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

Q1. 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

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Q2. Define foreign exchange.

Ans 1: "It is a mechanism by which international indebtedness is settled between one country and another."

Q3. Waht are the theories of foreign exchange rate.

Ans 1: 1- Mint par parity Theory. 2- Purchasing power theory.

Q4. What are the various method 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.

Q5. What is meant by selling and buying rate of foreign exchange.

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

Q6. What is menat by Forward rate of foreign exchange.

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

Q7. What is meant by Spot rate.

Ans 1: Teh rate of foreign exchange of the moment prevailed in the market iscalled spot rte of foreign exchange.

Q8. In how many ways exchange rate can be quoted.

Ans 1: 1- Fixed internal value 2- Fixed external value

Q9. 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.

Q10. What is the meant by inter bank rate.

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