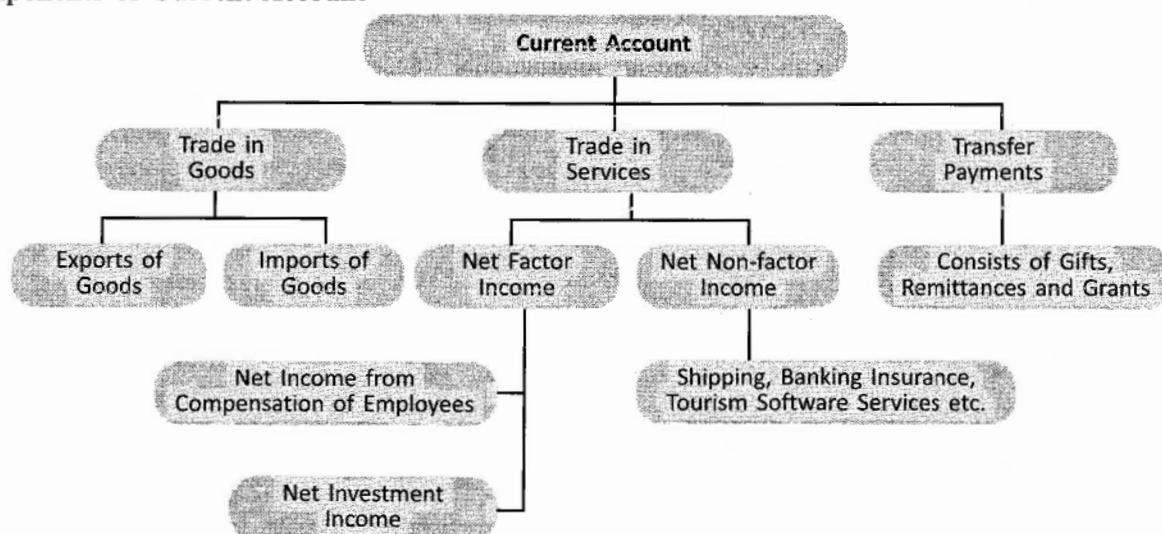
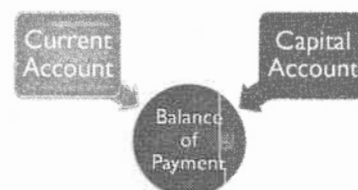


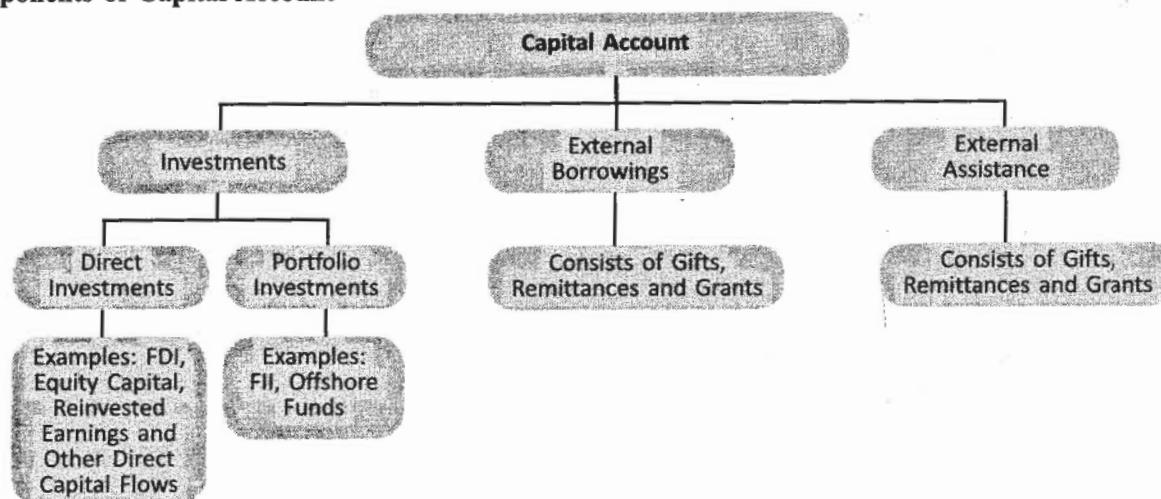
OPEN ECONOMY MACROECONOMICS

STUDY-NOTES

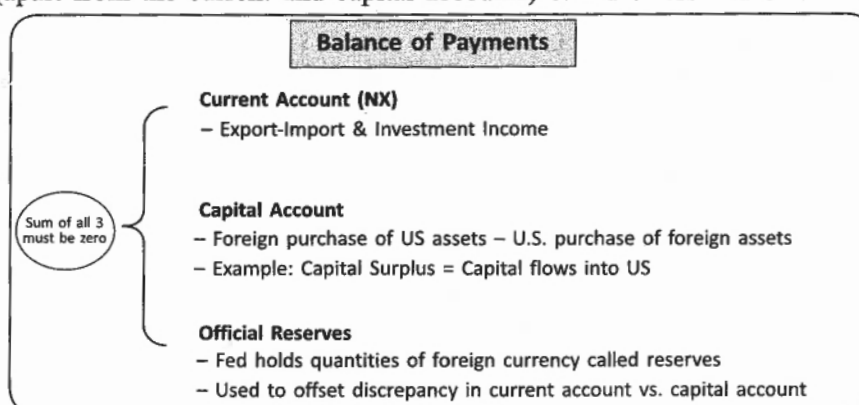
- **Open economy:** An open economy is one which interacts with other countries through various channels.
- **Linkages:** There are three ways in which these linkages are established.
 1. **Output Market:** An economy can trade in goods and services with other countries. This widens choice in the sense that consumers and producers can choose between domestic and foreign goods.
 2. **Financial Market:** Most often an economy can buy financial assets from other countries. This gives investors the opportunity to choose between domestic and foreign assets.
 3. **Labour Market:** Firms can choose where to locate production and workers to choose where to work. There are various immigration laws which restrict the movement of labour between countries.
- **Leakage:** Foreign trade, therefore, influences Indian aggregate demand in two ways. First, when Indians buy foreign goods, this spending escapes as a leakage from the circular flow of income decreasing aggregate demand.
- **Injection:** Second, our exports to foreigners enter as an injection into the circular flow, increasing aggregate demand for goods produced within the domestic economy.
- **Exchange rate:** The price of one currency in terms of another currency is known as the foreign exchange rate or simply the exchange rate.
- **Balance of Payments:** The balance of payments (BoP) records the transactions in goods, services and assets between residents of a country with the rest of the world for a specified time period typically a year. There are two main accounts in the BoP — the current account and the capital account.
- **Current Account:** Current Account is the record of trade in goods and services and transfer payments. Trade in goods includes exports and imports of goods. Trade in services includes factor income and non-factor income transactions. Transfer payments are the receipts which the residents of a country get for 'free', without having to provide any goods or services in return. They consist of gifts, remittances and grants. They could be given by the government or by private citizens living abroad.
- **Components of Current Account**



- **Balance on Current Account:** Current Account is in balance when receipts on current account are equal to the payments on the current account. A surplus current account means that the nation is a lender to other countries and a deficit current account means that the nation is a borrower from other countries.
- **Balance on Current Account has two components:**
 1. Balance of Trade or Trade Balance
 2. Balance on Invisibles
- **Balance of Trade (BOT)** is the difference between the value of exports and value of imports of goods of a country in a given period of time. Export of goods is entered as a credit item in BOT, whereas import of goods is entered as a debit item in BOT.
- **Invisibles:** Invisibles include services, transfers and flows of income that take place between different countries. Services trade includes both factor and non-factor income. Factor income includes net international earnings on factors of production (like labour, land and capital). Non-factor income is net sale of service products like shipping, banking, tourism, software services, etc.
- **Capital account:** Capital Account records all international transactions of assets. An asset is any one of the forms in which wealth can be held, for example: money, stocks, bonds, Government debt, etc. Purchase of assets is a debit item on the capital account.
- **Components of Capital Account**



- **Balance on Capital Account:** Capital account is in balance when capital inflows (like receipt of loans from abroad, sale of assets or shares in foreign companies) are equal to capital outflows (like repayment of loans, purchase of assets or shares in foreign countries).
- **Autonomous Transactions:** When they are independent of the state of BoP, they are called Autonomous transactions.
- **Accommodating Transactions:** It is determined by the gap in the balance of payments, that is, whether there is a deficit or surplus in the balance of payments.
- **Errors and Omissions:** It is difficult to record all international transactions accurately. Thus, we have a third element of BoP (apart from the current and capital accounts) called errors and omissions.



