:** Despite several reminders sent by the taxation authority, the corporation failed to submit its audited balance sheet for the previous financial year.
Option D:
• **Error:** Incorrect part of speech. The verb "affect" must be modified by an adverb ("severely"), not an adjective ("severe")
• **Grammatical Rule:** Use adverbs to modify verbs.
• **Sentence Structure:** Subject + Verb + Object + Comparative Adverb + than + Object 2.
• **Example:** This problem affects us much more severely than expected.
• **Correct Sentence:** The research report clearly demonstrates that high inflation rates adversely affect low-income households much more severely than affluent families.
Option E:
• **Error:** Incorrect preposition. The verb "adhere" takes the preposition "to", not "with".
• **Grammatical Rule:** Adhere + to.
• **Sentence Structure:** Subject + depends on + adhering + to + Object.
• **Example:** You must adhere to the guidelines.
• **Correct Sentence:** The newly appointed CEO emphasized that the company's long-term sustainability depends on adhering to global environmental standards.
Conclusion:
Option B is the only grammatically correct sentence.
So the correct answer is (b)

Q16. In the following question, a sentence is given with a part printed in bold. The bold phrase may contain a grammatical, idiomatic, or structural error. Select the option from the choices given below that best replaces the bold part to make the sentence grammatically correct and contextually meaningful. If the sentence is correct as it is, select "No improvement required" as your answer.
The chief executive officer made it clear during the quarterly review **that under no circumstances the regional officers should bypass** the established protocol for sanctioning high-value commercial loans.
(a) that under no circumstances the regional officers shall bypass
(b) that under no circumstances the regional officers ought to bypass
(c) that under no circumstances should the regional officers have bypassed
(d) that under no circumstances should the regional officers bypass
(e) No improvement required
Ans.(d)
Sol. The correct answer is (d)
Why the highlighted part is incorrect:
When a sentence or sub-clause begins with a negative adverbial phrase like "under no circumstances", inverted word order must be used. That means the auxiliary verb ("should") must come before the subject ("the regional officers") The original highlighted phrase incorrectly places the subject before the auxiliary verb.
The correct replacement & explanation:
The correct replacement is **"that under no circumstances should the regional officers bypass"**.
Inverting the auxiliary verb "should" before the subject "the regional officers" satisfies the rule of subject-auxiliary inversion after a negative introductory phrase.

Explanation of incorrect options:
Option A: Incorrect. Fails to invert the subject and verb after "under no circumstances".
Option B: Incorrect. Fails to invert the subject and verb.
Option C: Incorrect. Uses perfect modal form "should have bypassed", which conveys past regret or missed duty rather than a directive rule about protocol adherence.
Option E: Incorrect. The original sentence lacks required inversion.
So the correct answer is (d)

Q17. In the following question, five sentences are given, out of which four are logically coherent and form a unified thematic passage. Identify the one sentence that is incoherent or out of context with the others, and select it as the correct answer.
(a) Sovereign wealth funds have systematically shifted their portfolio allocations away from traditional benchmark bonds toward private credit markets to capture illiquidity premiums.
(b) The rapid accumulation of illiquid assets on institutional balance sheets raises systemic stability concerns, particularly during prolonged market downturns when redemption pressures escalate.
(c) Regulatory agencies are increasing capital reserve requirements for non-banking financial intermediaries to mitigate contagion risks stemming from shadow banking activities.
(d) High yield corporate bond defaults tend to spike during periods of tight monetary policy as refinancing debt becomes prohibitively expensive for distressed firms.
(e) Algorithmic high-frequency trading platforms rely on ultra-low latency fiber-optic networks to execute arbitrage transactions milliseconds ahead of retail order flows.
Ans.(e)
Sol. The incoherent statement is (e)
Contextual explanation:
Statements A, B, C, and D together form a coherent narrative around financial stability, shadow banking, illiquid asset accumulation, and debt market risks during tight monetary conditions. Sentence E shifts the topic abruptly to high-frequency trading infrastructure and microsecond arbitrage, which is completely disconnected from institutional balance sheet illiquidity and regulatory risk governance.
Theme: Financial stability risks arising from illiquid assets, private credit markets, and shadow banking regulations.
Explanation of each statement:
A: Contextual. Mentions sovereign wealth funds shifting to illiquid private credit.
B: Contextual. Directly builds on statement A by explaining systemic stability risks of illiquid assets.
C: Contextual. Discusses regulatory responses to shadow banking and non-banking financial risks.
D: Contextual. Complements the discussion on credit market risks and corporate defaults under tight policy.
E: Incoherent. Deals with tech infrastructure (latency, fiber-optic networks) and retail order flow arbitrage, which does not fit the macro-prudential theme.
Conclusion:
Statement E is out of context.
So the correct answer is (e)