

Economics - ICS Part 1 Economics English Medium Chapter 8 Short Questions Test

Q1. Define Balance of payment.

Ans 1: Financial account of foreign trade of a country is called balance of payments.

Q2. What is exchange control

Ans 1: Exporters are required to surrender the foreign exchange earned to the central bank which decides how to use it. Pakistan applied exchange control during 60's and 70's

Q3. What is Capital account.

Ans 1: In this account the movements of capital in or out of the country are recorded.

Q4. What is Accommodating transactions.

Ans 1: These transactions become necessary because the net value of all autonomous transactions gives rise to either a deficit in balance of payments or a surplus. Balance in the account is achieved by accommodating transaction.

Q5. What is fixed exchange rate.

Ans 1: Under this system the rate of local currency against foreign currencies is fixed by the monetary authorities of the country. All transactions take place at that rate.

Q6. What is Invisible items.

Ans 1: There are different kinds of services, which involve payment or receipt of foreign exchange. In case of invisible exports and imports, there is no movement of goods but only change in foreign exchange account at the central bank.

Q7. What is foreign exchange rate.

Ans 1: Exchange rate is the rate at which one country's currency is exchanged for another or we can say that it is the price of one currency in terms of other currencies.

Q8. Define Visible items.

Ans 1: These consist of various kinds of goods imported in normal routine by private sector and by the government. These items are recorded at the points of entry or exit in the country, i.e. seaport, air ports and border posts.

Q9. What is Financial account.

Ans 1: It includes foreing direct investment and long term loan.

Q10. Define Net Exports

Ans 1: Net exports mean trade baance Shwring the value of a nation's visible exports minus visible import