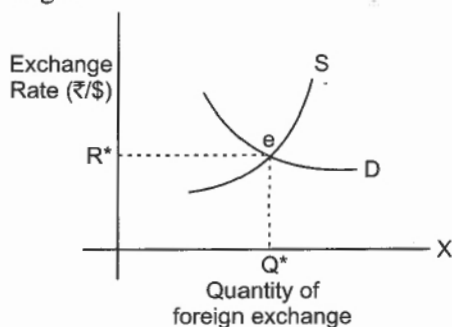
- **Foreign Exchange Rate:** It refers to the rate at which one unit of currency of a country is exchanged for the currency of other country. In other words, it is the price of one currency in terms of another currency.
- **Foreign Exchange Market:** It refers to the rate at which one unit of currency of a country is exchanged for the currency of other country. In other words, it is the price of one currency in terms of another currency.
- **Fixed exchange rate:** Fixed Exchange Rate System refers to the system in which the rate of exchange is determined by Government or monetary authorities. It can be classified into Gold Standard System or Mint Parity of Exchange & Adjustable Peg System.
- **Flexible Exchange Rate System:** Flexible Exchange Rate System refers to such a rate of exchange which is determined by the demand & supply of the foreign exchange in the foreign exchange market. Under this system, the Government or central bank does not intervene in the determination of exchange rates.
- **Managed floating system** is a system in which the central bank allows the exchange rate to be determined by market forces but intervenes at times to influence the rate. When central bank finds the rate is too high, it starts selling foreign exchange from its reserve to bring down it. When it finds the rate is too low. It starts buying to raise the rate.
- **Devaluation of a currency:** When government or monetary authority of a country officially lowers the external value of its domestic currency (in respect of all other foreign currency) is called devaluation of a currency. It takes place by government order under fixed exchange rate system.
- **Revaluation of a currency:** When government or monetary authority of a country officially raises the external value of its domestic currency is called revaluation. It takes place by government order under fixed exchange rates system.
- **In currency depreciation** there is a fall in the value of domestic currency, in term of foreign currency due to change in demand and supply of the currency under flexible exchange rate system.
- **In currency appreciation,** there is a rise in the value of domestic currency in terms of foreign currency due to change in demand and supply of the currency under flexible exchange rate system.
 1. **Nominal exchange rate (NER):** The number of units of domestic currency required to purchase a unit of foreign currency is called nominal exchange rate. Thus, \$1 = ₹60. It may move to \$1 = ₹65, and so on.
 2. **Nominal effective exchange rate (NEER):**
 - (a) The concept is useful for an aggregative analysis. A nation has to deal with a number of countries, and hence a number of currencies.
 - (b) For example, during a period Indian rupee may be losing value against the American dollar, but it may be gaining value against Euro.
 - (c) Therefore, we would be interested in knowing what is happening in aggregate to our rupee i.e., is it gaining or losing.
 - (d) For this purpose, we prepare a basket of all the currencies which we are interested in, and find out the average of the changes in these currencies in a given period. This gives us the nominal effective exchange rate (NEER).
 - (e) So, finally NEER is the measure of average relative strength of a given currency with respect to other currencies without eliminating the effect of change in price.
 3. **Real exchange rate (RER):** RER is the exchange rate which is calculated after eliminating the effects of price change. Therefore, RER is based on constant prices.
 4. **Real effective exchange rate (REER):** REER is the measure of average relative strength of a given currency with respect to other currencies after eliminating the effects of price change.
 5. **Parity value:** In the context of exchange rate in foreign exchange market, parity value refers to the value of one currency in terms of the other for a given basket of goods and services. If a U.S. dollar buys 50 times the goods and services in India, compared to a rupee, the parity value of a US dollar should be 50 : 1. Accordingly, the exchange rate between rupee and a US dollar ought to be Rs. 50: 1 \$. Any change in the parity value would imply a corresponding change in exchange rate.

QUESTION BANK

MULTIPLE CHOICE QUESTIONS

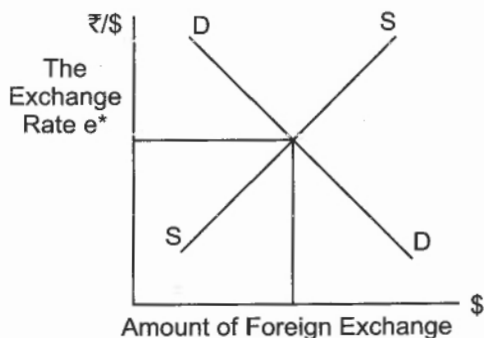
- The exchange rate at which demand for foreign currency becomes equal to its supply, is called:
(a) Equal rate of exchange (b) Unequal rate of exchange
(c) Equilibrium rate (d) All of these
- What is the relationship between demand for foreign exchange and exchange rate?
(a) Inverse (b) Direct (c) One to one (d) No relationship
- What is the relationship between supply of foreign exchange and exchange rate?
(a) Inverse (b) Direct
(c) One to one (d) No relationship
- If ₹150 are required to buy \$2, instead of ₹100 earlier, then:
(a) Domestic currency has depreciated; (b) Domestic currency has appreciated;
(c) Rupee value of import bill will increase; (d) Both (a) and (c)
- In which of the following categories are economic transactions of balance of trade recorded?
(a) Visible items; (b) Invisible items; (c) Capital items; (d) All of the above
- It is the difference between the value of exports and the value of imports of a country in a given period of time. Invisibles include services, transfers and flows of income that take place between different countries.
(a) Visible items (b) Net Invisible items (c) Capital items (d) All of the above
- _____ includes net international earnings on factors of production (like labor, land and capital). Non-factor income is net sale of service products like shipping, banking, tourism, software services, etc.
(a) Factor income (b) Monetary transactions (c) Credit transactions (d) All of above
- When there is a favorable balance of trade?
(a) Export is greater than import (b) Export is less than import
(c) Export is equal to import (d) None of above
- When there is either surplus or deficit in BoP?
(a) BoP in a state of disequilibrium (b) BoP in a state of equilibrium
(c) BoT in a state of disequilibrium (d) None of above
- Current account includes export and imports of visible and invisible items and unilateral transactions to and from abroad, while capital account includes:
(a) Investment to and from abroad, (b) Borrowings and lendings to and from abroad
(c) Reserves which contain foreign currency, SDRs and gold.
(d) All of above
- Invisible items in BOP are:
(a) Banking services (b) Insurance services (c) Both (a) and (b) (d) None of above
- _____ includes balance of visible items, balance of invisible items and balance of unilateral transfer.
(a) Balance on current account (b) Balance of Trade
(c) Balance on current account (d) All of above
- Current account is which concept:
(a) Stock (b) Flow (b) Real (c) None of above
- Which of the following transactions are recorded in the balance of account with a profit maximization motive?
(a) Accommodating (b) Autonomous (c) Capital (d) Current payments
- One way transactions are a part of _____ account.
(a) Balance of payment (b) Balance of trade (c) Both (a) and (b) (d) None of these

16. Systematic record of all Economic transactions between _____ and rest of the world is called Balance of payment.
- (a) Foreign exchange (b) Residents of developing countries
(c) Residents of a country (d) None of the above
17. "Interest on the deposit from a foreign bank is recorded in the current account", choose the correct reason.
- (a) Income from abroad (b) It is visible good
(c) It is invisible good (d) It is a monetary income
18. In which of the following way, Reserve Bank of India help in bringing down the foreign exchange rate which is very high?
- (a) The Central Bank starts Purchasing foreign exchange from its reserve to bring down the foreign exchange rate, as the demand for foreign exchange is very high.
(b) The Central Bank starts selling foreign exchange from its reserve to bring down the foreign exchange rate, as the demand for foreign exchange is very high.
(c) Commercial banks start selling foreign exchange from its reserve to bring up the foreign exchange rate, as the demand for foreign exchange is very high.
(d) None of above
19. Foreign exchange rate is determined by the market forces of demand and supply in foreign exchange market. The point where demand and supply of foreign exchange meet, gives the equilibrium rate of exchange as shown in figure and quantity of foreign exchange.



