

MCQs

Course Name: International Business Economics

Course Code: 306

Sr. No.	Question	Answer
	UNIT-1	
1	Which of the following is international trade? A. Trade between provinces B. Trade between regions C. Trade between countries D. (b) and (c) of above	C
2	Theory of comparative advantage was presented by: A. Adam Smith B. Ricardo C. Hicks D. Arshad	B
3	Which is NOT an advantage of international trade: A. Export of surplus production B. Import of defence material C. Dependence on foreign countries D. Availability of cheap raw materials	C
4	If Japan and India start free trade, difference in wages in two countries will: A. Increase B. Decrease C. No effect D. Double	B
5	Trade between two countries can be useful if cost ratios of goods are: A. Equal B. Different C. Undetermined D. Decreasing	B
6	Modern theory of international trade is based in the views of: A. Robbins and Ricardo B. Adam Smith and Marshall C. Heckscher and Ohlin D. Saleem and Kareem	C
7	Foreign trade creates among countries: A. Conflicts B. Cooperation C. Hatred D. Both (a) & (b)	B

8	<p>Net exports equal: A. Exports x Imports B. Exports + Imports C. Exports - Imports D. Exports of services only</p>	C
9	<p>Trade theory helps managers and governmental policymakers focus on all of the following questions EXCEPT: A. whether to own production rather than buy from others. B. what products to export C. how much to trade D. with whom to trade</p>	A
10	<p>Which of the following best describes the two general types of theories about trade that pertain to international business? A. democratic and communist B. descriptive and prescriptive C. market and command D. d. ethical and unethical</p>	B
11	<p>Which of the following types of trade theories poses questions of how much, which products, and with whom a country will trade in the absence of restrictions? A. participative theories B. democratic theories C. descriptive theories D. communist theories</p>	C
12	<p>_____ trade theories help companies determine where to locate their production facilities because, in the absence of governmental trade restrictions, exports of given products will move from lower-cost to higher-cost production locations. A. Democratic and communist B. Market and command C. Ethical and unethical D. Descriptive and prescriptive</p>	D
13	<p>_____ held that a country's wealth was measured by its holding of treasure, which usually meant its gold. A. Mercantilism B. Absolute advantage C. Comparative advantage D. Country size</p>	A
14	<p>According to which of the following theories should countries export more than they import and, if successful, receive gold from countries that run deficits? A. absolute advantage B. mercantilism C. comparative advantage</p>	B

	D. country size	
15	A favorable balance of trade indicates which of the following? A. A country is importing more than it is exporting. B. The country is importing products and services it cannot produce itself. C. A country is exporting more than it is importing. D. The country is growing economically	C
16	A country that practices _____ attempts to run an export surplus to achieve a social or political objective. A. consumer sovereignty B. competitive surplus C. absolute surplus D. neomercantilism	D
17	Which of the following theories holds that different countries produce some goods more efficiently than others; thus, global efficiency can increase through free trade? A. absolute advantage B. mercantilism C. comparative advantage D. country size	A
18	The theory of _____ indicates that there may still be global efficiency gains from trade if a country specialized in those products it can produce more efficiently than other products—regardless of whether other countries can produce those same products even more efficiently. A. mercantilism B. absolute advantage C. comparative advantage D. country size	C
19	According to Heckscher and Ohlin basic cause of international trade is: A. Difference in factor endowments B. Difference in markets C. Difference in political systems D. Difference in ideology	A
20	All are advantages of foreign trade EXCEPT: A. People get foreign exchange B. Nations compete C. Cheaper goods D. Optimum utilisation of country's resources	A
21	Two countries can gain from foreign trade if: A. Cost ratios are different B. Tariff rates are different C. Price ratios are different	D

	D. (a) and (c) of above	
22	International trade and domestic trade differ because of: A. Trade restrictions B. Immobility of factors C. Different government policies D. All of the above	D
23	What would encourage trade between two countries: A. Different tax system B. Frontier checks C. National currencies D. Reduced tariffs	D
24	29. This is an advantage of foreign trade: A. We can preserve our natural resources B. New technology comes to the country C. People need not go abroad D. We can get foreign currencies	B
25	David Ricardo presented the theory of international trade called: A. Theory of absolute advantage B. Theory of comparative advantage C. Theory of equal advantage D. Theory of total advantage	B
26	Trade between two countries takes place when: A. Cost ratios of commodities are equal B. Cost ratios of commodities are different C. Cost ratios of commodities are high D. Cost ratios of commodities are low	B
27	The theory explaining trade between two countries is called: A. Comparative disadvantage theory B. Comparative cost theory C. Comparative trade theory D. None of the above	B
28	This is NOT an advantage of foreign trade: A. We can get gold from abroad B. New technology comes to the country C. country can import goods which are in short supply. D. country can made best use of natural resources	A
29	Foreign trade has the advantage: A. Trading countries get membership B. Can import scarce raw materials C. Can import machinery and technology D. (b) and (c) of above	D
30	The theory explaining trade between two countries is called: A. Comparative advantage B. Comparative bargain C. Comparative trade D. Comparative returns	A

