

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	currency speculation is _____ if speculators bet against market forces that cause exchange fluctuations, thus moderating such fluctuations.	A. Destabilizing B. Stabilizing C. Inflationary D. Deflationary
2	Investors engage in _____ when they move funds into foreign currencies in order to take advantage of interest rates abroad the are higher than domestic interest rates.	A. Currency arbitrage B. Interest arbitrage C. Short positions D. Long positions
3	_____ represent the most widely used tool in international finance for measuring the average value of a currency relative to a number of other currencies	A. Nominal exchange rates B. Real exchange rates C. Cross exchange rates D. Exchange rate indexes
4	Riskless transactions to take advantage of profit opportunities due to a price differential or a yield differtial in excess of transaction costs are called.	A. Differential actions B. Cash transactions C. Arbitrage D. Forward transactions
5	The difference between bid rates and ask rates is called the	A. Profit B. Arbitrage C. Spread D. Forward transaction
6	The least common type of transaction in the foreign exchanges is a.	A. Forward transaction B. Spot transaction C. Swap transaction D. None of the above
7	An important feature of a _____ is that the holder has the right , but not the obligation, to buy or sell currency	A. Swap B. Foreign exchange arbitrage C. Foreign exchange option D. Futures market contract
8	The reduction or covering of foreign exchange risk is called.	A. Hedging B. Speculation C. Intervention D. Arbitrage
9	The exchange rate is kept the same across geographically separate markets by	A. Hedging B. Speculation C. Government regulation D. Arbitrage
10	Which financial instruments provide a buyer the right to purchase or sell a fixed amount of currency at a prearranged price within a few days to a coupled of years.	A. Letter of credit B. Foreign currency option C. Cable transfer D. Bill of exchange
11	A depreciation of the dollar willhave its most pronounced impact on imports if the demand for imports is.	A. Constant B. Inelastic C. Elastic D. Unitary elastic
12	The supply of foreign currency tends to be	A. Upward sloping B. Down ward sloping C. Vertical D. Any of the above
13	The most widely traded currency in the foreign exchange market is the.	A. Euro B. Chinses yuan C. British pound D. U.S. Dollar
14	Direct investment and security purchases are classified as.	A. Capital account transactions B. Current account transactions C. Unilateral transfer transactions D. Merchandise trade transactions
15	The "balance of trade" is a record of.	A. Exports and imports of financial assets B. The current account plus capital account

		C. The net export of goods and services D. The value of merchandise exports minus imports
16	In balance of payments accounting tourism and travel are classified in the	A. Merchandise trade account B. Services account C. Unilateral transfers account D. Capital account
17	A current account surplus implies that	A. The country is a net lender to the rest of the world B. The country is running a net capital account surplus C. Foreign investment in domestic securities is at very low levels D. All of the above
18	In the calculation of gross domestic product net exports are.	A. The sum of merchandise trade and services B. The current account plus long term capital C. The value of merchandise exports minus imports D. Short term capital plus the basic balance
19	A nation with a current account deficit will be	A. Lending more money to other nations B. Experiencing a surplus in exports of goods and services C. Reducing its indebtedness to other nations D. Going further into debt with other nations
20	A nation wishing to reduce its current account deficit would be advised to.	A. Engage in more government spending. B. Reduce government taxes C. Increase private investment spending D. Decrease domestic consumption spending
21	The difference between a country's balances of payments and its balance of international indebtedness.	A. Is equal of official reserve transactions B. Occurs because of foreign exchange fluctuations C. Reflects statistical discrepancies D. Reflects the difference between flow and stock concepts
22	Current account deficits are offset by	A. Merchandise trade deficits B. Merchandise trade surpluses C. Capital /financial account surpluses D. Capital /financial account deficits
23	In the balance of payments, travel and tourism are included in the category of	A. unilateral transfers B. Capital account C. Merchandise account D. Services account
24	Debit entries on the balance of payments are the entries that would.	A. Mean a loss of foreign exchange B. Bring foreign exchange into the country C. Indicate a surplus exists D. Exist at the bottom line after all accounts are totaled.
25	The current account includes	A. The value of trade in merchandise B. Services C. Unilateral transfers D. All of the above
26	The role of _____ is to direct one nation's savings into investments of another nation	A. Merchandise trade flows B. Service flows C. Current account flows D. Capital flows
27	All of the following are debit items in the balance of payment except.	A. Capital outflows B. merchandise exports C. Private gifts to foreigners D. Foreign and granted to other nations
28	All of the following are credit items in the balance of payments except	A. Investment inflows B. Merchandise exports C. Payment for American service's to

28	Which of the following are credit items in the balance of payments except:	C. Payment for American services to foreigners D. Private give to foreign residents
29	A country transactions with the rest of the world are recorded in the	A. Balance of international indebtedness B. Balance of financial transactions C. Balance of payments D. Income statement
30	When all of the debit or credit items in the balance of payments are combined	A. Merchandise imports equal merchandise exports B. Capital imports equal capital exports C. Services exports equal service imports D. the total surplus or deficit equals zero