

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 FEMA are classified into ——— categories

- A) Three
- B) one
- C) two
- 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

- 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 basket 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) New York
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 is high
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
D) Swift Worldwide Information for Financial Transactions

24) 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

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 under: USD 1 = 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 100/150 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

- A) tom
B) ready transaction
C) spot transactions
D) value tomorrow

34) A transaction in which the currencies to be exchanged the next day of the transaction is known as

- 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

- 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 known as the

- 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 date
B) the parties agree to meet at a future date for finalisation
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) cancelling a forward contract
D) none of the above

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