31	Trade between two countries can be useful if cost ratios of goods are: A. Undetermined B. Decreasing C. Equal D. Different	D
32	Foreign trade: A. Increases employment opportunities B. Increases international mobility of labour C. Increases competition D. All of the above	D
33	Foreign trade: A. Benefits developed countries B. Benefits underdeveloped countries C. Benefits democratic countries D. Benefits all countries	D
34	Which of the following theories suggests that firms seek to penetrate new markets over time? A. Imperfect Market Theory B. Product cycle theory C. Theory of Comparative Advantage D. None of the above	B
35	According to the theory of comparative advantage, a country should: A. be self sufficient if it can produce all products more efficiently than other countries can. B. export more than it imports. C. export goods requiring short production runs if it is a relatively small country. D. specialize in producing products it can produce more efficiently regardless of whether other countries have an absolute advantage in their production.	D
36	_____ is NOT a valid assumption of absolute and comparative advantage. A. Full employment B. Process technology C. Product technology D. d. Competitive advantage	A
37	An assumption that underlies theories of specialization in international trade is that: A. countries without an absolute advantage in a product should specialize in transporting products. B. resources are domestically mobile from the production of one product to another. C. resources are internationally mobile from the production of one product to another. D. producers and countries have objectives other than economic efficiency.	B

38	<p>If it costs more to transport goods internationally than is saved through specialization, then:</p> <p>A. the advantages of trade are positively correlated. B. countries will import transportation services. C. the advantages of trade are negated. D. companies will divert resources to the development of more efficient transportation.</p>	C
39	<p>Bigger countries, as opposed to smaller countries, tend to:</p> <p>A. export a larger portion of their output and import a larger part of their consumption. B. have lower transport costs for foreign trade. C. have less variety of resources. D. export a smaller portion of output and import a smaller part of consumption</p>	D
40	<p>According to which of the following theories would countries with large land areas be more apt to have varied climates and an assortment of natural resources than smaller countries would, thus making them more self-sufficient?</p> <p>A. country size B. mercantilism C. absolute advantage D. comparative advantage</p>	A
41	<p>make(s) it more likely that small countries will trade internationally because their costs of getting products over their borders are worth the effort.</p> <p>A. Technological cost B. Transport costs C. Labor costs D. Political costs</p>	B
42	<p>According to the _____, factors in relative abundance are cheaper than factors in relative scarcity.</p> <p>A. theory of mercantilism B. theory of absolute advantage C. factor-proportions theory D. theory of comparative advantage</p>	C
43	<p>Which of the following theories indicates that differences in countries' endowments of labor compared to their endowments of land or capital explain differences in the cost of production factors?</p> <p>A. mercantilism B. absolute advantage C. comparative advantage D. factor-proportions</p>	D

44	Factor-proportions theory holds that if labor were abundant in comparison to land and capital, then: A. labor costs would be low relative to land and capital costs. B. labor costs would be high relative to land and capital costs. C. labor has immigrated from abroad. D. d. it is the result of using labor-saving technology	A
45	The factor-proportions analysis becomes more complicated when: A. labor is homogeneous. B. the same products can be produced by different methods. C. product life cycles are short. D. d. companies depend primarily on export markets.	B
46	According to the factor-proportions theory, if Canada produces wheat with a capital-intensive method, it does so because of its: A. abundance of high-cost capital relative to labor cost. B. cold climate that shortens growing seasons. C. abundance of low-cost capital relative to labor cost. D. free trade agreement with the United States and Mexico.	C
47	According to the factor-proportions theory, if India produces wheat with a labor-intensive method, it is because of its: A. abundance of capital relative to labor. B. government subsidies to train labor. C. import restrictions on wheat. D. d. abundance of low-labor relative to low-cost capital.	D
48	Most new products are produced in and exported from: A. high-income industrial countries. B. middle-income developing countries. C. lesser developed countries. D. d. developing countries	A
49	Almost all new technology that results in new products and production methods originates in which of the following? A. developing countries B. industrial countries C. very poor countries D. d. very populated countries	B
50	Most trade theories emphasize that differences among countries create a basis for trade. These differences are based on all of the following EXCEPT: A. climate B. factor endowment C. innovative capability D. country culture	D
UNIT – 2		
51	A tariff is: A. A restriction on the number of export firms B. Limit on the amount of imported goods	C

