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**1) Foreign Exchange Reserves are held in**

- a) Domestic Currency
- b) Foreign Currency
- c) Both a and b
- d) Only gold

**2) Which country has the largest foreign currency reserve?**

- a) UK
- b) China
- c) Japan
- d) India

**3) Foreign exchange reserve cannot include**

- a) Banknotes
- b) Deposits
- c) Bonds
- d) None of the above

**4) Where are the Foreign exchange reserves held in India?**

- a) Finance Ministry
- b) Central Treasury
- c) Reserve Bank of India
- d) All the nationalised banks

**5) What acts as the first defense for India against the economic slowdown?**

- a) Foreign Exchange Reserves
- b) Securities
- c) Gold
- d) Domestic Currency

**6) How often does the RBI publish a report on management of FOREX?**

- a) 6 months
- b) 3 months
- c) 1 year
- d) Every month

**7) What is true about the exchange rate system of FOREX**

**i) It is either fixed against gold or some currency in fixed system**  
**ii) In clean floating system, central authority checks fluctuations created by market forces on exchange rate**

- a) Only i
- b) Only ii
- c) Both i and ii
- d) None of the above

**8) What are the benefits of following the fixed exchange rate system?**

- a) Minimal exchange rate fluctuations
- b) Reduction in volatility and fluctuations in prices
- c) Imposition of discipline on the monetary authority
- d) All of the above

**9) What is the nominal exchange rate?**

- a) Number of units of domestic currency, one must give up to get an unit of foreign currency
- b) Price of foreign currency in terms of domestic currency
- c) Ratio of foreign to domestic prices, measured in the same currency
- d) Both a and b

**10) What is Devaluation of currency?**

- i) When the value of domestic currency decreases in relation to the value of foreign currency (flexible system)**
- ii) Fall in the value of domestic currency in relation to foreign currency as planned by the Central Bank (Fixed system)**
- a) Only i
- b) Only ii
- c) Both i and ii
- d) None of the above

**11) The price of one currency in terms of other currency is called :**

- a) Foreign exchange Rate
- b) Flexible rate of exchange





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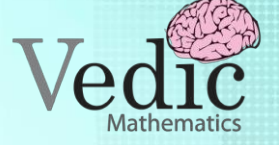
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- c) Current rate of exchange  
d) None of the above

12) The decrease in the value of domestic currency in relation to foreign currency due to fluctuations in the foreign exchange rate is

- a) Devaluation  
b) Appreciation  
c) Depreciation  
d) None of the above

13) Due to depreciation of domestic currency,

- a) Exports rise  
b) Imports rise  
c) Exports falls  
d) None of the above

14) Due to appreciation of domestic currency,

- a) Exports rise  
b) Imports rise  
c) Imports falls  
d) None on the above

15) Which of the following is correct?

- a) Depreciation in value of domestic currency is caused because of fluctuations in demand and supply  
b) Devaluation in value of domestic currency is done intentionally by the Government  
c) Appreciation is done intentionally by the Government  
d) Both (a) and (b)

16) Which of the following is not correct in value of domestic currency

- a) Devaluation is done by the Government  
b) Revaluation is done by the market fluctuations of demand and supply  
c) Appreciation is caused due to change in demand and supply of foreign exchange  
d) None of the above

17) The decrease in the value of foreign exchange rate which is done intentionally by the Government is called

- a) Appreciation  
b) Depreciation  
c) Devaluation  
d) Revaluation

18) The increase in the value of foreign exchange rate which is done intentionally by the Government is called

- a) Appreciation  
b) Depreciation  
c) Revaluation  
d) Devaluation

19) Devaluation takes place under which system?

- a) Fixed exchange rate system  
b) Flexible exchange rate system  
c) Managed floating exchange rate system  
d) None of the above

20) Revaluation takes place under which system?

- a) Flexible exchange rate system  
b) Fixed exchange rate system  
c) Managed floating exchange rate system  
d) None of the above

21) Depreciation takes place under which system?

- a) Fixed exchange rate system  
b) Flexible exchange rate system  
c) Managed floating exchange rate system  
d) None of the above

22) Appreciation takes place under which system?

- a) Fixed exchange rate system  
b) Flexible exchange rate system  
c) Managed floating exchange rate system  
d) None of the above

23) The value of US Dollar \$1 has increased from Rs. 60 to Rs. 70. It means:

- a) Rupee has appreciated





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- b) Rupee has depreciated  
c) Both (a) and (b)  
d) None of the above

24) The value of US Dollar \$1 has fallen from Rs. 70 to Rs. 68. It means:

- a) Currency is depreciated  
b) Currency is appreciated  
c) Both (a) and (b)  
d) None of the above

25) Flexible exchange rate system is also known as

- a) Pegging exchange rate system  
b) Floating exchange rate system  
c) Dirty floating  
d) Both (b) and (c)

26) Managed floating is also known as

- a) Pegging exchange rate system  
b) Floating exchange rate system  
c) Dirty floating  
d) All of the above

27) Floating exchange rate system is also known as

- a) Fixed exchange rate system  
b) Free exchange rate system  
c) Flexible exchange rate system  
d) Both (b) and (c)

28) When the value of a currency is fixed in terms of some other currency, it is called:

- a) Parity value  
b) Free value  
c) Money value  
d) None of the above

29) Which of the systems are covered under fixed exchange rate system?

