



## Chapter-07

### Balance of Payments

1. A part of National Debt known as External Debt is the amount.

- (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

2. The process of organizing business-pact between group of countries is called as –

- (A) Trading Block
- (B) Trade venture
- (C) Trade Partner
- (D) Trade organizer

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

- (A) Diplomacy
- (B) Discriminator
- (C) Dumping
- (D) Double pricing

4. "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.

5. The Full form of SDR is–

- (A) Special Dollar Rights
- (B) Special Drawing Rights
- (C) State Drawing Rights
- (D) Specific Dollar Right

6. Buying of shares and bonds of Indian companies by foreign institutions is called-

- (A) Foreign Direct Investment

(B) Portfolio Investment

(C) Institutional Investment

(D) Foreign Indirect Investment

7. Private investment is otherwise called as–

- (A) Autonomous investment
- (B) Foreign institutional investment
- (C) Foreign direct investment
- (D) Induced investment

8. The annual record for all the monetary transactions of a country with other countries of the world is known as–

- (A) Balance of Trade
- (B) Balance of Monetary Receipts
- (C) Balance of Payments
- (D) Balance Sheet

9. India's Balance of Payments can be corrected through–

- (A) Devaluation of currency
- (B) Vigorous export promotion
- (C) Import substitution
- (D) All of the above

10. Which one of the following items is not included in the current account of India's Balance of Payments?

- (A) Short-Term Commercial Borrowings
- (B) Non-Monetary Gold Movements
- (C) Investment Income
- (D) Transfer Payments

11. When there is an official change in the exchange rate of domestic currency, then it is called–

- (A) Appreciation
- (B) Depreciation
- (C) Revaluation
- (D) Deflation

12. At present, India is following-

- (A) Fixed exchange Rate
- (B) Floating exchange Rate





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(C) Pegged up exchange Rate

(D) Pegged down exchange Rate

13.The outcome of 'devaluation of currency' is—

(A) Increased export and improvement in balance of payment

(B) Increased export and foreign reserve deficiency

(C) Increased import and improvement in balance of payment

(D) Increased export and import

14.The Government resorts to devaluation of its currency in order to promote—

(A) National Income

(B) International Goodwill

(C) Exports

(D) Savings

15.Devaluation makes import—

(A) Competitive

(B) Inelastic

(C) Cheaper

(D) Dearer

16. When did the rupee become a freely convertible currency on Current Account in India?

(A) 2000

(B) 2001

(C) 1994

(D) 1999

17.Devaluation usually causes the internal prices to—

(A) Fall

(B) Rise

(C) Remain unchanged

(D) None of the above

18.Floating Exchange Rate is also referred to as—

(A) Flexible Exchange Rate

(B) Fixed Exchange Rate

(C) Real Exchange Rate

(D) Controlled Exchange Rate

19.Which one of the following does not deal with export promotion?

(A) Trade Development Authority

(B) Minerals and Metals Trading Corporation

(C) Cooperative Marketing Societies

(D) State Trading Corporation of India

20.A trade policy consists of—

(A) Export-Import Policy

(B) Licencing Policy

(C) Foreign Exchange Policy

(D) Balance of Payment Policy

21.The biggest item of India's imports is—

(A) Iron ore

(B) Mica

(C) Petroleum products

(D) Gems and Jewellery

22.The difference between visible exports and visible imports is defined as—

(A) Balance of Trade

(B) Balance of Payment

(C) Balanced Terms of Trade

(D) Gains from Trade

23.A country's balance of trade is unfavourable when—

(A) exports exceed imports

(B) imports exceed exports

(C) terms of trade become unfavourable

(D) None of the above

24.Theoretically trade between two countries takes place on account of—

(A) Difference in Costs

(B) Scarcity of Goods

(C) Comparative Differences in Costs

(D) Need for Exports

25.FERA in India has been replaced by—

(A) FEPA







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- (B) FEMA  
(C) FENA  
(D) FETA

26. One of the main factors that led to rapid expansion of Indian exports is—

- (A) imposition of import duties  
(B) liberalisation of the economy  
(C) recession in other countries  
(D) diversification of exports

27. Interest on public debt is part of—

- (A) Transfer payments by the enterprises  
(B) Transfer payments by the government  
(C) National income  
(D) Interest payments by households

28. What is the revised upper limit for foreign direct investment in telecom service companies?

- (A) 49 per cent  
(B) 51 per cent  
(C) 66 per cent  
(D) 74 per cent

29. Canalised list of items in foreign trade on India refers to—

- (A) the items to be imported by the private agencies  
(B) List of items to be subsidised  
(C) List of items to be granted duty concession  
(D) items to be imported only by the State owned undertaking