	C. Tax and imports D. (b) and (c) of above	
52	Dumping refers to: A. Buying goods at low prices abroad and selling at higher prices locally B. Expensive goods selling for low prices C. Reducing tariffs D. Sale of goods abroad at low a price, below their cost and price in home market	D
53	Terms of trade of developing countries are generally unfavourable because: A. They export primary goods B. They import value added goods C. They export few goods D. (a) and (b) of above	D
54	Term of trade of a country show: A. Ratio of goods exported and imported B. Ratio of import duties C. Ratio of prices of exports and imports D. (a) and (c) of above	A
55	In a free trade world in which no restrictions exist, international trade will lead to: A. Reduced real living standard B. Decreased efficiency C. Increased efficiency D. Reduced real GDP	C
56	Govt. policy about exports and imports is called: A. Monetary policy B. Fiscal policy C. EXIM policy D. Finance policy	C
57	Terms of trade" between two countries refer to a ratio of: A. Export prices to import prices B. Currency values C. Exports to imports D. Balance of trade to balance of payments	C
58	It is drawback of protection: A. Consumers have to pay higher prices B. Producers' get higher profits C. Quality of goods may be affected D. All of the above	C
59	It is drawback of free trade: A. Prices of local goods rise B. Government loses income from custom duties C. National resources are underutilized D. (a) and (b) of above	C
60	Gold standard means:	C

	<p>A. Currency of the country is made of gold B. Paper currency is not used C. Currency of the country is freely convertible into gold D. (a) and (c) of above</p>	
61	<p>Terms of trade of a country: A. Mean the trade agreement between trading countries B. Is another name of exchange ratio of two currencies C. Show the ratio between total export earnings and import bill of a country D. Are determined by the price index of export and import goods</p>	C
62	<p>Developing country's terms of trade: A. Have risen over past few years B. Have fallen over past few years C. Always remain above 100 D. Are determined by federal govt</p>	A
63	<p>At present how many members are in the WTO? A. 160 B. 164 C. 207 D. 195</p>	B
64	<p>Where is the headquarter of the WTO? A. New York B. Washington DC C. Geneva D. Austria</p>	C
65	<p>Which of the following statement is not true about the WTO? A. WTO is a permanent organisation B. (Uruguay round gave the birth to the WTO C. Ministerial Conference is the highest policy making body of the WTO D. WTO was officially constituted on 1 January 1991.</p>	D
66	<p>Which of the following institutions is not part of the World Bank community? A. IBRD B. WTO C. IDA D. IFC</p>	B
67	<p>Which of the following country is not the member of the WTO? A. Iran B. Azerbaijan C. Belarus D. None of these</p>	D
68	<p>Which of the following is not the objective of the WTO? A. To improve the standard of living of peoples of the member countries</p>	D

	<p>B. To enlarge production and trade of goods C. To protect environment D. To improve the Balance of Payment situation of the member countries</p>	
69	<p>Which of the following body is not related to the WTO? A. Dispute Settlement Body B. Trade Policy Review Body C. Council of trade in goods D. Exchange Rate Management Body</p>	D
70	<p>Which of the followings are called Bretton woods Twins? A. IMF & International Bank for Reconstruction and Development (IBRD) B. IMF & World Trade Organisation C. IBRD & World Trade Organisation D. None of the above</p>	A
71	<p>Which of the following institution is associated with Dunkel Proposals? A. World Bank B. International Monetary Fund C. World Trade Organization D. United Nations Organization</p>	C
72	<p>Which of the following was not an objective of early European integration efforts? A. Peace B. Social rights C. Economic reconstruction D. d) Political stability</p>	B
73	<p>In which decade did European integration begin? A. 1950s B. 1960s C. 1970s D. d) 1980s</p>	A
74	<p>Which of the following institutions is not part of the 'institutional triangle'? A. EU Council B. European Parliament C. European Commission D. Member states</p>	D
75	<p>By 2015, how many member states were there in the EU? A. 15 B. 25 C. 28 D. 30</p>	C
76	<p>What are the Copenhagen criteria? A. They stipulate the necessary population size and geographical location of potential EU member states.</p>	B

