



# INDIAN SCHOOL AL WADI AL KABIR

## DEPARTMENT OF COMMERCE

### BALANCE OF PAYMENT

Question 1.

The price of one currency in terms of another is known as \_\_\_\_\_

- (A) Foreign exchange rate
- (B) Trade rate
- (C) Interest rate
- (D) Balance of Payment

Question 2.

The market where the national currencies are traded for one another is known as \_\_\_\_\_

- (A) Domestic exchange market
- (B) Foreign exchange market
- (C) Bazaar
- (D) Shop

Question 3.

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

Question 4.

Trade of visible items between the countries is known as \_\_\_\_\_

- (A) Balance of Payment
- (B) Balance of Trade
- (C) Deficit Balance
- (D) All of these

Question 5.

When the import and export of visible items are equal, the situation is known as \_\_\_\_\_

- (A) Balance of Trade
- (B) Balance of Payment
- (C) Trade Surplus
- (D) Trade Deficit

Question 6.

When there is a favourable balance of trade?

- (A)  $X > M$
- (B)  $X = M$
- (C)  $X < M$
- (D) None of these

Question 7.

The trade of visible and invisible items is known as \_\_\_\_\_

- (A) Balance of Payments
- (B) Balance of Trade
- (C) Deficit of interest
- (D) Profit

Question 8.

Which one is the king of the exchange rate?

- (a) Fixed Exchange Rate
- (b) Flexible Exchange Rate
- (c) Both (a) and (b)
- (d) None of the above

Question 9.

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

Question 10.

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

Question 11.

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

Question 12.

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

Question 13.

By exchange rate we mean:

- (a) How much local currency we have to pay for a foreign currency
- (b) How much of a foreign currency we have to pay for another foreign currency
- (c) The rate at which foreign currency is bought and sold
- (d) All of these

Question 14.

Balance of Trade =?

- (a) Export of Visible Items – Imports of Visible Items
- (b) Export of both Visible and Invisible Items – Import of both Visible and Invisible Items
- (c) Import of Visible Items – Export of Visible Items
- (d) None of the above

Question 15.

Which items are included in the Balance of Payments?

- (a) Visible Items
- (b) Invisible Items
- (c) Capital Transfers
- (d) All the above

Question 16.

Which one is the item of the Current Account?

- (a) Import of Visible Items
- (b) Expenses of Tourists
- (c) Exports of Visible Items
- (d) All the above

Question 17.

Which one is the item of Capital Account?

- (a) Government Transaction
- (b) Private Transactions
- (c) Foreign Direct Investment
- (d) All the above

Question 18.

The component(s) of Balance of Payment is/are:

- (a) Current Account
- (b) Capital Account
- (c) Both (a) and (b)
- (d) None of these

Question 19.

Which items are included in the balance of trade?

- (a) Invisible Item
- (b) Capital Transfer
- (c) Visible Item
- (d) All of these

Question 20.

Balance of Trade means:

- (a) Capital Transaction
- (b) Import and export of goods
- (c) Total debit and credit
- (d) All the above

## Case Based questions:

**After reading following Report/Case study give answers of the following questions 21 to 23:**

India, which uses 80% of imported crude oil for its requirements, imports around 10% of its crude oil requirement from Iran, the third largest supplier after Saudi Arabia and Iraq.

An agreement had been signed by the Indian and Iranian government on 2 November 2018 for oil payment in rupees and 50% of those funds had been earmarked for exports," according to an Indian government document reviewed by Reuters.

Oil payments are being made in rupees only as against earlier arrangements where there was a ratio of 45% rupees and 55% euros, the document said.

Q.21) \_\_\_\_\_ is the second largest traded currency on the forex market.

- A. US dollar
- B. Indian Rupees
- C. Euro
- D. Yen

Q.22) 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

Q.23) 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

### CBQ: 2

**After reading following Report/Case study give answers from question no.24 to 26.**

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 traders said.

At the interbank foreign exchange market, the local currency opened on a weak note at 74.24 and swung between the day's 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 months,” Mukadam said.

Source: [www.economictimes.com](http://www.economictimes.com)

Q.24) The rupee declined 18 paise means \_\_\_\_\_ of rupee.

- A. Depreciation
- B. Appreciation
- C. Devaluation
- D. Revaluation

Q.25) \_\_\_\_\_ is the system of floating exchange rate with the occasional intervention by the RBI to

influence the float or manage the float.

- A. Managed Managed Floating
- B. Dirty Floating
- C. Both (a) & (b)
- D. None of the above

Q.26) What is the full form of CPI?

- A. Current Price Index
- B. Crude Price Index
- C. Consumer Price Index
- D. None of the above

**CBQ: 3:**

**After reading following Report/Case study give answers from question no.27 to 29.**

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.

Q.27) 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 transfers.
- D. Foreign exchange payments on account of invisible items are in excess over the receipts of invisible items.

Q.28) “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

Q.29) 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

## Assertion-Reasoning Questions:

Q.30) Assertion (A): Appreciation of domestic currency means a rise in the price of domestic currency.

Reason (R): Appreciation leads to increase in Exports.

- A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- B. Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- C. Assertion (A) is true but Reason (R) is false.
- D. Assertion (A) is false but Reason (R) is true.

Q.31) Assertion (A): Current account records receipt and payment of foreign exchange on account of such transactions which do not impact asset liability status of a country in relation to rest of the world.

Reason (R): Capital account records receipts and payments of such transactions which cause an impact on asset liability status of a country in relation to rest of the world .

- A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- C) Assertion (A) is true but Reason (R) is false.
- D) Assertion (A) is false but Reason (R) is true.

Q.32) Assertion (A): Balance of payment may improve better.

Reason (R): 'Make in India' will increase inflow of foreign exchange.

- A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- B) Both Assertion(A) and Reason(R) are true and Reason (R) is not the correct explanation of Assertion (A).
- C) Assertion (A) is true but Reason (R) is false.
- D) Assertion (A) is false but Reason (R) is true.

Q.33) Assertion (A): Managed floating exchange rate system is also called as 'Dirty floating'.

Reason (R): Clean floating rate is influenced by the intervention of the central bank in the foreign exchange market.

- A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- B) Both Assertion(A)and Reason(R)are true and Reason (R) is not the correct explanation of Assertion (A).
- C) Assertion (A) is true but Reason (R) is false.
- D) Assertion (A) is false but Reason (R) is true.

Q.34) Assertion (A): Buying foreign goods is expenditure from our country and it becomes the income of that foreign country.

Reason (R): The purchase of foreign goods or imports decreases the domestic demand for goods and services in our country.

- A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
- C) Assertion (A) is true but Reason (R) is false.
- D) Assertion (A) is false but Reason (R) is true.

Q.35) Assertion (A): Balance of Payments may be adversely affected.

Reason (R): Import of pulses is leading to outflow of foreign exchange.

- A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- B) Both Assertion(A)and Reason(R)are true and Reason (R) is not the correct explanation of Assertion (A).
- C) Assertion (A) is true but Reason (R) is false.
- D) Assertion (A) is false but Reason (R) is true.