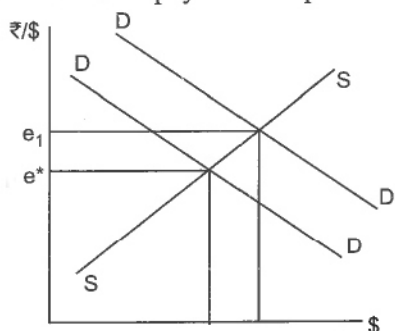
Equilibrium point in the above given diagram is at:

- (a) Point S (b) Point D
(c) Point S (d) Point R
20. Foreign exchange rate in India has been on the rise recently. What impact is it likely to have on exports?
- (a) It encourages exports from a country. (b) It discourages exports
(c) No effect on exports (d) None of above
21. The exchange rate is determined where the demand curve intersects with the supply curve is called:



- (a) Flexible exchange rate (b) Floating exchange rate
(c) Return exchange rate (d) Both (a) and (b)

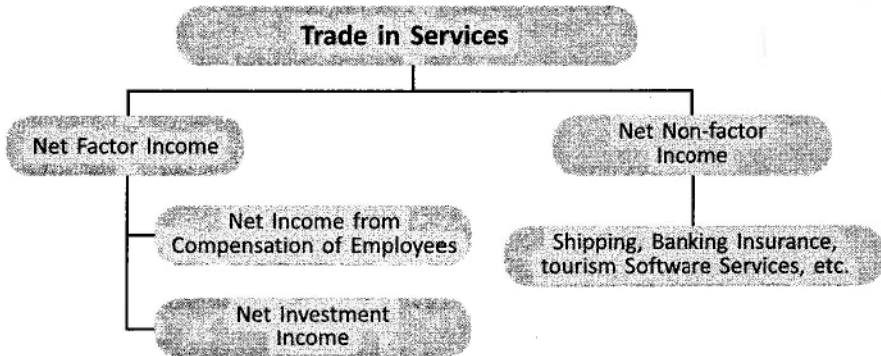
22. In the following diagram, the demand curve shifts upward and right to the original demand curve. The increase in demand was for foreign goods and services result in a change in the exchange rate. The initial exchange rate \$ = ₹50, which means that we need to exchange ₹50 for one dollar. At the new equilibrium, the exchange rate becomes \$ = ₹70, which means that we need to pay more rupees for a dollar now (i.e., ₹70).



It indicates that:

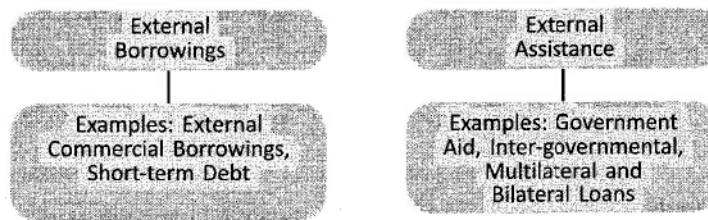
- (a) The value of rupees in terms of dollars has fallen and value of dollars in terms of rupees has risen.
 (b) Increase in exchange rate implies that the price of foreign currency (dollar) in terms of domestic currency (rupees) has increased.
 (c) Depreciation of domestic currency (rupees) in terms of foreign currency (dollars).
 (d) All of above
23. In a flexible exchange rate regime, when the price of domestic currency (rupees) in terms of foreign currency (dollars) increases, it is called _____ of the domestic currency (rupees) in terms of foreign currency (dollars).
 (a) Appreciation (b) Depreciation
 (c) Neutral effect (d) None of above
24. Which of the following statements indicated the meaning of Speculation?
 (a) the forming of a theory or conjecture without firm evidence.
 (b) investment in stocks, property, etc. in the hope of gain but with the risk of loss.
 (c) an act or instance of speculating: on the assumption of unusual business risk in hopes of obtaining commensurate gain
 (d) all of above
25. An economy can trade in goods and services with other countries. This widens choice in the sense that consumers and producers can choose between domestic and foreign goods:
 (a) Output market (b) Financial Market (c) Labour Market (d) None of above
26. Foreign trade, therefore, influences Indian aggregate demand in two ways, these two ways are:
 (a) Leakages (b) Injection (c) Both (a) and (b) (d) None of above
27. Foreign economic agents will accept a national currency only if:
 (a) They are convinced that the amount of goods they can buy with a certain amount of that currency will not change frequently.
 (b) The currency will maintain a stable purchasing power.
 (c) Without this confidence, a currency will not be used as an international medium of exchange and unit of account since there is no international authority with the power to force the use of a particular currency in international transactions.
 (d) All of above
28. The international monetary system has been set up to :
 (a) Handle money in the economy
 (b) Handle these issues and ensure stability in international transactions.
 (c) Handle money in circulation
 (d) None of above

29. The price of one currency in terms of another currency is known as:
 (a) foreign exchange rate (b) exchange rate. (c) Both (a) and (b) (d) None of these
30. This account records the transactions in goods, services and assets between residents of a country with the rest of the world for a specified time period typically a year.
 (a) Balance of payments (b) Balance of trade
 (c) Current account (d) None of above
31. Account is the record of trade in goods and services and transfer payments. Trade in goods includes exports and imports of goods. Trade in services includes factor income and non-factor income transactions. Transfer payments are the receipts which the residents of a country get for 'free', without having to provide any goods or services in return. They consist of gifts, remittances and grants. They could be given by the government or by private citizens living abroad. This account is:
 (a) Current account (b) Capital account (c) Bank account (d) None of these
32. There is a new classification in which the balance of payments have been divided into three accounts — the current account, the financial account and the capital account. This is as per the new accounting standards specified by the International Monetary Fund (IMF) in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). India has also made the change but the _____ continues to publish data accounting to the old classification.
 (a) Reserve Bank of India (b) Commercial banks (c) Indian banks (d) None of these
33. The selling of _____ brings income to our country and adds to the aggregate domestic demand for goods and services in our country.
 (a) Domestic goods or imports (b) Foreign goods or exports
 (c) Local goods (d) None of above
34. Net factor income and net non - factor income are the components of:



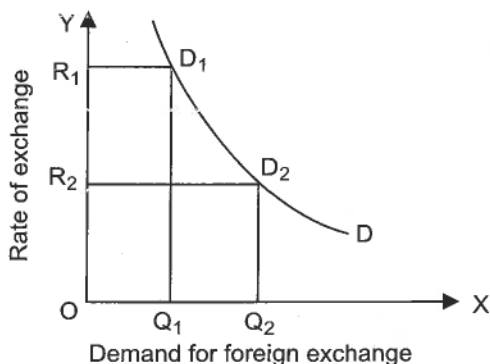
- (a) Capital account (b) Current account (c) Local account (d) None of above
35. A _____ current account means that the nation is a lender to other countries, where Receipts > Payments.
 (a) Surplus (b) Deficit (c) Balanced (d) All of above
36. A _____ current account means that the nation is a borrower from other countries, where Receipts < Payments.
 (a) Surplus (b) Deficit (c) Balanced (d) All of above
37. Export of goods is entered as a _____ item in BOT, whereas import of goods is entered as a _____ item in BOT. It is also known as Trade Balance.
 (a) Credit, Debit (b) Debit, Credit
 (c) Plus, minus (d) None of above
38. If an Indian buys a UK Car Company, it enters capital account transactions as a debit item (as foreign exchange is flowing out of India). On the other hand, the sale of assets like the sale of shares of an Indian company to a Chinese customer is a _____ on the capital account. We can classify the items which are a part of capital account transactions. These items are Foreign Direct Investments (FDIs), Foreign Institutional Investments (FIIs), external borrowings and assistance.
 (a) Credit item (b) Debit item (c) Money item (d) None of these