	<p>B. They are the economic and political criteria with which to judge whether a candidate country is ready to join the EU.</p> <p>C. They are the internal institutional criteria that the EU must meet in order to expand.</p> <p>D. They define the terms 'European' and 'democratic': two factors required for EU membership.</p>	
77	<p>Which of the following is not a source of funds for the EU Budget?</p> <p>A. VAT-based contributions</p> <p>B. Customs duties and levies</p> <p>C. National contributions</p> <p>D. Direct taxes on EU citizens</p>	D
78	<p>With respect to the EU Budget, which of the following is incorrect?</p> <p>A. Compared to national budgets, the EU Budget is relatively large.</p> <p>B. The EU Budget is organized through a multi-annual budgetary framework.</p> <p>C. Budget negotiations are always controversial.</p> <p>D. The Budgetary process is complex.</p>	A
79	<p>Under the ordinary legislative procedure (OLP) which two institutions 'co-decide' EU laws?</p> <p>A. European Commission and EU Council</p> <p>B. EU Council and European Parliament</p> <p>C. European Commission and European Parliament</p> <p>D. EU Council and Courts</p>	B
80	<p>Which Treaty established EU citizenship?</p> <p>A. Treaty of Rome (1957)</p> <p>B. Treaty of Maastricht (1992)</p> <p>C. Treaty of Amsterdam (1997)</p> <p>D. Treaty of Nice (2001)</p>	B
81	<p>In response to the democratic deficit, which of the following has the EU not done?</p> <p>A. Implemented the principle of subsidiarity</p> <p>B. Increased the relative power of the Commission</p> <p>C. Increased dialogue with civil society</p> <p>D. Increased the relative power of the European Parliament</p>	B
82	<p>Approximately ___ percent of the exports by Canadian organizations go to businesses, consumers, and governments in the United States.</p> <p>A. 10.</p> <p>B. 25.</p> <p>C. 50.</p> <p>D. d. 80.</p>	D
83	<p>Which of the following refers to the conduct across national boundaries of business of all kinds, including financial transactions, the purchase of insurance from a foreign company, and even the expenditures of foreign tourists?</p> <p>A. international trade.</p> <p>B. foreign relations.</p>	C

	<p>C. international business. D. international management.</p>	
84	<p>The world's international trade is now estimated to be: A. \$4 billion. B. \$2 trillion. C. \$4 trillion. D. \$10 trillion.</p>	C
85	<p>Which of the following describes an arrangement in which a company that produces goods in one country contracts with a distribution organization in another country for marketing in the second country? A. exporting. B. trading company. C. piggyback distribution. D. localization arrangement.</p>	C
86	<p>Which of the following describes a bartering arrangement that provides for the exchange of goods for other goods, or the exchange of goods for other obligations that do not require direct payment? A. countertrading. B. joint venture. C. franchising. D. exporting.</p>	A
87	<p>Which of the following describes payments to a government to bring products into a country? A. taxes. B. tariffs. C. non-tariff barriers. D. quotas.</p>	B
88	<p>Which of the following forms of economic integration describes the most integration among countries? A. common market. B. economic union. C. common union. D. d. free trade area.</p>	B
89	<p>Which of the following is not a major challenge facing Canadian organizations functioning in the global environment? A. to maintain the quality of Canadian products. B. to maximize the benefits from trading blocs that include Canada. C. to reduce sales in Canada to allow an increased focus on the global environment. D. d. to minimize the barriers that are put up by trading blocs that exclude Canada.</p>	C
90	<p>Which of the following terms describes the differences in language, perceptions of time and authority, mannerisms, and attitudes that exist both within and among different societies? A. economic environment. B. cultural diversity.</p>	B

	<p>C. social environment. D. political-legal environment.</p>	
91	<p>Which of the following describes an agreement between two businesses in which they share technology, market connections, or some other advantage that one has the other lacks?</p> <p>A. direct ownership. B. venture capital. C. strategic alliance. D. economic union.</p>	C
92	<p>Which of the following countries had less total exports and imports than Canada in 1997?</p> <p>A. Germany. B. People's Republic of China. C. France. D. Japan.</p>	B
93	<p>The sum of exports and imports in Canada is approximately ____ percent of Canada's Gross Domestic Product (GDP).</p> <p>A. 10. B. 25. C. 60. D. 90.</p>	C
94	<p>Which of the following organizations has the potential to create a free trade area encompassing half of the world's international trade?</p> <p>A. Asia-Pacific Economic Co-operation Forum (APEC). B. The Association of Southeast Asian Nations (ASEAN). C. The Commonwealth of Independent States (CIS). D. The Association of World Economies (AWE)</p>	A
95	<p>The most direct impact of NAFTA on Canada-US trade is in which of the following areas?</p> <p>A. Mexico's inclusion in 1995. B. reduction of tariffs. C. increase in tariffs. D. reduced unemployment rate.</p>	B
96	<p>The goal of a is to abolish all tariffs among member countries</p> <p>A. Free-trade Agreement B. Fixed Trade Area C. Foreign Trade Agreement D. FITA Trade Agreement</p>	A
97	<p>An important effect of a free trade agreement is an increase in efficiency due to</p> <p>A. Increased competition B. Decreased Competition C. No Competition D. All of the Above</p>	A
98	<p>The Euro Zone is an example of an</p>	A

	Economic Union Euro Union Economic Union Enter Union	
99	Trade shifting to countries within a regional trade agreement at the expense of trade with countries not in the agreement is called Treat diversion Trade diversion TRET diversion Total diversion	B
100	The clause embodied the fundamental principle of GATT trade without discrimination A. Most unfavoured nation B. Neighbour nation C. Close Nation D. Most-favoured-nation	D
UNIT-3		
101	Foreign exchange transactions involve monetary transactions A. among residents of the same country B. between residents of two countries only C. between residents of two or more countries D. among residents of at least three countries	B
102	A foreign currency account maintained by a bank abroad is its A. nostro account B. vostro account C. loro account D. foreign bank account	A
103	The term 'Nostro account' means A. our account with you B. your account with us C. their account with them D. none of the above	A
104	The term 'Vostro account' means A. our account with you B. your account with us C. their account with them D. none of the above	B
105	The market forces influencing the exchange rate are not fully operational under A. floating exchange rate system B. speculative attack on the market C. fixed exchange rate system D. current regulations of IMF	C

