

Principles of Banking (E.M) - ICOM Part 2 Principles of Banking Chapter 14 Short Questions Preparation

Q1. What is meant by Forward rate of foreign exchange.

Ans 1: The rate of foreign exchange which is related to future transactions of Deliveries.

Q2. What is meant by equilibrium exchange rate.

Ans 1: The equilibrium exchange rate is the rate of which the demand for foreign exchange equals the supply of foreign exchange.

Q3. When the demand for foreign exchange comes.

Ans 1: 1- Goods are imported 2- Students go abroad for study

Ans 2: 3- Tourist goes abroad 4- Purchase of foreign securities

Q4. What is the meant by official rate of foreign exchange.

Ans 1: The rate which is officially issued by the central bank to exchange foreign exchange.

Q5. What is the meant by inter bank rate.

Ans 1: The rate of which central and commercial banks buy or sell foreign currency to each other is called inter bank rate.

Q6. What is meant by Spot rate.

Ans 1: The rate of foreign exchange of the moment prevailed in the market is called spot rate of foreign exchange.

Q7. What are the various kinds of exchange rate.

Ans 1: 1- Official rate 2- Spot rate 3- Forward rate 4- Inter bank rate

Ans 2: 5- Buying and selling rate.

Q8. What are the various methods of making foreign payments.

Ans 1: 1- Letter of credit 2- Foreign bill of exchange

Ans 2: 3- Foreign bank draft 4- Dealers of foreign exchange etc.

Q9. What is meant by selling and buying rate of foreign exchange.

Ans 1: Selling rate is a rate at which the currency dealers sell the foreign currency and buying rate is a rate at which one is willing to buy foreign currency.

Q10. What is the meant by foreign exchange market.

Ans 1: According to Kindle Berger.

Ans 2: Foreign exchange market is a place where foreign money are bought and sold.