39. Which of the following is/are part of capital account:



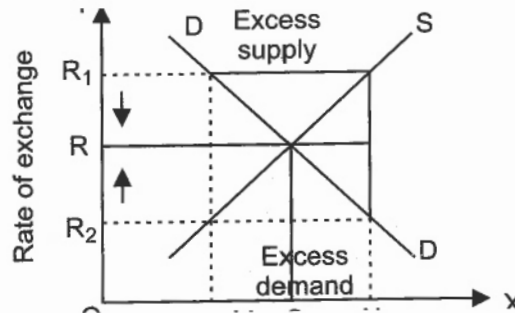
- (a) External borrowings (b) External assistance (c) Both (a) and (b) (d) None of these
40. Surplus in capital accounts arises when capital inflows are _____ capital outflows, whereas deficit in capital accounts arises when capital inflows are _____ capital outflows.
 (a) Greater than, lesser than (b) lesser than, greater than
 (c) Equal to, equal to (d) None of above
41. Any current account deficit must be financed by a capital account surplus, that is, a net capital inflow. Current account + Capital account is equal to:
 (a) One (b) Zero (c) Positive (d) Negative
42. The case, in which a country is said to be in balance of payments equilibrium, the current account deficit is financed entirely by:
 (a) international lending without any reserve movements.
 (b) international lending with reserve movements.
 (c) international lending
 (d) None of above
43. The reserve bank sells foreign exchange when there is a deficit. This is called:
 (a) an official reserve sale. (b) autonomous (c) Accommodating (d) All of these
44. 'Above the line' items in the BoP are:
 (a) when transactions are made due to some reason other than to bridge the gap in the balance of payments,
 (b) when they are independent of the state of BoP,
 (c) The balance of payments is said to be in surplus (deficit) if autonomous receipts are greater (less) than autonomous payments.
 (d) Both (a) and (b)
45. 'Below the line' items in the BoP are:
 (a) Items that are determined by the gap in the balance of payments, that is, whether there is a deficit or surplus in the balance of payments.
 (b) They are determined by the net consequences of the autonomous transactions.
 (c) Since the official reserve transactions are made to bridge the gap in the BoP, they are seen as these in the BoP
 (d) All of above
46. It is difficult to record all international transactions accurately. Thus, we have a third element of BoP (apart from the current and capital accounts), this third element is called:
 (a) Errors and omissions (b) Mistakes (c) Wrong calculations (d) None of above
47. An Indian company located in India invests in a company located abroad. This transaction is entered in India's Balance of Payments Account on:
 (a) Credit side of current account (b) Debit side of current account
 (c) Credit side of capital account (d) Debit side of capital account

48. Why is India having a very strong Balance of Payment:
- (a) Increase in exports (b) Decrease in imports
(c) Both (a) and (b) (d) Neither (a) nor (b)
49. If the receipts of the country is ₹400 crore and the payments are ₹210 crore, then BoP surplus will be:
- (a) ₹190 crore. (b) ₹390 crore. (c) ₹290 crore. (d) None of above
(Hint: $400 - 210 = ₹190$ crore.)
50. Borrowing from abroad is recorded in the _____ as it is a foreign liability on the country and it is to be repaid with interest:
- (a) Capital account (credit side) of Balance of Payments
(b) Capital account (Debit side) of Balance of Payments
(c) Capital account (credit side) of Balance of trade
(d) None of above
51. Foreign investments are recorded in the capital account of Balance of Payments, as:
- (a) As all kinds of foreign investments (foreign direct investments and portfolio investments) are included in the capital account of Balance of Payments as they affect the assets positions of the country.
(b) As the current Balance of Payments account also records unilateral transfers.
(c) It records exports and imports of visible and invisible items and unilateral transfers.
(d) All of above
52. Which of the following statement is true?
- (a) External assistance is included in the current account of Balance of Payments as unilateral receipts.
(b) Balance of Trade only records the export and import of visible items, i.e. goods.
(c) Export and import of machines, it will be recorded in the current account as it is a producer good exported.
(d) None of above
53. A deficit in Balance of Trade can be met by surplus of current account. Deficit in the current account cannot be met by using the surplus of BoT is:
- (a) Financing of deficit (b) Coverage of finance
(c) Arrangement of loans (d) All of above
54. Current account is that account of BoP, which records exports and imports of visible and invisible items and unilateral transfers. Whereas capital account shows the assets and liabilities position of the country. It records capital transfer such as loans and investments between one country and the rest of the world, which causes a change in the assets or liability status of the residents of a country or its government. Which of the following account shows the trade position of the country?
- (a) Current account (b) Balanced account (c) Deficit account (d) None of above
55. Relation between foreign exchange rate and demand for foreign exchange



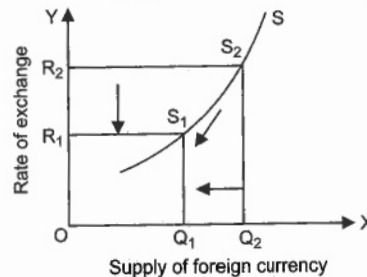
- (a) Direct relation (b) Inverse relation (c) No relation (d) None of above

56. If the demand for foreign exchange rises, its value will also rise and if demand for foreign exchange falls, its value will also fall.

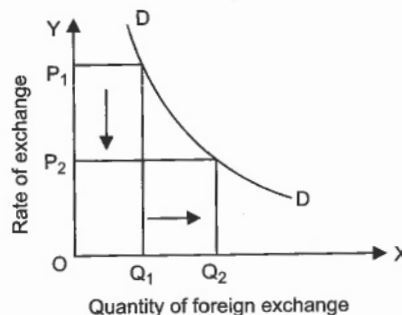


The supply of foreign exchange also influences the exchange rate. How Greater the supply, affect the rate of exchange:

- (a) Greater the supply, lower the rate of exchange.
 - (b) Greater the supply, greater the rate of exchange.
 - (c) Greater the supply, no effect on the rate of exchange.
 - (d) All of above
57. Demand for foreign exchange falls:
- (a) When domestic companies want to buy foreign assets and with the rise in price of foreign currency the price of the assets also increases.
 - (b) When the price of a foreign currency rises, the imports become costlier and exports become cheaper so the value of imports will fall with time.
 - (c) Both (a) and (b)
 - (d) None of these
58. How price of a foreign currency affects the supply of that foreign currency?



- (a) The supply of foreign currency is directly proportional to the price of foreign exchange.
 - (b) When the price of a foreign currency falls, it leads to cheaper imports and costlier exports as it leads to appreciation of domestic currency.
 - (c) When the price of a foreign currency falls, the supply of that foreign currency also falls.
 - (d) All of above
59. The rising domestic demand for foreign goods implies higher demand for foreign exchange which increased from OC1 to OQ2 as shown in the figure:

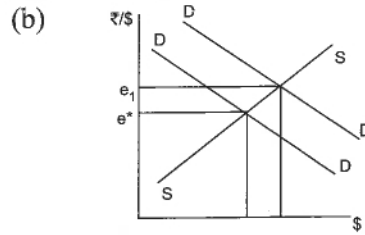
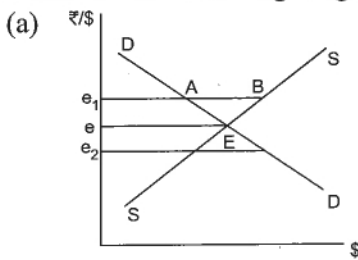


The relation between foreign exchange rate and demand for that currency:

