

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

Q1. In how many ways exchange rate can be quoted.

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

Q2. What is meant by Forward rate of foreign exchange.

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

Q3. What is the meaning of foreign exchange.

Ans 1: 1- It means the currency of other countries.

Ans 2: 2- A system by which international payments are made.

Ans 3: 3- A rate at which foreign currencies are bought or sold.

Ans 4: 4- This means by which mutual indebtedness of the nation is paid off.

Q4. 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.

Q5. What is meant by direct method of foreign exchange control.

Ans 1: All those methods, which are adopted by the Government to make the rate of exchange stable are called direct methods of foreign exchange control.

Ans 2: Which are: 1- Exchange Restrictions 2- Exchange Rationing

Ans 3: 3- Transfer moratoriums 4- Exchange pegging etc.

Q6. 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.

Q7. What are the theories of foreign exchange rate.

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

Q8. What are the main objectives of foreign exchange control.

Ans 1: 1- To increase foreign exchange reserves

Ans 2: 2- To protect home industry

Ans 3: 3- To reduce the exchange rate

Ans 4: 4- Favourable balance of payment

Q9. What is meant by foreign exchange market.

Ans 1: According to Kindleberger.

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

Q10. What is meant by official rate of foreign exchange.

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