106	Under fixed exchange rate system, the currency rate in the market is maintained through A. official intervention B. rationing of foreign exchange C. centralising all foreign exchange operations with central bank of the country D. none of the above	A
107	The reduction in the value of a currency due to market forces is known as A. revaluation B. depreciation C. appreciation D. inflation	B
108	The largest foreign exchange market in the world is A. New york B. London C. Japan D. Swiss	B
109	Foreign exchange market is considered 24 hours market because A. it is open all through the day B. all transactions are to be settled with in 24 hours C. due to geographical dispersal at least one market is active at any point of time D. minimum 24 hours must lapse before any transaction is settled	C
110	Exchange value of developing currency against other currencies has fallen because: A. Our total exports are smaller B. Our imports are more than exports C. Exports are more than imports D. developing country does not produce gold	B
111	The major players in the foreign exchange market are A. commercial banks B. corporates C. exchange brokers D. central bank of the country and the central government	A
112	Speculation in foreign exchange market refers to A. buying or selling of currencies in large volumes B. booking of forward contracts without intention to execute C. buying or selling with a view to make profits from movement in rates D. buying or selling with a view to making riskless profits	C
113	Arbitrageur in a foreign exchange market A. buys when the currency is low and sells when it is high B. buys and sells simultaneously the currency with a view to making riskless profit C. sells the currency when he has a receivable in future D. buys or sells to make advantage of market imperfections	B
114	Indirect rate in foreign exchange means – A. the rate quoted with the units of home currency kept fixed	A

	<p>B. the rate quoted with units of foreign currency kept fixed C. the rate quoted in terms of a third currency D. none of the above</p>	
115	<p>Indirect rate of exchange is quoted in India for – A. sale of foreign travellers' cheque B. sale of rupee travellers' cheques C. purchase of personal cheques D. none of the above</p>	D
116	<p>In direct quotation, the unit kept constant is – A. the local currency B. the foreign currency C. the subsidiary currency D. none of the above.</p>	B
117	<p>If a country decreases the external value of its currency, it will affect: A. Volume of exports B. Volume of imports C. General price level D. All of the above</p>	D
118	<p>In foreign trade, Protection policy means: A. Restrictions on exports B. Restriction on transfer of foreign exchange C. Restrictions on imports D. All of the above</p>	C
119	<p>The maxim 'buy low; sell high' is applicable for – A. quotation of pound-sterling B. indirect rates C. direct rates D. US dollars</p>	C
120	<p>In foreign exchange markets, 'American Quotation' refers to- A. quotation by a US based bank B. quotation in New York foreign exchange market C. quotation in which the value of foreign currency is expressed per US dollar. D. quotation in which the value of US dollar is expressed per unit of foreign currency</p>	D
121	<p>Forward margin is- A. the profit on forward contract B. commission payable to exchange brokers. C. difference between the spot rate and forward rate D. none of the above</p>	C
122	<p>the transaction where the exchange of currencies takes place two days after the date of the contract is known as A. ready transaction B. value today C. spot transactions D. value tomorrow</p>	C

123	<p>The transaction where the exchange of currencies takes place on the same date is known as</p> <p>A. tom B. ready transaction C. spot transactions D. value tomorrow</p>	B
124	<p>A transaction in which the currencies to be exchanged the next day of the transaction is known as</p> <p>A. ready transaction B. value today C. spot transactions D. Value tomorrow</p>	D
125	<p>The transaction in which the exchange of currencies takes place at a specified future date, subsequent to the spot date is known as a</p> <p>A. swap transaction B. forward transaction C. future transaction D. non-deliverable forwards</p>	B
126	<p>Market in which currencies buy and sell and their prices settle on is called the</p> <p>A. International bond market B. International capital market C. Foreign exchange market D. Eurocurrency market</p>	C
127	<p>The margin for a currency future should be maintained with the clearing house by</p> <p>A. The seller B. The buyer C. Either the buyer or the seller as per the agreement between them D. Both the buyer and the seller</p>	D
128	<p>The following statement with respect to currency option is wrong</p> <p>A. Foreign currency- Rupee option is available in India B. An American option can be executed on any day during its currency C. Put option gives the buyer the right to sell the foreign currency D. Call option will be used by exporters</p>	D
129	<p>The buying rate is also known as the</p> <p>A. bid rate B. offer rate C. spread D. swap</p>	A
130	<p>The selling rate is also known as</p> <p>A. bid rate B. offer rate C. spread D. swap</p>	B