- (a) Direct (b) Inverse (c) Null (d) None of above

60. Money in any country is an asset. If Indians believe that British pound is going to increase in value relative to the rupee, they will want to hold pounds. Thus exchange rates also get affected when people hold foreign exchange on the expectation that they can make gains from the appreciation of the currency. This expectation in turn can actually affect the exchange rate in the following way. If the current exchange rate is ₹80 to a pound and investors believe that the pound is going to appreciate by the end of the month and will be worth ₹85, investors think if they gave the dealer ₹80,000 and bought 1000 pounds, at the end of the month, they would be able to exchange the pounds for ₹85,000, thus making a profit of ₹5,000. This expectation would increase the demand for pounds and cause the rupee-pound exchange rate to increase in the present, making the beliefs self-fulfilling. This is:
- (a) Depreciation (b) Appreciation
(c) Speculation (d) None of above
61. If we assume that government bonds in country A pay 8% rate of interest whereas equally safe bonds in country B yield 10%, the interest rate differential is 2 percent. Investors from country A will be attracted by the high interest rates in country B and will buy the currency of country B selling their own currency. At the same time investors in country B will also find investing in their own country more attractive and will therefore demand less of country A's currency. This means that the demand curve for country A's currency will shift to the left and the supply curve will shift to the right causing a depreciation of country A's currency and an appreciation of country B's currency. Thus, a rise in the interest rates at home often leads to an appreciation of the domestic currency. Here, the implicit assumption is:
- (a) That no restrictions exist in buying bonds issued by foreign governments.
(b) There are many restrictions in buying bonds issued by foreign governments.
(c) Both (a) and (b)
(d) None of these
62. Other things remaining equal, a country whose aggregate demand grows faster than the rest of the world normally finds its currency depreciating because its imports grow faster than its exports. Its demand curve for foreign currency shifts _____ than its supply curve.
- (a) Faster (b) Slower (c) More (d) Lower
63. The Purchasing Power (PPP) theory is used to:
- (a) Make long-run predictions about exchange rates in a flexible exchange rate system.
(b) Make short-run predictions about exchange rates in a flexible exchange rate system.
(c) Make long-run predictions about exchange rates in a fixed exchange rate system.
(d) None of above
64. If a shirt costs \$8 in the US and ₹400 in India, the rupee-dollar exchange rate should be ₹50. To see why, at any rate higher than ₹50, say ₹60, it costs ₹480 per shirt in the US but only ₹400 in India. In that case, all foreign customers would buy shirts from India. Similarly, any exchange rate below ₹50 per dollar will send all the shirt business to the US. Next, we suppose that prices in India rise by 20% while prices in the US rise by 50%. Indian shirts would now cost ₹480 per shirt while American shirts cost \$12 per shirt. For these two prices to be equivalent, \$12 must be worth ₹480, or one dollar must be worth ₹40. The dollar, therefore, has depreciated. This is example of:
- (a) Exchange Rates in the Long Run (b) Exchange Rates in the short Run
(c) Flexible rates (d) None of above

65. Which of the following diagram indicates towards “foreign exchange market with fixed exchange rates:



(c) Both (a) and (b)

(d) None of above

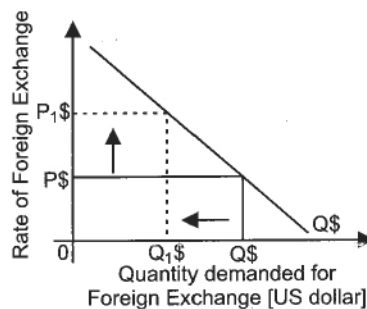
66. If we assume that government bonds in country A pay 8% rate of interest whereas equally safe bonds in county B yield 10%, the interest rate differential is 2%. Investors from country A will be attracted by the high interest rates in country B and will buy the currency of country B selling their own currency. At the same time investors in country B will also find investing in their own country more attractive and will therefore demand less of country A’s currency. This means that:

- (a) The demand curve for country A’s currency will shift to the left and the supply curve will shift to the right causing a depreciation of country A’s currency and an appreciation of country B’s currency.
- (b) Thus, a rise in the interest rates at home often leads to an appreciation of the domestic currency.
- (c) Here, the implicit assumption is that no restrictions exist in buying bonds issued by foreign governments.
- (d) All of above

67. It is a mixture of a flexible exchange rate system (the float part) and a fixed rate system (the managed part), in this, central banks intervene to buy and sell foreign currencies in an attempt to moderate exchange rate movements whenever they feel that such actions are appropriate. Official reserve transactions are, therefore, not equal to zero, this exchange rate system is called as:

- (a) Managed floating exchange rate system
- (b) Dirty floating exchange rate system
- (c) Both (a) and (b)
- (d) None of above

68. Relation between foreign exchange rate and demand for it:

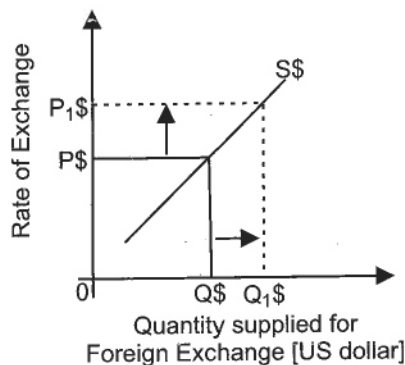


- (a) Demand curve of foreign exchange slopes downwards due to the inverse relationship between demand for foreign exchange and foreign exchange rate.
- (b) Rise in the price of foreign exchange increases the rupee cost of foreign goods, which makes them more expensive. As a result, imports decline. Thus, the demand for foreign exchange also decreases.
- (c) Both (a) and (b)
- (d) None of above

69. If the price of 1 US dollar rises from ₹60 to ₹65, then exports to the USA will increase as Indian goods will become relatively cheaper. It will raise the:

- (a) Supply of US dollars.
- (b) Demand of US dollars
- (c) Price of foreign currency
- (d) None of above

70. Due to which of following reason, supply curve of foreign exchange is upward sloping:



- (a) Supply curve of foreign exchange slopes upwards due to the positive relationship between supply for foreign exchange and foreign exchange rate, which means that supply of foreign exchange increases as the exchange rate increases.
- (b) This makes home country's goods become cheaper to foreigners since the rupee is depreciating in value. The demand for our exports should therefore increase as the exchange rate increases.
- (c) The increased demand for our exports will translate into greater supply of foreign exchange. Thus, the supply of foreign exchange increases as the exchange rate increases.
- (d) All of above
71. "One rupee can be exchanged for more \$, i.e., with the same amount of money, more goods can be purchased from the USA. It leads to an increase in imports from the USA as American goods will become relatively cheaper." Which one of the following is the effect of appreciation of domestic currency on imports:
- (a) Increase in imports (b) Decrease in imports
(c) No effect on imports (d) None of above
72. Which of the following are measure/measures of fixed exchange rate system?
- (a) Stability (b) Encourages international trade
(c) Co-ordination of macro policies (d) All of above
73. The value of imports when the balance of trade is (-) ₹800 crore and the value of exports is ₹500 crore:
- (a) ₹1,300 crore (b) ₹3,300 crore
(c) ₹2,300 crore (d) None of above
- (Hint: Balance of trade = Value of exports – Value of import; (-) 800 crore = 500 crore – value of import, Value of imports = 500 crore + 800 crore; = ₹1,300crore)**
74. _____ is the second largest traded currency on the forex market.
- (a) US dollar (b) Indian Rupees (c) Euro (d) Yen
75. What is the impact of India-Iran contract of payment of oil in rupees?
- (a) Forex reserve increase in India (b) Forex reserve decrease in India
(c) Depreciation of rupee (d) Both (a) and (c)
76. Which of the following is/are benefits of India-Iran agreement to India?
- (a) Strengthening rupee in international market (b) Help to boost trade with Iran
(c) Both (a) and (b) (d) None of these
77. BOP is measured as:
- (a) Difference between visible items of exports and imports
(b) Difference between invisible items of exports and imports
(c) Difference between external and internal flow of gold
(d) Difference between all receipts of foreign exchange and payments of foreign exchange