- a) Gold standard system  
b) Adjustable peg system  
c) Managed system  
d) Both (a) and (b)

30) In which system of exchange rate, the exchange rate does not change continuously?

- a) Fixed exchange rate  
b) Flexible exchange rate  
c) Managed floating exchange rate  
d) None of the above

31) Due to increase in demand of foreign currency, there is .... in the value of domestic currency.

- a) Appreciation  
b) Depreciation  
c) Devaluation  
d) Revaluation

32) Due to decrease in demand of foreign currency, there is --- in the value of domestic currency.

- a) Appreciation  
b) Depreciation  
c) Devaluation  
d) Revaluation

33) Due to increase in supply of foreign currency, there is --- in the value of domestic currency.

- a) Appreciation  
b) Depreciation  
c) Devaluation  
d) Revaluation

34) Due to decrease in supply of foreign currency, there is --- in the value of domestic currency.

- a) Appreciation  
b) Depreciation  
c) Devaluation  
d) Revaluation

35) What is the system in which the foreign currencies are bought and sold?

- a) Foreign exchange market  
b) Securities market  
c) Both (a) and (b)  
d) None of the above







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**36) Foreign exchange market is a:**

- a) System
- b) Place
- c) Both (a) and (b)
- d) None of the above

**37) Which of the following are the buyers and sellers of foreign exchange?**

- a) Individual and firms
- b) Foreign exchange brokers
- c) Commercial and central bank
- d) All of the above

**38) \_\_\_\_\_ rate for India, is the value , at which all foreign currencies will be exchanged for Indian Rupee.**

- a) Foreign exchange
- b) Foreign investment
- c) Foreign capital
- d) None of these

**39) Depreciation of domestic currency is the \_\_\_\_ in value of domestic currency in relation to foreign currency.**

- a) Increase
- b) Decrease
- c) No effect
- d) None of these

**40) \_\_\_\_\_ of foreign exchange is done intentionally by the Government.**

- a) Devaluation
- b) Depreciation
- c) Appreciation
- d) All of these

**41) Devaluation and revaluation of foreign currency is done \_\_\_\_**

- a) By Market Forces
- b) Intentionally by the government
- c) By Financial institutions
- d) All of these

**42) Fixed exchange rate is fixed by the Government in terms of \_\_\_\_.**

- a) Currency
- b) Gold Reserves
- c) Fixed assets
- d) All of these

**43) Dirty floating is also called \_\_\_\_.**

- a) Managed floating
- b) Hybrid exchange rate
- c) Flexible exchange rate
- d) None of these

**44) \_\_\_\_\_ refers to the price of one currency in terms of other.**

- a) Foreign exchange rate
- b) Foreign return rate
- c) Foreign investment rate
- d) None of these

**45) \_\_\_\_\_ is a mixture of fixed exchange rate system and flexible exchange rate system.( Fill in the blank with correct alternative).**

- a) Managed floating exchange rate
- b) Variable exchange rate
- c) Floating exchange rate
- d) None of the above

**46) Government has to hold huge reserves of foreign exchange to stabilize foreign exchange rate in the presence of \_\_\_\_\_ rate. ( Fill in the blank with the correct alternative).**

- a) Flexible exchange rate system
- b) Floating exchange rate system
- c) Fixed exchange rate system
- d) Managed floating exchange rate system

**47) Demand of foreign exchange signifies \_\_\_\_\_.( Fill in the blank with correct alternative).**

- a) Inflow of foreign exchange
- b) Flow of foreign exchange
- c) No change in foreign exchange
- d) Outflow of foreign exchange





48) Read the following statement given below and choose the correct alternative  
Statement 1- If foreign exchange rate of a country increases, Demand of foreign exchange will also increase

Statement 2- If foreign exchange rate increases supply of foreign exchange will also increase

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

49) Read the following statement given below and choose the correct alternative

Statement 1- Depreciation is the fall in the value of domestic currency against foreign currency.

Statement 2- Depreciation occurs under the floating exchange rate system.

- a) Both are correct
- b) Both are incorrect
- c) Statement 1 is correct and statement 2 is incorrect
- d) Statement 1 is incorrect and statement 2 is correct

50) Which one of the following groups of items is included in India's foreign-exchange reserves?  
[2013 -I]

- a) Foreign-currency assets, Special Drawing Rights (SDRs) and loans from foreign countries
- b) Foreign-currency assets, gold holdings of the RBI and SDR's
- c) Foreign-currency assets, loans from the World Bank and SDRs
- d) Foreign-currency assets, gold holdings of the RBI and loans from the World Bank