131	The difference between buying rate and selling rate is the gross profit for the bank and is known as the A. bid rate B. offer rate C. spread D. swap	C
132	Direct quotation is also known as A. home currency quotation B. foreign currency quotation C. currency quotation D. American quotation	A
133	In direct quotation the principle adopted by the bank is to A. buy low only B. buy low; sell high C. buy high; sell low D. sell low only	B
134	In indirect quotation the principle adopted by the bank is to A. buy low only B. buy low; sell high C. buy high; sell low D. sell low only	C
135	Indirect quotation is also known as A. home currency quotation B. foreign currency quotation C. European quotation D. American quotation	B
136	Derivatives can be used by an exporter for managing- A. currency risk B. cargo risk C. credit risk D. all the above	A
137	The term risk in business refers to- A. chance of losing business B. chance of making losses C. uncertainty associated with expected event leading to losses or gains D. threat from competitors	C
138	Under the forward exchange contract- A. the exchange rate is determined on the future date B. the parties agree to meet at a future date for finalisation C. delivery of foreign exchange is done on a predetermined future date D. none of the above	C
139	The bank should verify the letter of credit/sale contract for booking a- A. forward sale contract B. forward purchase contract C. cancelling a forward contract D. none of the above	B
140	In a quote exchange rate, currency that is to be purchase with another currency is called: A. liquid currency B. foreign currency C. local currency D. base currency	D
141	Normally forward purchase contract booked should be used by the customer- A. for executing the export order for which the contract was booked B. for any export order from the same buyer C. for any export order for the same commodity D. for any export order	A
142	A currency future is not A. traded on futures exchanges B. a special type of forward contract C. of standard size D. available in India	D
143	In the following quote: Spot USD 1 = Rs.45.6500/650 Spot September 100/150 September forward buying rate for dollar is	B

	<p>A. Rs.45.6800 B. Rs.45.6600 C. Rs.45.7500 D. Rs.45.6500</p>	
144	<p>The transaction where the exchange of currencies takes place two days after the date of the contract is known as A. ready transaction B. value today C. spot transactions D. value tomorrow</p>	C
145	<p>The transaction where the exchange of currencies takes place on the same date is known as A. tom B. ready transaction C. spot transactions D. value tomorrow</p>	B
146	<p>A Transaction in which the currencies to be exchanged the next day of the transaction is known as A. ready transaction B. value today C. spot transactions D. Value tomorrow</p>	D
147	<p>The transaction in which the exchange of currencies takes place at a specified future date, subsequent to the spot date is known as a A. swap transaction B. forward transaction C. future transaction D. non-deliverable forwards</p>	B
148	<p>One-month forward contract entered into on 22nd March will fall due on A. 21th April B. 22nd April C. 23rd April D. 24th April</p>	D
149	<p>Which of the following statements is true? A. Exchange exposure leads to exchange risk B. exchange risk leads to exchange exposure C. exchange exposure and exchange risk are unrelated D. none of the above</p>	A
150	<p>A currency future is not A. traded on futures exchanges B. a special type of forward contract C. of standard size D. available in India</p>	D
UNIT-4		
151	<p>Which of the following statements is true? A. Exchange exposure leads to exchange risk</p>	A

	<p>B. exchange risk leads to exchange exposure C. exchange exposure and exchange risk are unrelated D. none of the above</p>	
152	<p>For calculating cross currency rates, banks in India use the dollar/foreign currency rate quoted in- A. Mumbai B. London C. New York D. any international market</p>	D
153	<p>The net potential gain or loss likely to arise from exchange rate changes is- A. exchange exposure B. exchange risk C. profit/loss on foreign exchange D. exchange difference ANSWER: B</p>	B
154	<p>The rate used for all transactions that do not involve handling of documents by the banks is A. TT buying Rate B. TT selling rate C. Bill selling rate D. Bill buying rate</p>	B
155	<p>The rate applied when a foreign bill is purchased A. TT buying Rate B. TT selling rate C. Bill selling rate D. Bill buying rate</p>	D
156	<p>The rate applied when foreign bills collected and the bank's nostro account abroad is credited A. TT buying Rate B. TT selling rate C. Bill selling rate D. Bill buying rate</p>	A
157	<p>The rate applied when payment of telegraphic transfers drawn on the bank where bank's nostro account is already credited A. TT selling rate B. Bill selling rate C. Bill buying rate D. TT buying Rate</p>	D
158	<p>The rate applied when payment of mail transfers drawn on the bank where bank's nostro account is already credited A. TT selling rate B. Bill selling rate C. TT buying Rate D. Bill buying rate</p>	C
159	<p>The rate applied when payment of demand draft drawn on the bank where bank's nostro account is already credited A. TT selling rate</p>	C