78. Balance of trade is measured as:
 (a) Difference between import and export of goods
 (b) Difference between import and export of services
 (c) Difference between import and export of capital
 (d) Difference between all exports and all imports
79. In which of the following categories are the transactions of balance of trade recorded?
 (a) Visible items (b) Invisible items (c) Capital transfers (d) All of these
80. Current account records transactions relating to:
 (a) Export and import of goods (b) non-factor and factor income
 (c) Current transfers (d) all of these
81. Which of the following items relate to BOP on capital account?
 (a) Foreign investment (b) Loans (c) NRI remittances (d) All of these
82. Which of the following are not included in balance of trade?
 (a) Payment of interest and dividend (b) Expenditure by the tourists
 (c) Borrowing from rest of the world (d) All of these
83. If the value of visible exports exceeds the value of visible imports, the balance relates to:
 (a) Current account BoP (b) Capital account BoP (c) Balance of trade (d) None of these
84. Unilateral transfers are:
 (a) One-sided payments (b) Receipts < Payments (c) Factor incomes (d) Both (a) and (c)
85. Surplus in BoP occurs when:
 (a) Receipts = Payments (b) Reciprocal Payments (c) Receipts > Payments (d) All of these
86. Direct foreign investment is a source of:
 (a) Demand for foreign exchange (b) Supply of foreign exchange
 (c) Both (a) and (b) (d) None of these
87. When the exchange rate rises due to managed floating, it is called:
 (a) Devaluation (b) Appreciation (c) Depreciation (d) Revaluation
88. Which of the following functions are performed in a foreign exchange market?
 (a) Transfer function (b) Credit function (c) Hedging function (d) All of these
89. Hedging is possible in:
 (a) Spot market (b) Forward market (c) Managed floating system (d) None of these
90. Spot market is that market where:
 (a) Only current transactions are handled (b) Forward rate of exchange is determined
 (c) Instant rate of exchange is determined (d) Both (a) and (c)
91. Forward market is that market which:
 (a) Handles transactions of foreign exchange meant for future delivery
 (b) Handles current transactions
 (c) Handles current as well as future transactions (d) None of these
92. If ₹120 are required to buy \$ 1, instead ₹100 earlier:
 (a) Domestic currency has appreciated (b) Domestic currency has depreciated
 (c) Rupee value of import bill will increase (d) Both (b) and (c)
93. Equilibrium exchange rate occurs when:
 (a) Supply of foreign exchange > Demand for foreign exchange
 (b) Supply of foreign exchange = Demand for foreign exchange
 (c) Supply of foreign exchange < Demand for foreign exchange
 (d) Both (a) and (b)

94. Dirty floating is related to:
 (a) Fixed system of exchange rate (b) Flexible system of exchange rate
 (c) Both of these (d) None of these
95. There is relationship _____ between exchange rate and supply of foreign exchange.
 (a) a direct (b) an inverse (c) no (d) both (a) and (b)
96. Which of the following are not Sources of supply of foreign exchange:
 (a) Exports of Goods and Services: (b) Tourism
 (c) Remittances (unilateral transfers) from Abroad (d) Purchase of Assets in Foreign Countries.
97. The component of demand for foreign exchange are:
 (a) Imports (b) Exports
 (c) Remittances from abroad (d) International borrowing
98. Under flexible exchange rate system, exchange rate is determined
 (a) By the government (b) By market forces of demand and supply
 (c) By Central Bank of a country (d) None of these
99. Export of goods and services raises the _____ of foreign exchange.
 (a) Demand (b) Supply (c) Both (a) and (b) (d) Neither (a) nor (b)
100. The operation of daily nature in the foreign exchange market is known as _____
 (a) Spot market (b) Forward market
 (c) Domestic market (d) International market
101. Hybrid in management of fixed and flexible exchange rate is known as _____
 (a) Managed to float (b) Crawling Peg (c) Wider Bands (d) None of these
102. Other things remaining unchanged, when in a country the price of foreign currency rises, national income is:
 (a) Likely to rise (b) Likely to fall
 (c) Likely to rise and fall both (d) Not affected
103. Other things remaining the same, when in a country the market price of foreign currency falls, national income is likely:
 (a) To rise (b) To fall (c) To rise or to fall (d) To remain affected
104. Which of the following is true?
 (a) Fixed exchange rate is determined by the government
 (b) Flexible exchange rate is determined by market forces (demand and supply of foreign exchange)
 (c) Both (a) and (b)
 (d) None of the above
105. Which one is a merit of the fixed exchange rate?
 (a) Promotes Foreign Trade (b) Induces Foreign Capital
 (c) Increases Capital Formation (d) All the above
106. Which one is a demerit of the fixed exchange rate?
 (a) Ignores National Interests (b) Restricted Movement of Capital
 (c) Sudden Fluctuations in Exchange Rates (d) All the above
107. Which one is a merit of the flexible exchange rate?
 (a) Simple System (b) Continuous Adjustments
 (c) Improves Balance of Payments (d) All the above
108. Which one is a demerit of the flexible exchange rate?
 (a) Bad Results of Low Rate (b) Uncertainty
 (c) Instability in Foreign Exchange (d) All the above
109. Which one is a source of the demand for foreign exchange?
 (a) Imports of Goods and Services from Abroad (b) Investment in Foreign Nations
 (c) Gift Scheme to Foreign Nations (d) All the above

110. Foreign exchange is determined by:
 (a) Demand for foreign currency (b) Supply of foreign currency
 (c) Demand and supply in the foreign exchange market (d) None of the above
111. Choose the correct statement:
 (a) Devaluation means a fall in the value of domestic currency in the market
 (b) Depreciation means fall in the value of domestic currency by government action
 (c) Under fixed exchange rate system, exchange rate is allowed to change
 (d) Under floating exchange rate system, exchange rate is allowed to change
112. Why does the central bank need to intervene in a managed floating system?
 (a) To reduce fluctuations in the exchange rate (b) To maintain the exchange rate at the specific level
 (c) Recover the surplus and deficit in the bop (d) None of above
113. Which of the following statements is true?
 (a) Fixed exchange rate is determined by the government
 (b) Flexible exchange rate is determined by market forces of demand and supply
 (c) Both (a) and (b) (d) None of the above
114. When a country's currency depreciates, its goods abroad become _____ expensive while foreign goods in that country become _____ expensive.
 (a) More; Less (b) More; More (c) Less; Less (d) Less; More
115. _____ transactions are undertaken to cover the deficit or surplus in autonomous transactions.
 (a) Current account (b) Accommodating (c) Both (a) and (b) (d) None of these
116. 'Import of machinery' is recorded in the _____ account and borrowings from abroad are recorded in the _____ account.
 (a) Current, Capital (b) Capital, Current (c) Capital, Capital (d) Current, Current
117. Is the difference between the value of exports and value of imports of services, unilateral transfers and flow of income of a country in a given period of time.
 (a) Balance of trade (b) Balance of invisible trade
 (c) Trade surplus (d) Current account balance
118. A company located in India receives a loan from a company located abroad how is this transaction recorded in India's balance of payment account?
 (a) Credit side of current account (b) Debit side of current account
 (c) Credit side of capital account (d) Debit side of capital account
119. If balance of trade is showing a deficit of ₹300 crores and value of exports is ₹1200 crores then the value of imports would be:
 (a) ₹300 crores (b) ₹1200 crores (c) ₹1500 crores (d) ₹900 crore
120. Which item results in outflow of foreign exchange?
 (a) Loans taken from abroad (b) Export of services
 (c) Import of goods
 (d) Shipping service provided by an Indian company to a foreign company
121. An Indian real estate company receives rent from Google in New York. This transaction would be recorded on which side of account.
 (a) Credit, Current (b) Credit, Capital (c) Debit, Capital (d) Debit, Current
122. Current Account Deficit (CAD) means:
 (a) The value of exports of goods and services is less than the value of imports of goods and services.
 (b) The nation is a borrower from other countries
 (c) The nation is a lender to other countries
 (d) None of the above

123. Current Account Surplus (CAS) means:
- The value of exports of goods is more than the value of imports of goods
 - The nation is a borrowed from the rest of the world
 - The nation is a lender to other countries
 - None of the above
124. India is taking huge leaps in the index of ease of doing business as a result many MNCs are shifting their production base to India. As a result flow of foreign exchange in India will:
- Fall
 - Rise
 - Remains unchanged
 - None of these

INPUT TEXT BASED MCQs

Read the following passage and write answers of Q125–Q128

The balance of payments accounts presented above divide the transactions into two accounts, current account and capital account. However, following the new accounting standards introduced by the International Monetary Fund in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) the Reserve Bank of India also made changes in the structure of balance of payments accounts. According to the new classification, the transactions are divided into three accounts: current account, financial account and capital account. The most important change is that almost all the transactions arising on account of trade in financial assets such as bonds and equity shares are now placed in the financial account. However, RBI continues to publish the balance of payments accounts as per the old system also, therefore the details of the new system are not being given here. The details are given in the Balance of Payments Manual for India published by the Reserve Bank of India in September 2010.

