

UNIVERSITY OF CALICUT
B.COM
VI SEMESTER CUCBCSS 2014 AD
FOREIGN EXCHANGE MANAGEMENT
(BANKING AND INSURANCE SPECIALIZATION)

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QUESTION BANK AND ANSWER KEY

1. Markets in which derivatives are traded are classified as
 - A. Assets backed market
 - B. Cash flow backed markets
 - C. Mortgage backed markets
 - D. Derivative securities markets
2. Situation in which large portion of majority is borrowed from broker of investor is classified as
 - A. Future investment
 - B. Forward investment
 - C. Leveraged investment
 - D. Non leveraged investment
3. Type of contract which involves future exchange of assets at a specified price is classified as
 - A. Future contracts
 - B. Present contract
 - C. Spot contract
 - D. Forward contract
4. Packing Credit can be allowed in excess of the Export value, in which of the following circumstances:
 - A. Where by-product can be exported
 - B. Where partial domestic sale is involved
 - C. Export of de-oiled/defatted cakes
 - D. Any of the above.
5. Type of unit which guarantees that all buying and selling will be made by traders of exchange is called
 - A. Trading house

- B. Guarantee house
 - C. Clearing house
 - D. Professional house
6. Foreign Exchange rates in India are determined by:
- A. Finance Ministry
 - B. RBI
 - C. FEDAI
 - D. Market forces of demand/supply
7. Who regulates the foreign trade in India.
- a. RBI
 - b. DGFT
 - c. FEDAI
 - d. SEBI
8. Foreign Currency Non-Resident (Banks) account can be opened in the name of the following:
- a. Non-resident Indian
 - b. Person of Indian origin
 - c. Overseas Corporate Bodies
 - d. Both a and b
9. Withdrawal of foreign Exchange by a person in India is not permitted in respect of which of the following:
- a. Transactions with persons resident in Nepal and Bhutan
 - b. Travel to Nepal and Bhutan
 - c. Transactions given in Schedule 1 of FEMA
 - d. All the above.
10. Which of the following methods is applied for quoting the foreign exchange rates in india?
- a. Cross rates
 - b. Direct rate
 - c. Indirect rate
 - d. Buying rate
 - e. Selling rate
11. Overseas corporate bodies means:
- A. 50% by NRIs and balance by resident indians.
 - B. 60% by NRIs irrespective of balance holdings
 - C. 70% by NRI
 - D. 60% by NRIs and balance by Government
12. Example of derivative securities is
- A. Return backed security
 - B. Mortgage backed security
 - C. Cash flow backed security
 - D. Interest backed security
13. Maintaining a foreign currency account is helpful to

- A. Avoid transaction cost.
 - B. Avoid exchange risk.
 - C. Avoid both transaction cost and exchange risk.
 - D. Avoid exchange risk and domestic currency depreciation
14. India's foreign exchange rate system is?
- A. Free float
 - B. Managed float
 - C. Fixed
 - D. Fixed target of band
15. An exporter is categorised as an Star Export House, if the export performance / turnover in atleast 2 out of 4 years is around:
- A. Rs.20 Crore
 - B. Rs. 500 Crores
 - C. Rs.100 Crores
 - D. Rs. 2500 Crores
 - E. Rs.7500 Crores
16. The Outstanding Export bills are to be reported to RBI at:
- A. Half yearly intervals at June and December
 - B. Half yearly intervals at March and September
 - C. Quarterly intervals at the end of the quarter
 - D. Fortnightly basis on 15th and last day of the month
17. An EEFC account will be opened as:
- A. Savings Bank account
 - B. Current Account
 - C. FD/KD accounts
 - D. SB/CA /FD/KD accounts
18. Under Whole-turnover packing Credit policy covered with ECGC i.e., ECIB-WTPC, the percentage of cover for MSME accounts:
- A. 75% up to Grade percentage limit
 - B. 55% to 75% depending on the Claim percentage
 - C. 90% of the limit
 - D. 65% of the limit
19. Hedging transaction is indicated by
- A. Transactions in odd amounts
 - B. Presentation of documentary support.
 - C. Frequency of such transactions.
 - D. None of the above.
20. The time limit for settlement of Usance import payment for capital goods is:
- A. Maximum 6 months from the date of shipment.
 - B. Maximum 12 months from the date of shipment
 - C. Maximum up to the period less than 3 years.
 - D. Maximum 6 months from the date of documents.
21. Authorised Dealers may approve trade credits per import transaction up to :
- A. USD 1 Million

