

Role of RBI & foreign

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1) Foreign exchange transactions involve monetary transactions

- A) among residents of the same country
- B) between residents of two countries only
- C) between residents of two or more countries
- D) among residents of at least three countries

2) Under FEMA, the RBI has been authorised to make —— to carry out the provisions of the Act.

- A) rules
- B) regulations
- C) both rules and regulations
- D) notifications

3) A foreign currency account maintained by a bank abroad is its

- A) nostro account
- B) vostro account
- C) loro account
- D) foreign bank account

4) 'Non-resident Bank Accounts' refer to

- A) nostro account
- B) vostro account
- C) accounts opened in offshore centres
- D) none of the above

5) Non-resident bank accounts are maintained in

- A) the permitted currencies
- B) the currency of the country of the bank maintaining the account
- C) the currencies in which FCNR accounts are permitted to be maintained
- D) Indian Rupee

6) The statutory basis for the administration of foreign exchange in India is

- A) Foreign Exchange Regulation Act, 1973
- B) Conservation of Foreign Exchange and Prevention of Smuggling Act.
- C) Foreign Exchange Management Act, 1999
- D) Exchange Control Manual

7) 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 travellers cheques

8) The acronym FEDAI stands for

- A) Foreign Exchange Dealers' Association of India
- B) Federal Export Dealers' Association of India
- C) Fixed Earners' Draft Agreement on Interest
- D) None of the above

9) An authorised person under FEMA does not include

- A) an authorised dealer
- B) an authorised money changer
- C) an off-shore banking unit
- D) an exchange broker

10) The authorised dealers under classified into —- categories

- A)Three
- B) one a Private Limited
- D) four

11) The term 'loro account' means

- A) our account with you
- B) your account with us
- C) their account with them
- D) none of the above

12) The term 'Nostro account' means

- A) our account with you
- B) your account with us
- C) their account with them
- D) none of the above

13) The term 'Vostro account' means

- A) our account with you
- B) your account with us

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- C) their account with them
- D) none of the above

14) The market forces influencing the exchange rate are not fully operational under

- A) floating exchange rate system
- B) speculative attack on the market
- C) fixed exchange rate system
- D) current regulations of IMF

15) According to classification by IMF, the currency system of India falls under

- A) managed floating
- B) independently floating
- C) crawling peg
- D) pegged to basked of currencies

16) Under a fixed exchange rate system, the currency rate in the market is maintained through

- A) official intervention
- B) rationing of foreign exchange
- C) centralising all foreign exchange operations with the central bank of the country
- D) none of the above

17) The reduction in the value of a currency due to market forces is known as

- A) revaluation
- B) depreciation
- C) appreciation
- D) inflation

18) The largest foreign exchange market in the world is

- A.)Newyork
- B) London
- C) Japan
- D) Swiss

19) Foreign exchange market is considered 24 hours market because

- A) it is open all through the day
- B) all transactions are to be settled within 24 hours

- C) due to geographical dispersal at least one market is active at any point of time
- D) minimum 24 hours must elapse before any transaction is settled

20) The major players in the foreign exchange market are

- A) commercial banks
- B) corporates
- C) exchange brokers
- D) central bank of the country and the central government

21) Speculation in the foreign exchange market refers to

- A) buying or selling of currencies in large volumes
- B) booking of forward contracts without intention to execute
- C) buying or selling with a view to make profits from movement in rates
- D) buying or selling with a view to making riskless profits.

22) Arbitrageur in a foreign exchange market

- A) buys when the currency is low and sells when it
- B) buys and sells simultaneously the currency with a view to making riskless profit
- C) sells the currency when he has a receivable in future
- D) buys or sells to take advantage of market imperfections

23) 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
- Swift Worldwide Information for Financial **Transactions**
- 24) Indirect rate in foreign exchange means -