125. Depreciation of Indian rupees will occur when ₹ 55 have to be paid to exchange one US \$ instead of the present rate of ₹ 50/\$. Is it true?
- True
 - Not true
 - No effect
 - None of above
126. _____ of domestic currency makes foreign goods relatively cheaper, which leads to an increase in imports.
- Appreciation
 - Depreciation
 - Increase
 - Decrease
127. These operations refers to all efforts made by the central government to keep the rate of exchange stable:
- Pegging operations
 - Devaluation of currency
 - Revaluation of currency
 - All of above
128. It refers to an increase in the value of domestic currency by the central government. It is a part of the fixed exchange rate:
- Pegging operations
 - Devaluation of currency
 - Revaluation of currency
 - All of above

Read the following passage and write answers of Q129–Q132

India's exchange rate policy has evolved in line with international and domestic developments. Post-independence, in view of the prevailing Bretton Woods system, the Indian rupee was pegged to the pound sterling due to its historic links with Britain. A major development was the devaluation of the rupee by 36.5 per cent in June, 1966. With the breakdown of the Bretton Woods system, and also the declining share of UK in India's trade, the rupee was delinked from the pound sterling in September 1975. During the period between 1975 to 1992, the exchange rate of the rupee was officially determined by the Reserve Bank within a nominal band of plus or minus 5 percent of the weighted basket of currencies of India's major trading partners. The Reserve Bank intervened on a day-to-day basis which resulted in wide changes in the size of reserves. The exchange rate regime of this period can be described as an adjustable nominal peg with a band.

129. Due to which of following reason **India devalue its currency in 1991:**
- To increase the flow of foreign exchange reserves.
 - To decrease the flow of foreign exchange reserves.
 - Purchasing power will increase.
 - None of these

130. When the Central Bank actively uses its foreign currency reserves to maintain the officially determined exchange rate.
- (a) Fixed exchange rate system (b) Floating exchange rate system
(c) Managed Floating (d) All of above
131. It refers to all efforts made by the central government to keep the rate of exchange stable.
- (a) Pegging operations (b) Devaluation of currency
(c) Revaluation of currency (d) None of above
132. It established the rules for commercial and financial relations among the United States, Canada, Western European countries, Australia, and Japan:
- (a) The Bretton Woods system (b) Agreement system
(c) Capital mobility (d) None of the above

Read the following passage and write answers of Q133–Q136

The Bretton Woods Conference held in 1944 set up the International Monetary Fund (IMF) and the World Bank and re-established a system of fixed exchange rates. This was different from the international gold standard in the choice of the asset in which national currencies would be convertible. A two-tier system of convertibility was established at the center of which was the dollar. The US monetary authorities guaranteed the convertibility of the dollar into gold at the fixed price of \$35 per ounce of gold. The second-tier of the system was the commitment of monetary authority of each IMF member participating in the system to convert their currency into dollars at a fixed price. The latter was called the official exchange rate. For instance, if French francs could be exchanged for dollars at roughly 5 francs per dollar, the dollars could then be exchanged for gold at \$35 per ounce, which fixed the value of the franc at 175 francs per ounce of gold (5 francs per dollar times 35 dollars per ounce). A change in exchange rates was to be permitted only in case of a 'fundamental disequilibrium' in a nation's BoP – which came to mean a chronic deficit in the BoP of sizeable proportions.

133. Minimizes exchange rate fluctuations and Encourages international trade and investment flows are the merits of:
- (a) Fixed exchange rate (b) flexible exchange rate
(c) Normal exchange rate (d) None of above
134. This rate is determined by the market forces of demand and supply in foreign exchange market. The point where demand and supply of this exchange meet, gives the equilibrium rate of exchange:
- (a) Foreign exchange rate (b) Flexible exchange rate (c) Fixed exchange rate (d) None of above
135. Exports of goods and services from domestic to foreign countries and Remittances from abroad are two sources of:
- (a) Supply of foreign currency (b) Demand for foreign exchange
(c) Remittances from abroad. (d) None of above
136. Which one of following sources of demand for foreign exchange:
- (a) Foreign investment across the world (b) Foreign trade i.e. Imports
(c) Foreign exchange trade for speculation (d) All of above

Read the following passage and write answers of Q137–Q139

The rupee declined 18 paise to close at 74.36 against the US dollar on Wednesday, tracking strengthening American currency in the overseas market and higher crude prices. However, a strong rally in domestic equities and unabated foreign fund inflows restricted the slide of the domestic unit, forex trade said.

At the interbank foreign exchange market, the local currency opened on a weak note at 74.24 and swung between the days high of 74.18 and low of 74.50 to the US dollar.

The rupee finally settled at 74.36 against the greenback, down 18 paise over its last close. "Indian rupee depreciated amid strong dollar and surge in crude oil prices. Further, rupee slipped on worries over a slowdown in global economic recovery due to resurgence in COVID-19 cases. "India CPI data is likely to show that inflation remained above the Reserve Bank of India medium- term target range of 2-6 per cent. India's Industrial Production data forecasted to show factory output contracted for 7 consecutive month," Mukadam said.

Source: www.economicstimes.com

137. The rupee declined 18 paise means _____ of rupee.
 (a) Depreciation (b) Appreciation (c) Devaluation (d) Revaluation
138. _____ is the system of floating exchange rate with the occasional intervention by the RBI to influence the float or manage the float.
 (a) Managed Floating (b) Dirty Floating (c) Both (a) and (b) (d) None of the above
139. What is the full form of CPI?
 (a) Current Price Index (b) Crude Price Index
 (c) Consumer Price Index (d) None of the above

Read the following passage and write answers of Q141–Q143

India's trade deficit with China dips to \$48.66 billion in 2019-20. In 2018-19, Exports to China in the last financial year stood at \$18.9 billion, and the trade deficit stood at \$53.56 billion. Chinese FDI has dipped to \$163.78 million in 2019-20 from \$229 million in the previous fiscal.

140. What does "Trade Deficit" mean?
 (a) The value of exports of goods and services is more than the value of imports of goods and services.
 (b) The value of imports of merchandise is more than the value of exports of merchandise.
 (c) Negative balance on account of trade in goods, services and transfer
 (d) Foreign exchange payments on account of invisible items are in excess over the receipts of invisible items.
141. "India's trade deficit with China dips to \$48.66 billion in 2019-20." _____ in imports from China has caused this.
 (a) Increase (b) Decrease (c) No change (d) None of the above
142. How much was the Imports of goods from China in 2018-19?
 (a) \$53.56 billion (b) \$34.66 billion (c) \$48.66 billion (d) \$72.46 billion
143. "Chinese FDI has dipped to \$163.78 million in 2019-20 from \$229 million in the previous fiscal." What will be its impact on BOP position of India?
 (a) Favorable BOP position (b) Adverse BOP position
 (c) BOP equilibrium (d) None of the above

Read the following passage and write answers of Q144–Q147

India's current account balance posted a marginal surplus of USD 0.6 billion (0.1% of GDP) in the Jan-Mar quarter 2020, as against a deficit of USD 4.7 billion in Jan-Mar 2019 and USD 2.6 billion in the previous quarter. It is noteworthy that this is the first quarterly current account surplus since the Jan-Mar quarter of 2007. It is primarily on account of lower trade deficit at USD 35 billion and a rise in net invisible receipts (which includes services, primary and secondary income) at USD 35.6 billion. The lower trade deficit is a result of the sharp decline in demand at both the national and international levels following the implementation of COVID-19 lockdowns and a fall in global crude oil prices since the beginning of this year. In the financial account, net foreign direct investment at USD 12 billion was higher than USD 6.4 billion in Jan-March quarter 2019. On the portfolio investment side, there was a net outflow of USD 13.7 billion compared to USD 9.4 billion inflow the same quarter last year on account of money being pulled out from both debt and equity markets. A surplus at both current and capital account has resulted in a forex reserve accretion of USD 18.8 billion in the Jan-Mar quarter 2020.