- B. USD 10 million
- C. USD 20 million
- D. USD 1 billion

22. The Pre- shipment Credit in Foreign Currency will be available for the maximum period of :

- A. 90 days
- B. 180 days
- C. 270 days
- D. 360 days

23. If all the terms and conditions are given on the bill of lading document itself is called as:

- A. Clean bill of lading
- B. Long form bill of lading
- C. Short form bill of lading
- D. Straight bill of lading.

24. The bill of lading that covers the entire voyage covering several modes of transport are called as:

- A. Straight bill of lading
- B. Chartered party bill of lading
- C. Through Bill of lading
- D. Claused Bill of lading

25. Any Bill of lading is safe for negotiation purposes if

- A. It acknowledges that the goods have been put on board of the shipment.
- B. No superimposed clause or notation that expressly declares the defective condition of the goods
- C. It is an acknowledgement that the goods have been received by the ship owners for shipment.
- D. Both a and b
- E. None of the above

26. In case of usance bills, the Normal Transit period (NTP) as prescribed by FEDAI is

- A. 5 days
- B. 15 days
- C. 25 days
- D. 3 days

27. The exporter should necessarily submit the export documents to the bank within:

- A. 15 days from the date of the documents
- B. 15 days from the date of shipment
- C. 21 days from the date of the documents
- D. 21 days from the date of shipment

28. When the seller place the goods at the side of the ship at named port and also clear the goods for Export, which of the terms will be used :

- A. FCA- Free Carrier

- B. FOB – Free on Board
- C. FAS – Free Alongside Ship
- D. DAP – Delivery at Place

29. The acronym SWIFT stands for

- A. Safety Width In Financial Transactions.
- B. Society for Worldwide International Financial Telecommunication.
- C. Society for Worldwide Interbank Financial Telecommunication.
- D. Swift Worldwide Information for Financial Transaction.

30. Balance of Trade means:

- A. Net position of capital account
- B. Current account balance
- C. Imports less exports
- D. Exports less imports

31. A contract which affords adequate protection to an exporter or an importer against exchange risk is :

- A. Hedging
- B. Guarantee
- C. Letter of Credit
- D. Forward Contract

32. The Balance in hand at the close of the day is:

- A. Short position
- B. Long position
- C. Over night position
- D. Day light position

33. The banks which may purchase or sell foreign currency in different markets to take advantages of the rate differentials is called:

- A. Hedging
- B. SWAP
- C. Arbitrage
- D. Cover deal

34. A person does a transaction with Spot value on 8th January 2016(Friday), then the settlement will be done on :

- A. 9th January, 2016
- B. 11th January, 2016
- C. 12th January, 2016
- D. On the same day

35. Which of the following can remit up to USD 250000, under RBI's Liberalised Remittance scheme

- A. All resident individuals
- B. Resident companies
- C. All NRIs
- D. Resident partnership firms
- E. Resident HUFs and Trusts

36. The visits by a resident Indian to which of the following countries are not eligible for obtaining foreign exchange under forex facilities to residents:

- A. All SAARC countries
- B. All EEC countries
- C. All CIS countries
- D. Iraq and Libya
- E. Nepal and Bhutan

37. For an amount up _____, the proof of imports such as exchange control copy of bill of entry is not required:

- A. USD 10000
- B. USD 25000
- C. USD 50000
- D. USD 100000

38. General permission is available to any resident individual to surrender received / realised / unspent forex within a period of

- A. 60 days
- B. 90 days
- C. 180 days
- D. No time limit

39. Any resident Indian can hold Indian rupees during their travel abroad up to:

- A. Rs.7500
- B. Rs.10000
- C. Rs.25000
- D. No limit

40. What is the maximum amount of remittance that AD banks can make for import payment where documents are directly received by importers:

- A. USD 25000
- B. USD 100000
- C. USD 200000
- D. USD 300000

41. An exporter received advance against export supply can accept the advance and pay maximum interest rate of:

- A. BPLR
- B. BPLR + 100 bps
- C. LIBOR
- D. LIBOR + 100 bps

42. Indirect rate in foreign exchange means

- A. The rate quoted with the units of home currency kept fixed.
- B. The rate quoted with units of foreign currency kept fixed.
- C. The rate quoted in terms of a third currency.
- D. None of the above.

