





5. State the components of capital account of balance of payments.
6. State the components of current account of balance of payments.
7. What is foreign exchange?
8. Define foreign exchange rate?
9. Define foreign exchange market.
10. What is forward rate?
11. What is an IMF?
12. When is balance of trade unfavourable?
13. What is spot rate?
14. How are exchange risks covered?
15. When will there be depreciation of Indian rupee?
16. Give two examples of unilateral transfers.
17. What is meant by flexible exchange rate?
18. What is meant by convertibility of Rupee?
19. Meaning of Trade deficit.
20. What is meant by devaluation of rupee?

### **Q. 3 Short Notes**

1. Balance of Trade.
2. Balance of payments.
3. Current Account.
4. Capital Account.
5. Free Trade Policy.
6. Protection Trade Policy.
7. Foreign Exchange Market
8. Foreign Direct Investment.
9. Spot and Forward Market.
10. Current Account Convertibility.

11. Capital Account Convertibility.
12. International Monetary Fund.
13. World Bank.
14. Fixed Exchange Rate.
15. Flexible Exchange Rate.
16. Eurocurrency Market.
17. Oil Crisis.
18. Brazil Argentina and Mexico Crisis.
19. Sub-Prime Crisis.
20. Futures and Arbitrage.

#### **Q. 4. Short Answer Questions**

1. Distinguish between balance of trade and of balance of payments.
2. Explain the meaning of deficit in balance of payments.
3. What are the various categories of economic transactions which are recorded in Balance of Payment account?
4. Explain the meaning fixed exchange rate.
5. Distinguish between devaluation and depreciation of domestic currency.
6. Distinguish between fixed and flexible exchange rate.
7. Explain two sources each of demand and supply of foreign exchange rate.
8. What functions are performed by foreign exchange market?
9. What are official reserve transactions? Explain their importance in the balance of payments.
10. What are the effects of disequilibrium in Balance of Payment?
11. Explain the effect of appreciation of domestic currency on imports.
12. What is balance of payment? What are its components?

13. What is meant by Foreign Trade Multiplier?

14. Explain the four merits of fixed exchange rate?

15. Explain the four merits of flexible exchange rate?

### **Q. 5. Long Answer Questions**

1. What are the causes of disequilibrium in Balance of Payment (BOP)?

2. What is balance of payment? What are its components?

3. What is balance of payment? What are its main features?

4. How are foreign exchange rates determined? Explain.

5. Discuss the Swan Model to attain targets of internal and external balance of payments.

6. Discuss the objectives, functions, working and critics of IMF.

7. Discuss the objectives, functions, working and critics of World Bank.

8. Discuss the Current and Capital Account convertibility.

9. Discuss the Eurocurrency Market.

10. Explain the factors affecting international capital movements.

11. Explain the classification of international capital flows.

12. Explain the elasticity approach to BOP with Marshal Lerner condition.