144. Current Account of BOP account records only exports and imports of Goods and Services only.
 (a) True (b) False (c) Can't say (d) None
145. Current Account Surplus arises when credit items are _____ debit items
 (a) Less than (b) Equal to (c) More than (d) All the above
146. Foreign Direct Investment from abroad are recorded on the:
 (a) Credit side of Current Account (b) Debit side of Current Account
 (c) Credit side of Capital Account (d) Debit side of Capital Account
147. Current Account is a _____ concept.
 (a) Stock (b) Flow (c) Both (d) Can't say

Read the following passage and write answers of Q148–Q151

Foreign Exchange Rate is the price of one currency in terms of another. It links the currencies of different countries and enables comparison of international costs and prices. People demand foreign exchange because: (i) They want to purchase goods and services, (ii) They want to send gifts abroad (iii) They want to purchase financial assets Rise in price of foreign exchange will increase the cost(in terms of rupees) of purchasing a foreign good. This reduces demand for imports and hence demand for foreign exchange also decreases, other things remaining constant.

148. Which of the following is not a source of demand of foreign exchange?
(a) Export of goods and services (b) Import of goods and services
(c) Foreign travel (d) Higher studies abroad
149. Increase in exchange rate implies that the price of foreign currency in terms of domestic currency has increased. This is called _____ of domestic currency.
(a) Depreciation (b) Appreciation (c) Devaluation (d) Revaluation
150. _____ exchange rate is determined by the market forces of demand and supply.
(a) Fixed exchange rate (b) Managed floating exchange rate
(c) Flexible exchange rate (d) None of the Above
151. Flexible Exchange Rate System is also known as:
(a) Pegged Exchange Rate System (b) Dirty Floating
(c) Floating Exchange Rate (d) Both (b) and (c)

Read the following passage and write answers of Q152–Q154

The lower trade deficit is a result of the sharp decline in the demand at both the national and international level following the implementation of Covid-19 lockdowns. In the financial account net foreign direct investment at USD 12 billion was higher than USD 6.4 billion in January- March quarter 2019. On the portfolio investment side there was a net outflow of USD 13.7 billion compared to USD 9.4 billion inflow the same quarter last year on account of money being pulled out from both debt and equity markets. A surplus at both current and capital account has resulted in a forex reserve accretion of USD 18.8 billion in the January-March quarter 2020.

152. Trade deficit means:
(a) Exports of goods are less than imports of goods
(b) Exports of goods and services are more than imports of goods and services
(c) Exports of goods are more than imports of goods
(d) None of these
153. Foreign direct investment from abroad are recorded on the:
(a) Credit side of Current account (b) Debit side of Current account
(c) Credit side of Capital account (d) Debit side of Capital account
154. Identify the correct statement.
(a) Current account records those transactions which does not affects assets or liabilities of the government
(b) Capital account records those transactions which affects assets or liabilities of the government.
(c) Both (a) and (b) (d) None of these

Read the following passage and write answers of Q155–Q157

India's current account balance posted a marginal surplus of USD 0.6 billion (0.1% of GDP) in the Jan-Mar quarter 2020, as against a deficit of USD 4.7 billion in Jan-Mar 2019 and USD 2.6 billion in the previous quarter. It is noteworthy that this is the first quarterly current account surplus since the Jan-Mar quarter of 2007. It is primarily on account of lower trade deficit at USD 35 billion and a rise in net invisible receipts (which includes services, primary and secondary income) at USD 35.6 billion. The lower trade deficit is a result of the sharp decline in demand at both the national and international levels following the implementation of COVID-19 lockdowns and a fall in global crude oil prices since the beginning of this year. In the financial account, net foreign direct investment at USD 12 billion was higher than USD 6.4 billion in Jan-March quarter 2019. On the portfolio investment side, there was a net outflow of USD 13.7 billion compared to USD 9.4 billion inflow the same quarter last year on account of money being pulled out from both debt and equity markets. A surplus at both current and capital account has resulted in a forex reserve accretion of USD 18.8 billion in the Jan-Mar quarter 2020.

155. Current Account Surplus arises when credit items are _____ debit items
 (a) Less than (b) Equal to (c) More than (d) All the above
156. Foreign Direct Investment from abroad are recorded on the:
 (a) Credit side of Current Account (b) Debit side of Current Account
 (c) Credit side of Capital Account (d) Debit side of Capital Account
157. Current Account is a _____ concept.
 (a) Stock (b) Flow (c) Both (a) and (b) (d) All the above

Read the following passage and write answers of Q158–Q161

India's foreign exchange reserves have jumped by \$100 billion in 10 months to a record high of \$534.5 billion. The rise has been led by strong foreign fund inflows recently and decline in import bill due to dip in crude oil prices and trade impact following COVID-19 pandemic. Reduced imports of gold also cut down India's import bill.

158. Import of Petroleum from Iran will be mentioned :
 (a) Credit side of Capital Account (b) Debit side of Capital Account
 (c) Credit side of Current Account (d) Debit side of Current Account
159. Increase in import duty of gold will lead to :
 (a) Reduction in import of gold (b) Import of gold will increase
 (c) No effect on import of gold (d) Outflow of foreign exchange
160. India's foreign exchange reserves has jumped high. The reason may be
 (a) Inflow of foreign exchange (b) Outflow of Foreign Exchange
 (c) autonomous payment over autonomous receipt (d) All of the Above
161. _____ leads to a rise in supply of foreign currency.
 (a) Devaluation (b) Revaluation (c) Both (a) and (b) (d) All of the Above

ANSWERS

Multiple Choice Questions

1. (c) 2. (a) 3. (c) 4. (d) 5. (a) 6. (b) 7. (a) 8. (a) 9. (a) 10. (d)
 11. (c) 12. (a) 13. (b) 14. (b) 15. (a) 16. (c) 17. (a) 18. (b) 19. (c) 20. (b)
 21. (a) 22. (d) 23. (a) 24. (d) 25. (a) 26. (c) 27. (d) 28. (b) 29. (c) 30. (a)
 31. (a) 32. (a) 33. (b) 34. (b) 35. (a) 36. (b) 37. (a) 38. (a) 39. (c) 40. (a)
 41. (b) 42. (b) 43. (a) 44. (d) 45. (d) 46. (a) 47. (d) 48. (c) 49. (a) 50. (a)
 51. (a) 52. (d) 53. (a) 54. (a) 55. (b) 56. (a) 57. (c) 58. (b) 59. (b) 60. (c)
 61. (a) 62. (a) 63. (a) 64. (a) 65. (a) 66. (d) 67. (c) 68. (c) 69. (a) 70. (d)
 71. (a) 72. (d) 73. (a) 74. (c) 75. (a) 76. (c) 77. (d) 78. (a) 79. (a) 80. (d)
 81. (d) 82. (d) 83. (c) 84. (a) 85. (c) 86. (b) 87. (b) 88. (d) 89. (b) 90. (c)
 91. (a) 92. (b) 93. (b) 94. (b) 95. (a) 96. (d) 97. (a) 98. (b) 99. (b) 100. (a)
 101. (a) 102. (a) 103. (b) 104. (c) 105. (d) 106. (b) 107. (b) 108. (c) 109. (d) 110. (c)
 111. (d) 112. (b) 113. (c) 114. (d) 115. (b) 116. (a) 117. (b) 118. (c) 119. (a) 120. (c)
 122. (a) 122. (b) 123. (c) 124. (b)

Input Text Based MCQs

125. (b) 126. (a) 127. (a) 128. (c) 129. (a) 130. (a) 131. (a) 132. (a) 133. (a) 134. (a)
 135. (a) 136. (d) 137. (a) 138. (c) 139. (c) 141. (b) 141. (b) 142. (d) 143. (a) 144. (b)
 145. (c) 146. (c) 147. (b) 148. (a) 149. (a) 150. (c) 151. (d) 152. (a) 153. (c) 154. (c)
 155. (a) 156. (c) 157. (b) 158. (c) 159. (a) 160. (a) 161. (a)