43. The maxim 'buy low; sell high' is applicable for

- A. Quotation of Pound-Sterling.
- B. Indirect rates.
- C. Direct rates.
- D. US Dollars.

44. Which of the following is NOT a capital account transaction?

- A. Investment in foreign securities.
- B. Transfer of immovable property outside India
- C. Export and import in to India
- D. Raising foreign currency loans in India and abroad.

45. The foreign exchange can be released as Currency notes / Coins up to :

- A. USD 3000
- B. USD 5000 or its equivalent in case of Iraq and Libya
- C. No ceiling in case of Iran, Russian Federation, and other republics of commonwealth of independent countries
- D. All the Above

46. In case of direct quotation of rate, which is true?

- A. Foreign Currency is variable
- B. Foreign currency is static
- C. Indian currency is static
- D. None of the above

47. Which is false in case of foreign exchange remittances under Liberalised Remittance Scheme?

- A. Remittance for any purpose specifically prohibited under Schedule-1 of FEMA
- B. Remittances made to Bhutan, Nepal, Mauritius or Pakistan
- C. Remittances can be made by any Resident Corporate, Partnership firms, hufs, Trusts etc.
- D. It is mandatory to have PAN number to make remittances

48. While quoting the rates, the banks take into account the time factor i.e how much is going to be taken to get the purchased currency credited to the NOSTRO account abroad. This date is known as:

- A. Cash date
- B. Spot date
- C. Forward Date
- D. Value date

49. Foreign Currency Non Repatriable deposits can be opened as Term deposit for the period:

- A. Minimum 15 days, Maximum 10 years
- B. Minimum 1 year, Maximum 5 years
- C. Minimum 1 year 1 day, Maximum 2 years
- D. Minimum 1 year, Maximum 10 years

50. The NRE/ NRO accounts can be opened by NRI/PIO as a joint accounts with close relatives who are resident Indian under _____ condition:

- A. Either or Survivor
- B. Jointly

- C. Former or Survivor
- D. No conditions apply

51. Which is true in NRO Account:

- A. Any person who are resident can open the account.
- B. Any person resident in Nepal and Bhutan can open.
- C. Additional preferential interest rate for staff deposit not available.
- D. No restriction in repatriation of funds from NRO accounts.

52. India is facing continuous deficit in its balance of payments. In the foreign exchange

Market rupee is expected to

- A. Depreciate.
- B. Appreciate.
- C. Show no specific tendency.
- D. Depreciate against currencies of the countries with positive balance of payment and Appreciate against countries with negative balance of payment.

53. SIBOR means

- A. Symbolic inter-bank offered rate
- B. Srilanka Inter-bank Offered rate
- C. Singapore Inter-bank offered rate.
- D. Systematic Inter-bank offered rate.

54. The rate that Indian Banks and other derivative market participants use as a benchmark for setting prices on forward rate agreements and interest rate derivatives:

- A. London Inter-bank offered rate [LIBOR]
- B. Mumbai inter-bank offered rate [MIBOR]
- C. Mumbai Inter-bank Forward Offered rate [MIFOR]
- D. Euro Inter-bank offered rate [EURIBOR]

55. The effect of speculation on exchange rate is

- A. It causes violent fluctuations in exchange rate.
- B. It aggravates the market trends.
- C. Either or both of A and B.
- D. Neither A nor B.

56. The demand for domestic currency in the foreign exchange market is indicated by the following transactions in balance of payment

- A. Export of goods and services
- B. Import of goods and services.
- C. Export of goods and services and capital inflows.
- D. Import of goods and services and capital outflows.

