Q1. External debt is the portion of a country's debt that was-
(a) Borrowed by its citizen from abroad
(b) Lent by its citizens to foreign governments
(c) Borrowed by its government from abroad
(d) Lent by its government to foreign government

S1. Ans.(c)
Sol. External debt is the portion of a country's debt that was borrowed from foreign lenders including commercial banks, governments or international financial institutions.

Q2. Investment that is dependent on the level of income or on the rate of interest is called –

(a) Autonomous investment

(b) Foreign institutional investment

(c) Foreign direct investment

(d) Induced investment

S2. Ans.(d)
Sol. Investment that is dependent on the level of income or on the rate of interest is called induced investment.

Q3. Investments in the form of a group of assets, including transactions in equity securities is called-

(a) Foreign Direct Investment

(b) Portfolio Investment

(c) Institutional Investment

(d) Foreign Indirect Investment

S3. Ans.(b)
Sol. Portfolio investments are investments in the form of a group (portfolio) of assets, including transactions in equity securities, such as common stock, and debt securities, such as banknotes, bonds, and debentures.

Q4. The practice of selling goods in a foreign country at a price below their domestic selling price is called-

(a) Dumping

(b) Discriminator

(c) Double pricing

(d) None of these

S4. Ans.(a)
Sol. Dumping is a term used in the context of international trade. It's when a country or company exports a product at a price that is lower in the foreign importing market than the price in the exporter's domestic market.

Q5. The statement of all transactions made between entities in one country and the rest of the world over a defined period of time is known as–

(a) Balance of Trade

(b) Balance of Monetary Receipts

(c) Balance of Payments

(d) Balance Sheet

S5. Ans.(c)
Sol. The balance of payments is a statement of all transactions made between entities in one country and the rest of the world over a defined period of time, such as a quarter or a year.

Q6. "Full convertibility of a rupee" means–

(a) Purchase of foreign exchange for rupees only

(b) Payment for imports in terms of rupees

(c) Repayment of loans in terms of rupees

(d) Determination of rate of exchange between rupee and foreign currencies freely by the market forces of demand and supply.

S6. Ans.(d)
Sol. Convertibility is the ease with which a country's currency can be converted into gold or another currency in global exchanges. It indicates the extent to which the regulations allow inflow and outflow of capital to and from the country.The full convertibility means unified market determined exchange rate regime.

Q7. The SDR is an international reserve asset, created by –

(a) World Bank

(b) ADB

(c) UNDP

(d) IMF

S7. Ans.(d)
Sol. The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. The value of the SDR is based on a basket of five currencies—the U.S. dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling.

Q8. Deliberate downward adjustment of the value of a country's currency relative to another currency, group of currencies or standard is known as –

(a) Depreciation

(b) Revaluation

(c) Devaluation

(d) None of these

S8. Ans.(c) .
Sol. Devaluation is a deliberate downward adjustment of the value of a country's currency relative to another currency, group of currencies or standard. Devaluation reduces the cost of a country's exports, rendering them more competitive in the global market.

Q9. The rupee has been convertible on the current account since-

(a) 2000

(b) 2001

(c) 1994

(d) 1999

S9. Ans.(c)
Sol. The rupee has been convertible on the current account since 1994.

Q10. When there is a calculated upward adjustment in the exchange rate of domestic currency, then it is called–

(a) Appreciation

(b) Depreciation

(c) Revaluation

(d) Deflation

S10. Ans.(c)
Sol. A revaluation is a calculated upward adjustment to a country's official exchange rate relative to a chosen baseline.

Q11. At present, India is following-

(a) Fixed exchange Rate

(b) Floating exchange Rate

(c) Pegged up exchange Rate

(d) Pegged down exchange Rate

S11. Ans.(b)
Sol. In the post independence period, India's exchange rate policy has seen a shift from a par value system to a basket-peg and further to a managed float exchange rate system.
Q12. Trade Policy is prepared and announced by –
(a) Ministry of Commerce
(b) Ministry of Finance
(c) Ministry of External Affairs
(d) None of these

S12. Ans.(a)
Sol. Trade policy refers to the regulations and agreements that control imports and exports to foreign countries. Trade Policy is prepared and announced by the Central Government (Ministry of Commerce).
Q13. FERA in India has been replaced by–
(a) FEPA
(b) FETA
(c) FENA
(d) FEMA
S13. Ans.(d)
Sol. The Foreign Exchange Management Act, 1999 is an Act of the Parliament of

India “to consolidate and change the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India”.

Q14. Which of the following does not form a part of the foreign exchange reserves of India?

(a) Gold
(b) SDRs
(c) Foreign currency assets
(d) Foreign currency and securities held by the banks and corporate bodies

S14. Ans.(d)

Sol. India has large foreign-exchange reserves; holdings of cash, bank deposits, bonds, and other financial assets denominated in currencies other than India’s national currency, the Indian rupee. The reserves are managed by the Reserve Bank of India for the Indian government and the main component is foreign currency assets.

Q15. Funds which continuously shifts from countries with low-interest rates to those with higher rates is called-

(a) Cold Money
(b) Black Money
(c) Hot Money
(d) White Money

S15. Ans.(c)

Sol. Hot money is currency that moves regularly, and quickly, between financial markets, so investors ensure they are getting the highest short-term interest rates available.