	<p>B. Bill selling rate C. Bill buying rate D. TT buying Rate</p>	
160	<p>The rate applied when the Nostro account of the bank would already have been credited A. TT selling rate B. Bill buying rate C. Bill selling rate D. TT buying Rate</p>	D
161	<p>In a ----- transaction the quoting bank parts with foreign currency and acquires home currency A. sale B. purchase C. spot D. forward</p>	B
162	<p>transaction the quoting bank acquires foreign currency and parts with home currency A. Sale B. purchase C. spot D. forward</p>	B
163	<p>The merchant rate for pound sterling is calculated by banks in India- A. directly based on interbank sterling/rupee rate B. directly based on RBI rate for sterling C. as a cross rate using dollar/rupee rate and dollar/sterling rate D. as a cross rate using Euro/rupee rate and Euro/sterling rate</p>	C
164	<p>107. Both legs of swap will be executed A. at the same rate B. on the same date C. at different rates D. at different rates on different dates</p>	D
165	<p>Euro was launched on A. 1999 B. 2000 C. 2001 D. 2002</p>	A
166	<p>Foreign Exchange Management Act Passed int he year A. 1997 B. 1998 C. 1999 D. 2000</p>	C
167	<p>A swap deal is executed by A. settling the difference int he rates B. actual delivery of currencies C. entering into another swap deal D. none of the above</p>	B

168	<p>For funding the vostro account, the bank in India will apply-</p> <p>A. its TT buying rate B. its TT selling rate C. interbank spot buying rate D. interbank spot selling rate</p>	C
169	<p>The objective of trading in foreign exchange by a dealer of a bank is to-</p> <p>A. make profit out of exchange rate fluctuations B. insulate the bank from exchange rate changes C. comply with exchange control regulations D. none of the above</p>	A
170	<p>For the banker, the spread will be wider when-</p> <p>A. purchase of foreign currency from a customer is covered by a sale to another customer of the bank B. merchant trades are covered by interbank deals C. exposure in one currency is covered by a position in another currency D. purchase of foreign currency from a customer is covered by sale to customer of another bank</p>	A
171	<p>For option forward purchase transactions, the forward premium will be reckoned</p> <p>A. based on earliest delivery date B. based on latest delivery date C. based on the average due date for delivery D. none of the above.</p>	A
172	<p>Cover deal by a dealer of an authorised dealer is undertaken to-</p> <p>A. profit from exchange rate movements B. cover up mistakes done by the dealer C. square up the position resulting from dealings with customers D. none of the above.</p>	C
173	<p>For cross currency quotation rounding off is done to the nearest multiple of-</p> <p>A. 0.0001 B. 0.0025 C. 0.001 D. No rounding off.</p>	B
174	<p>TT buying rate is applicable for transactions where-</p> <p>A. remittance is received by telecommunication B. remittance is sent by telecommunication C. the nostro account of the bank is already credited D. the nostro account of the bank is already debited</p>	C
175	<p>In calculating cross rates, exchange margin is entered-</p> <p>A. only once in the dollar/rupee rate B. only once in the dollar/foreign currency rate C. twice in the dollar/rupee rate and dollar/foreign currency rate D. twice in the dollar/rupee rate and dollar/foreign</p>	A
176	<p>TT selling rate is applicable for transactions of-</p> <p>A. issue of telegraphic transfers</p>	B

	B. outward remittances other than for retirement of import bill C. retirement of import bill for which remittance is sent by TT D. payment of telegraphic transfer	
177	The term notional due date refers to- A. the date on which an export bill is likely to be paid B. due date arrived at without considering the holidays C. due date of a bill drawn without a due date D. none of the above	A
178	92. The quotation for merchant transaction is- A. two-way quotation B. applicable to all merchant transactions uniformly C. specific to the transaction for which it is quoted D. applicable only for traders. ANSWER: C 93.	
179	An import customer accepts a bill drawn on him. The bank will apply- A. bill selling rate B. bill acceptance rate C. TT selling rate D. no exchange rate, since no foreign exchange transaction is executed	D
180	An export bill is taken for collection by the bank. The exchange rate applied for the transaction will be: A. bill buying rate B. bill selling rate C. TT buying rate as on the date of sending the bill for collection D. TT buying rate as on the date of realisation of the bill.	D
181	TT buying rate is not applicable for the following transaction- A. encashment of a DD for which cover has already been received B. encashment of an MT for which paying bank has to make reimbursement claim with the issuing bank. C. realisation of a foreign bill sent for collection D. payment of a cable transfer.	B
182	Buying rate for ready merchant rate is derived from- A. interbank spot buying rate B. interbank ready buying rate C. interbank spot selling rate D. interbank ready selling rate	A
183	As per FEDAI Rules, the rupee value of all foreign exchange transactions should be rounded off - A. nearest rupee B. nearest ten rupees C. nearest paise D. nearest ten paise	A
184	Bill buying rates are applicable to A. all export transactions B. any transaction to which TT buying rate is not applicable C. realisation of a foreign bill sent for collection D. only for purchase/negotiation of export bills	B
185	The transaction in which the bank receives foreign currency from the customer and pays him in local currency is a –	A