57. Which of the following is most preferred Letter of Credit for an exporter:

- A. Revocable
- B. Irrevocable and red clause
- C. Irrevocable, confirmed and without recourse
- D. Confirmed and standby

58. Letter of Credit issued in lieu of bank guarantee, is called:

- A. Red clause LC
- B. Green Clause LC
- C. Standby LC
- D. Revolving LC

59. Transferable Letter of credits can be transferred:

- A. Any number of times
- B. Only once
- C. 2 times
- D. 5 times

60. The statutory authority which administers the Exchange Control in India:

- A. Ministry of commerce
- B. DGFT
- C. FEDAI
- D. RBI
- E. FEMA

61. In foreign Exchange transaction, which of the following is the basic buying rate:

- A. Bills Buying rate
- B. TT Buying rate
- C. FC buying rate
- D. Direct rate
- E. Inter bank rate

62. If PPP holds

- A. The nominal exchange rate will not change.
- B. The real exchange rate will not change.
- C. Both real and nominal exchange rates will not change.
- D. Both real and nominal exchange will move together

63. In respect of sale or purchase of foreign exchange, the following principal would be followed in direct rate:

- A. Buy high
- B. Sell low
- C. Buy low, sell high
- D. Buy high, sell low

64. The forward US dollar is quoted at premium against Indian Rupees. This implies

- A. Money market rates are higher in India than in the US.
- B. Money market rates are lower in India than in the US.
- C. Market yield is higher in US than in India.
- D. Dollar has a better value than Indian Rupee.

65. R-Return refers to returns concerning_____:

- A. ALM Position
- B. CRR maintenance position
- C. NPA/SWL position
- D. Foreign Exchange transactions

66. Determination of forward rates is explained by

- A. Uncovered interest arbitrage.
- B. Purchasing power parity theory.
- C. Demand and Supply for spot currency.
- D. None of the above.

67. According to International Fisher Effect

- A. Forward Premium for a currency indicates its depreciation in future.
- B. Forward Premium for a currency indicates its appreciation in future.
- C. Forward Rates and spot rates are not linked
- D. Forward Rates are based on expected future spot rates.

68. The forward sale or purchase of foreign currency to reduce the exchange risk exposure connected with the assets or liabilities denominated in Foreign currency is called:

- A. Hedging
- B. Squaring
- C. Brokering
- D. Spreading

69. What is the maximum amount that can be deposited in Exchange Earners Foreign Currency account:

- A. 25% of the exchange earned
- B. 50% of the exchange earned
- C. 75% of the exchange earned
- D. 100% of the exchange earned

70. The gap between the buying rate and selling rate of a currency is called:

- A. Bid-ask spread
- B. Dealer's margin
- C. Dealer's spread
- D. Exchange margin

71. When a dealer purchases more of a currency and is unable to dispose off it, the bank is exposed to:

- A. Loss
- B. Exchange risk
- C. Over sold position
- D. Dealing risk

72. Cash and carry arbitrage explains the determination of

- A. Forward Rates for currencies.
- B. Spot rates for currencies.
- C. Both forward and spot rates for currencies.
- D. Penalty for non-execution of forward contracts.

73. The bank which undertakes the responsibility of payment by the issuing bank and on his failure to pay is called:

- A. Negotiating bank

- B. Confirming bank
- C. Reimbursing bank
- D. Advising bank

74. Any LC which permits the advances for storage of goods in a warehouse in addition to pre-shipment advance is called as:

- A. Back to back LC
- B. Standby LC
- C. Green Clause LC
- D. Red clause LC

75. Any LC is the one that can be cancelled or amended at any time without giving prior notice to the knowledge of the beneficiary is called:

- A. Red Clause LC
- B. Stand by LC
- C. Revocable LC
- D. Irrevocable LC

76. LIBOR is:

- A. The interest rate commonly charged for loans between banks.
- B. The average inflation rate in European countries.
- C. The maximum loan rate ceiling on loans in the international money
- D. The maximum interest rate offered on bonds that are issued in London.