30. 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

31. How the interest-level of a country is affected by FDI?

- (A) increases  
(B) decreases  
(C) remains unaffected  
(D) there is increase or decrease

32. Disinvestments is—

- (A) Offloading of shares of private companies to government  
(B) offloading of government shares to private companies  
(C) increase in investment  
(D) closing down of business concerns

33. Foreign currency which has a tendency of quick migration is called—

- (A) Scare currency  
(B) Soft currency  
(C) Gold currency  
(D) Hot currency

34. Devaluation of currency leads to—

- (A) Expansion of export trade  
(B) Contraction of import trade  
(C) expansion of import substitution  
(D) All of the above

35. Under flexible exchange rate system, the exchange rate is determined by—

- (A) the Central Bank of the country  
(B) The forces of demand and supply in the foreign exchange market  
(C) the price of gold  
(D) the purchasing power of currencies

36. A currency having a falling exchange rate due to continuing balance of payments deficit is called a—

- (A) Soft currency  
(B) Hard currency  
(C) Scarce currency  
(D) Surplus currency





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37. Funds which flow into a country to take advantage of favourable rates of interest in that country is called-

- (A) Cold Money
- (B) Black Money
- (C) Hot Money
- (D) White Money

38. The purpose of devaluation is to:

- (A) be little foreign currencies
- (B) encourage export
- (C) discourage export
- (D) encourage import

39. Pegging up of a currency means, fixing the value of a currency-

- (A) at a constant level
- (B) at a lower level
- (C) at a higher level
- (D) Leaving at market forces

40. A favourable Balance of Trade of a country implies that-

- (A) Imports are greater than Exports
- (B) Exports are greater than Imports
- (C) Both Imports and Exports are equal
- (D) Rising Imports and Falling Exports

41. Countries that depend mainly on the export of primary products for their income, are prone to-

- (A) inflation
- (B) economic instability
- (C) increasing unemployment
- (D) Stable economic growth

42. The balance of payments of a country is in equilibrium when the-

- (A) demand as well as supply of the domestic currency are the highest
- (B) demand for the domestic currency is equal to its supply
- (C) demand for the domestic currency is the highest
- (D) demand for the domestic currency is the lowest

43. In the balance of payments account, unrequited receipts and payments are also regarded as-

- (A) bilateral transfers
- (B) unilateral transfers
- (C) capital accounts transfers
- (D) invisible transfers

44. As a result of higher rate of inflation in India, the U.S. dollar will-

- (A) Depreciate
- (B) Constant
- (C) Negligible
- (D) Appreciate

45. Which type of foreign investment is considered as unsafe?

- (A) Foreign Direct Investment (FDI)
- (B) Portfolio Investment
- (C) NRI deposits
- (D) External commercial borrowing

46. At present, India is following-

- (A) Fixed exchange rate
- (B) Floating exchange rate
- (C) Pegged up exchange rate
- (D) Pegged down exchange rate

47. Excise duty is levied on-

- (A) Sale of goods
- (B) Production of goods
- (C) Import of goods
- (D) Export of goods

48. Lowering of value of currency relative to a foreign reference currency is called \_\_\_\_\_.

- (A) Devaluation
- (B) Revaluation
- (C) Down valuation
- (D) Negative valuation

49. Balance of Trade is the difference between-

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- (A) Country's Income and Exemse  
(B) Country's Exports and Imports  
(C) Country's tax Revenue and Expense  
(D) Country's capital inflow and outflow

50. Which among the following is not an account under Balance of Payment?

- (A) Current Account  
(B) Capital Account  
(C) Official Reserves Account  
(D) Unilateral Payments Account

51. The \_\_\_\_\_ exchange rate is the relative price of foreign goods in terms of domestic goods.

- (A) Artificial  
(B) Nominal  
(C) Fixed  
(D) Real

52. The \_\_\_\_\_ exchange rate is the price of one unit of foreign currency in terms of domestic currency.

- (A) Artificial  
(B) Nominal  
(C) Fixed  
(D) Real

53. What is the full form of FDI?

- (A) Foreign Direct Input  
(B) Foreign Direct Investment  
(C) Fiscal Direct Investment  
(D) Fiscal Direct Input

54. Foreign investment is known by which name in India?

- (A) SME (Small and medium-sized enterprises)  
(B) MDI (Management Development Institute)  
(C) FDI (Foreign Direct Investment)  
(D) CII (Confederation of Indian Industry)