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- A) the rate quoted with the units of home currency kept fixed
- B) the rate quoted with units of foreign currency
- C) the rate quoted in terms of a third currency
- D) none of the above
- 25) Indirect rate of exchange is quoted in India for –
- A) sale of foreign travellers cheque
- B) sale of rupee travellers cheques
- C) purchase of personal cheques
- D) none of the above
- 26) In direct quotation, the unit kept constant is -
- A) the local currency
- B) the foreign currency
- C) the subsidiary currency
- D) none of the above.
- 27) The maxim 'buy low; sell high' is applicable for
- A) quotation of pound-sterling
- B) indirect rates
- C) direct rates
- D) US dollars
- 28) In Mumbai, US Dollar is quoted as un = Rs.43.6725/6875. It means-
- A) The buying rate is Rs.43.6725 and the selling rate is Rs.43.6875.
- B) The buying rate is Rs.43.6875 and the selling rate is Rs.43.6725
- C) The dollar is appreciating in value.
- D) The dollar is depreciating in value
- 29) In foreign exchange markets, 'American Quotation' refers to-
- A) quotation by a US-based bank
- B) quotation in New York foreign exchange market
- C) quotation in which the value of foreign currency is expressed per US dollar.
- D) quotation in which the value of the US dollar is expressed per unit of foreign currency

- 30) Forward margin is-
- A) the profit on forward contract
- B) commission payable to exchange brokers.
- C) difference between the spot rate and forward rate
- D) none of the above
- 31) In the following quote: Spot USD 1 =Rs.45.6500/650 Spot September September forward buying rate for dollar is -
- A) Rs.45.6800
- B) Rs.45.6600
- C) Rs.45.7500
- D) Rs.45.6500
- 32) the transaction where the exchange of currencies takes place two days after the date of the contract is
- known as
- A) ready transaction
- B) value today
- C) spot transactions
- D) value tomorrow
- 33) The transaction where the exchange of currencies takes place on the same date is known as
- B) ready transaction
- C) spot transactions
- D) value tomorrow
- 34) A transaction in which the currencies to be exchanged the next dayof the transaction is known
- A)ready transaction
- B) value today
- C) spot transactions
- D) Value tomorrow
- 35) The transaction in which the exchange of currencies takes place at a specified future date, subsequent to the spot date is known as a
- A) swap transaction
- B) forward transaction

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- C) future transaction
- D) non-deliverable forwards

36) One month forward contract entered into on 22nd March will fall due on

- A) 21th April
- B) 22nd April
- C) 23rd April
- D) 24th April

37) The buying rate is also known as the

- A) bid rate
- B) offer rate
- C) spread
- D) swap

38) The selling rate is also known as

- A) bid rate
- B) offer rate
- C) spread
- D) swap

39) The difference between buying rate and selling rate is the gross profit for the bank and is know as the Spardhaguru l

- A) bid rate
- B) offer rate
- C) spread
- D) swap

40) Direct quotation is also known as

- A) home currency quotation
- B) foreign currency quotation
- C) currency quotation
- D) American quotation

41) In direct quotation the principle adopted by the bank is to

- A) buy low only
- B) buy low; sell high
- C) buy high; sell low
- D) sell low only

42) In indirect quotation the principle adopted by the bank is to

- A) buy low only
- B) buy low; sell high
- C) buy high; sell low
- D) sell low only

43) Indirect quotation is also known as

- A) home currency quotation
- B) foreign currency quotation
- C) European quotation
- D) American quotation

44) Derivatives can be used by an exporter for managing-

- A) currency risk
- B) cargo risk
- C) credit risk
- D) all the above

45) The term risk in business refers to

- A) chance of losing business
- B) chance of making losses
- C) uncertainty associated with expected event leading to losses or gains
- D) threat from competitors

46) Under the forward exchange contract-

- A) the exchange rate is determined on the future
- B) the parties agree to meet at a future date for
- C) delivery of foreign exchange is done on a predetermined future date
- D) none of the above

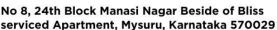
47) The bank should verify the letter of credit/sale contract for booking a-

- A) forward sale contract
- B) forward purchase contract
- C) cancelleing a forward contract
- D) none of the above

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48) Normally forward purchase contract booked should be used by the customer-

- A) for executing the export order for which the contract was booked
- B) for any export order from the same buyer
- C) for any export order for the same commodity
- D) for any export order

49) A currency future is not

- A) traded on futures exchanges
- B) a special type of forward contract
- C) of standard size
- D) available in India

50) Which of the following statements is true?

- A) Exchange exposure leads to exchange risk
- B) exchange risk leads to exchange exposure
- C) exchange exposure and exchange risk are

unrelated

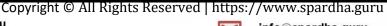
D) none of the above





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