77. Any Resident individuals with actual forex exposures are allowed to book forward contracts upto _____ on declaration, subject to certain conditions:

- A. USD 10000
- B. USD 100000
- C. USD 200000
- D. USD 250000
- E. USD 300000

78. In case of Foreign Currency Non- Resident(Banks) account, the ceiling of Interest rate for the term deposits of 3 to 5 years are :

- A. LIBOR + 50 bps
- B. LIBOR+ 200 BPS
- C. LIBOR + 400 bps
- D. No limit at all

79. The margin for a currency future should be maintained with the clearinghouse by

- A. The buyer.
- B. The seller.
- C. Both the buyer and the seller.
- D. Either the buyer or the seller as per the agreement between them.

80. Any forex remittances with relates to Cultural tour as per the Schedule II of FEMA should obtain permission from which ministry for release of forex:

- A. Ministry of finance
- B. Ministry of HRD
- C. Ministry of surface transport

D. Ministry of Information and Broadcasting

81. Which of the following is true with regard to borrowings in Foreign Currency from Close relatives outside India.

- A. The borrowing sum not to exceed USD 250000 or its equivalent from his close relatives outside india
- B. Minimum maturity period of the loan is one year
- C. Loan is free of interest
- D. Amount of loan is received by inward remittance in free forex through normal banking channels or by debit to NRE/FCNR account of a non-resident lender.
- E. All the above

82. The marking to market in respect of a currency future refers to

- A. Putting up for sale specific lot of futures.
- B. Adjusting the margin money of buyer and seller to reflect the current value of futures
- C. Quoting rates for different maturities.
- D. Allotting futures among different brokers.

83. Currency declaration form is a declaration given to custom authorities while entering India by any person if:

- A. Aggregate value of Foreign exchange in the form of Currency notes, tcs, exceeds USD 10000 or equivalent
- B. Aggregate Value of Foreign Currency notes exceeds USD 5000 or its equivalent
- C. Both a and b
- D. None of the above

84. The All-in-Cost ceilings for External Commercial Borrowings for the maturity period of Three years and up to five years is:

- A. 6 months LIBOR Plus 200 bps
- B. 6 months LIBOR plus 350 bps
- C. 6 months LIBOR plus 500 bps
- D. 6 months LIBOR plus 600 bps

85. In an export business, if the Agggregate Free On Board value during the current and Previous 3 years exceeds Rs.7500 Crores, then the export enjoys the facility of :

- A. Export house
- B. Star Export house
- C. Premium Export house
- D. Trading house
- E. Star Trading house

86. For the balance kept in the margin account for futures

- A. Interest is paid at riskless rate.
- B. Interest is paid at LIBOR rate
- C. Interest is paid for the surplus over the required minimum.
- D. No interest is paid.

87. A feature of currency option that distinguishes it from other derivatives is

- A. It carries premium to be paid up front.

- B. It is optional to enter into the contract.
- C. The buyer has only right, but no obligation to execute the contract
- D. The seller has the right, but no obligation to execute the contract.

88. The following statement with respect to currency option is wrong

- A. Call option will be used by exporters.
- B. Put option gives the buyer the right to sell the foreign currency.
- C. Foreign currency- Rupee option is available in India.
- D. An American option can be executed on any day during its currency.

89. Pre-shipment Credit in Foreign Currency is allowed at _____ related interest rates:

- A. LIBOR
- B. SIBOR
- C. EURIBOR
- D. MIBOR

90. For contingency exposure of foreign exchange, the best derivative that can be used To hedge is

- A. Forwards.
- B. Futures.
- C. Options.
- D. Swaps.

91. Custom office returns to the exporter, which copy of the export declaration form:

- A. Trade control copy
- B. Currency control copy
- C. Exchange control copy
- D. Foreign control copy

92. The strike price under an option is

- A. The price at which the option is auctioned
- B. The exchange rate which the currencies are agreed to be exchanged under the Contract
- C. Lower of the market price and the agreed price
- D. None of the above

93. A foreign national on a 3 months visit to India wants to open a bank account:

- A. He cannot be allowed to open any account
- B. He can open any type of account that he need of
- C. He can open an NRE account
- D. He can open a NRO account
- E. Account can be opened only with RBI Permission

94. An option at-the-money when

- A. The strike price is greater than the spot price, in the case of a call option.
- B. The strike price is greater than spot price, in the case of a put option.
- C. The option has a ready market.
- D. The strike price and the spot price are the same.

95. Shipment date in a letter of credit is stipulated as “ in the beginning of the month”. The expression means that the shipment can take place during:
- A. 1st week of the month
 - B. 1st three days of the month
 - C. 1st ten days of the month
 - D. None of the above.
96. For advising / transfer of Export Letter of credits to Non-customer, the service charges collected are:
- A. Rs. 1000/- per ELC
 - B. Rs.750/- per ELC
 - C. Rs.1500/- per ELC
 - D. No charges to be collected
97. Where an option is out of the money
- A. The premium will be refunded to the buyer.
 - B. The buyer is unable to take up the contract
 - C. The seller gains to the extent of the premium received.
 - D. No further purchase by the buyer is permitted.
98. Banks permitted to run option book is required to fulfill the condition of
- A. Continuous profit for at least three years.
 - B. Minimum CRAR of 9%.
 - C. Minimum net worth of Rs.200 crores.
 - D. All the above.
99. Zero coupon swap is an arrangement
- A. Involving exchange of zero coupon bonds.
 - B. Whereby only one party makes payment periodically.
 - C. Whereby one of the counter-parties makes payment in lump sum instead of Periodically.
 - D. None of the above.
100. The acronym CIRCUS stands for
- A. Current Interest Rate Swap.
 - B. Circular Currency Swap.
 - C. Combined Income Range Currency Swap.
 - D. Combined Interest Rate and Currency Swap.
101. In the foreign exchange market, the _____ of one country is traded for the _____ of another country.
- A) currency; currency
 - B) currency; financial instruments
 - C) currency; goods
 - D) goods; goods
102. By definition, currency appreciation occurs when
- A) The value of all currencies fall relative to gold.
 - B) The value of all currencies rise relative to gold.

- C) The value of one currency rises relative to another currency.
- D) The value of one currency falls relative to another currency.

103. The swap arrangement where principal amounts are not exchanged, but periodical payments will be a

- A. Currency swap
- B. Cross currency interest swap
- C. Interest rate swap.
- D. Non-Financial swap.

104. Hedging with options is best recommended for

- A. Hedging receivables.
- B. Hedging payables.
- C. Hedging contingency exposures.
- D. Hedging foreign currency loans

105. A firm operating in India cannot hedge its foreign currency exposure through

- A. Forwards.
- B. Futures.
- C. Options.
- D. None of the above.

106. Foreign currency exposures can be avoided by

- A. Entering into forward contracts.
- B. Denominating the transaction in domestic currency.
- C. Exposure netting
- D. Maintaining foreign currency accounts.

107. Leading refers to

- A. Advancing of receivables.
- B. Advancing of payables.
- C. Advancing payments either receivables or payables.
- D. Advancing of receivables and delaying of payables.

108. Economic exposure does not deal with

- A. Changes in real exchange rates.
- B. Future cash flow of the firm
- C. Expected exchange rate changes.
- D. None of the above.

109. The _____ refers to the orderly relationship between spot and forward Currency exchange rates and the rates of interest between countries.

- A. One-price rule
- B. Interest-rate parity
- C. Purchasing-power parity
- D. Exchange-power parity

110. The _____ is especially well suited to offer hedging protection against Transactions risk exposure.

- A. Forward market
- B. Spot market
- C. Transactions market
- D. Inflation-rate market

111. A multinational company that is faced with mild interference up to complete confiscation of all assets is encountering_____.

- A. Translation risk exposure
- B. Transactions risk exposure

C. Political risk exposure

D. A very bad day

112. Which of the following is not an example of an international trade draft?

A. Time draft.

B. Sight draft.

C. Both the first and second answers are correct

D. Usance draft

113. A group of European countries have formed a union and created a common Currency known as _____.

A. The EU currency

B. The European Union

C. The EMU

D. The Euro

114. The forward exchange rate _____.

A. Is the rate today for exchanging one currency for another for immediate delivery

B. Is the rate today for exchanging one currency for another at a specific future date

C. Is the rate today for exchanging one currency for another at a specific location on a specific future date

D. Is the rate today for exchanging one currency for another at a specific location for immediate delivery

115. The spot exchange rate _____.

A. Is the rate today for exchanging one currency for another for immediate delivery

B. Is the rate today for exchanging one currency for another at a specific future date

C. Is the rate today for exchanging one currency for another at a specific location on a specific future date

D. Is the rate today for exchanging one currency for another at a specific location for immediate delivery

116. The World Bank Group is made up of how many organisations?

A. 3

B. 5

C. 8

D. 10

117. The most liquid asset among the following is?

A. Gold

B. Share

C. Cash

D. Land

118. The system operated by the WTO is known as the

A. Multilateral trading system

B. Bilateral trading system

C. Ratified system

D. Ungratified system

119. The price at which a market maker is prepared to buy (a currency) or borrow (money) is termed as

A. Spot rate

B. Bid rate

C. Ask price

D. Forward rate

120. A deposit or borrowing domiciled outside the home country of the currency is called as
- A. Foreign bond
 - B. Euro bond
 - C. Euro currency
 - D. Domestic bond
121. The price at which a market maker is prepared to sell (a currency) or lend (money)
- A. Forward rate
 - B. Sport rate
 - C. Bid rate
 - D. Offer rate
122. Bretton woods agreement arrived at in
- A. July 1994
 - B. July 1954
 - C. June 1960
 - D. June 1964
123. A contract that gives the buyer the right to buy commodity or a foreign currency from the seller at a fixed price is called as
- A. Put option
 - B. Call option
 - C. Cross option
 - D. Currency swap
124. CIF stands for
- A. Cost, interest, freight
 - B. Cost, income, freight
 - C. Cost, insurance, freight
 - D. Customs, insurance, freight
125. The market where long term securities (shares, bonds, etc) are bought and sold is called as
- A. Money market
 - B. Capital market
 - C. Primary market
 - D. Secondary market
126. _____ is a process of taking advantage of differentials in interest rates of two currencies while eliminating exchange risk.
- A. Hedging
 - B. Insurance
 - C. Covered – Interest Arbitrage
 - D. Exposure
127. Quotation where the price of one unit of foreign currency is given in terms of local currency units is called as
- A. Indirect quotation
 - B. Direct quotation
 - C. Open-ended quotation
 - D. Close – ended quotation
128. FOB stands for
- A. Freight on board
 - B. Free on board
 - C. Flexible on board

D. Future on board

129. Difference between buying and selling rates in an exchange rate or interest rate quotation is known as

A. Strike price

B. Spread

C. Swap points

D. Spot rate

130. The price which one subsidiary or one unit of business charges from another for selling goods or providing services is

A. Transfer price

B. Strike price

C. Spot price

D. Forward rate

131. The bond that does not pay any interest and issued at a price lower than its Reimbursement value is called as

A. Zero coupon bond

B. Coupon bond

C. Euro bond

D. Domestic bond

132. International Development Association established in

A. 1970

B. 1962

C. 1960

D. 1958

133. International Finance Corporation established in

A. 1956

B. 1960

C. 1966

D. 1970

134. _____ means using short-term forward contracts to offset “paper” gains and losses on the long-term assets and liabilities of foreign subsidiaries.

A. Hedging transaction exposure

B. Hedging balance-sheet exposure

C. Hedging economic exposure

D. Hedging cost exposure

135. Which exchange rate theory focuses on the inflation – exchange rate relationship?

A. Interest rate parity

B. International Fisher Effect

C. Purchasing power parity

D. Traditional Model

136. The exchange rate prevailing at a financial reporting date

A. Closing exchange rate

B. Opening exchange rate

C. Fixed exchange rate

D. Fluctuating exchange rate

137. The bank account of a non-resident of a country, where the amount of currency in the account cannot be transferred to another country is called as

A. Nostro account

B. Blocked Account

- C. Foreign account
 - D. Capital account
138. Agreement to exchange one currency for another at a specified exchange rate and date is
- A. Currency swap
 - B. Swap points
 - C. Currency put option
 - D. Currency call option
139. A foreign currency account maintained by a bank abroad is its
- A. Nostro account
 - B. Vostro account
 - C. Loro account
 - D. Foreign bank account
140. The number of nostro accounts that can be maintained by a bank in a particular currency is
- A. One
 - B. Not exceeding three
 - C. Minimum two
 - D. No such limit
141. Full fledged money changers are authorized to undertake
- A. Only sale transactions
 - B. Only purchase transactions
 - C. All types of foreign exchange transactions
 - D. Purchase and sale of foreign currency notes, coins and travelers cheques
142. The abbreviations SDR stands for
- A. Special Drawing Rights
 - B. Specific Drawing Rights
 - C. Special Depository Rules
 - D. Specific Depository Rules
143. The value of SDR is
- A. Equivalent to one US dollar
 - B. Based on value of gold
 - C. Average of the value of US dollar and Euro
 - D. Based on basket of five currencies
144. IBRD lending is not available for
- A. Middle income countries
 - B. Low income countries
 - C. Multilateral agencies
 - D. Developed countries
- 145 . A country has a negative balance of trade. It means the balance of payments on Current account
- A. Should also be negative
 - B. Should be positive
 - C. May be positive or negative
 - D. Should be same as balance of trade
146. The Foreign Trade policy was first introduced in the year:
- A. 1981.
 - B. 1947.
 - C. 1992.
 - D. 2000.

147. The tenure of the Foreign Trade policy is

- A. 3 years.
- B. 5 years.
- C. 1 year.
- D. 7 years.

148. The date of settlement of a foreign exchange transaction is referred to as

- A. Clearing Date
- B. Swap Date
- C. Maturity Date
- D. Value Date

149. Which of the following is not a type of foreign exchange exposure

- A. Tax Exposure
- B. Translation Exposure
- C. Transaction Exposure
- D. Balance Sheet Exposure

150. In a quote exchange rate, the currency that is to be purchase with another currency is called the

- A) liquid currency
- B) foreign currency
- C) local currency
- D) base currency

151. An economist will define the exchange rate between two currencies as the:

- A) Amount of one currency that must be paid in order to obtain one unit of another currency
- B) Difference between total exports and total imports within a country
- C) Price at which the sales and purchases of foreign goods takes place
- D) Ratio of import prices to export prices for a particular country

152. The Purchasing Power Parity should hold:

- A) Under a fixed exchange rate regime
- B) Under a flexible exchange rate regime
- C) Under a dirty exchange rate regime
- D) Always

ANSWERS

1	2	3	4	5	6	7	8	9	10
D	C	D	D	C	D	D	D	D	B
11	12	13	14	15	16	17	18	19	20
B	B	C	B	C	A	B	C	D	C
21	22	23	24	25	26	27	28	29	30
C	D	B	C	D	C	D	C	C	D
31	32	33	34	35	36	37	38	39	40
D	C	C	C	A	E	D	C	C	D
41	42	43	44	45	46	47	48	49	50
D	A	C	C	D	B	C	D	B	C
51	52	53	54	55	56	57	58	59	60
C	A	C	C	C	C	C	C	B	D
61	62	63	64	65	66	67	68	69	70
B	B	C	A	D	D	B	A	D	A
71	72	73	74	75	76	77	78	79	80
B	A	B	C	C	D	D	C	C	B
81	82	83	84	85	86	87	88	89	90
E	B	C	B	C	D	C	A	A	C
91	92	93	94	95	96	97	98	99	100
C	B	D	D	C	C	C	D	C	D
101	102	103	104	105	106	107	108	109	110
A	C	C	C	B	B	C	C	B	A
111	112	113	114	115	116	117	118	119	120
C	C	D	B	A	B	C	A	B	C
121	122	123	124	125	126	127	128	129	130
D	A	B	C	B	C	B	B	B	A
131	132	133	134	135	136	137	138	139	140
A	C	A	B	C	A	B	A	A	D
141	142	143	144	145	146	147	148	149	150
D	A	D	C	C	C	B	D	A	D
151	152								
A	B								