	<p>A. purchase transaction B. sale transaction C. direct transaction D. indirect transaction</p>	
186	<p>The exchange rates quoted by an authorised dealer to its customers are known as- A. authorised rates B. commercial rates C. merchant rates D. indirect rates</p>	C
187	<p>The minimum fraction in which exchange rates are quoted by banks to their customers is- A. 0.0001 B. 0.005 C. 0.0025 D. 0.01</p>	C
188	<p>The exchange margin included by a bank in the exchange rate quoted to the customer is- A. prescribed by Reserve Bank B. prescribed by FEDAI C. determined by the bank concerned within the limits prescribed by FEDAI D. determined by the bank concerned</p>	D
189	<p>Interest for the transit period is included in – A. bill buying rate B. bill selling rate C. usance bill buying rate D. none of the above</p>	D
190	<p>The transaction in which the bank receives local currency from the customer and pays him foreign currency is a- A. purchase transaction B. sale transaction C. direct transaction D. indirect transaction</p>	B
191	<p>The following is not a sale transaction of foreign exchange: A. issue of a foreign demand draft B. payment of an import bill C. realisation of an export bill D. none of the above</p>	C
192	<p>Ideal time for launching a product in foreign market is A. when domestic currency has depreciated B. when domestic currency has appreciated C. when exchange rate in the markets are fluctuating violently D. none of the above 80. ANSWER: D</p>	A
193	<p>Production strategies for managing economic exposure do not include- A. importing input if local currency appreciates B. shifting production to a country whose currency has not appreciated</p>	D

	C. shifting production to a low-cost centre D. reviving uneconomic units	
194	The following method cannot be used for managing translation exposure A. forward contract B. option contract C. exposure netting D. leading and lagging	B
195	Financial strategies for managing economic exposure does not include- A. minimising cost of borrowing by sourcing from cheaper market B. matching of assets and liabilities in a currency C. securing parallel loans and swaps D. delaying the product launch	D
196	Economic exposure does not deal with- A. changes in real exchange rates B. future cash flows of the firm C. expected exchange rate changes D. none of the above	C
197	Market selection as a strategy to manage economic exposure requires- A. preferring domestic market to foreign market B. preferring market with fixed exchange rate C. shifting to a market whose currency has appreciated D. shifting to a market whose currency has depreciated ANSWER: C	C
198	If rupee depreciates in real terms, cash inflows of a firm engaged in exports is- A. definite to increase B. definite to decrease C. generally will increase, if government does not intervene. D. will increase provided the demand for its exports is elastic	D
199	The method of managing translation exposure that is also available for managing transaction exposure is- A. balance sheet hedge B. transfer pricing C. swaps D. none of the above	D
200	The exchange loss/gain due to transaction exposure is reckoned on- A. entering into a transaction in foreign exchange B. quoting a price for a foreign currency transaction C. conversion of foreign currency into domestic currency D. entry in the books of accounts	C
UNIT-5		
201	IMF stands for: a) Indian Monetary Fund b) International Monetary Fund c) International Managerial Fund d) None of The Above	A.

202	IMF was established on: a) 30 Novemberr, 1948 b) 27 December, 1945 c) 19 July, 1947 d) None of The Above	B
203	Headquarters of IMF is located at: a) Washington D.C. b) Jeneva c) London d) None of The Above	A
204	Founding countries of IMF were: a) 35 b) 29 c) 15 d) None of The Above	B
205	Which among the following is correct: a) IMF was formed in 1944 at the Bretton Woods Conference. b) IMF came into formal existence in 1945 with 29 member countries. c) Both of The Above d) None of The Above	C
206	Now International Monetary Fund is an organization of _____ countries: a) 180 b) 185 c) 188 d) None of The Above	C
207	Functions of IMF includes: a) Secure Financial Stability b) Facilitate International Trade c) Promote High Employment and Sustainable Economic Growth D) All of The Above	D
208	The IMF is funded mainly through _____ from its member nations: a) Assets Contributions b) Quota Contributions c) Gems Contributions d) None of The Above	B
209	SDR stands for: a) Special Drawing Rights b) Special Deposits Rights c) Secured Debt Rights d) None of The Above	A

210	<p>With the IMF, which another international organization was also framed in Bretton Woods Conference:</p> <p>a) World Bank b) WTO c) UNESCO d) None of The Above</p>	A
211	<p>Executive Board of IMF includes:</p> <p>a) 24 Directors each representing a single country or a group of countries. b) 30 Directors each representing a single country or a group of countries. c) 19 Directors each representing a single country or a group of countries. d) None of The Above</p>	A
212	<p>Staff of IMF consists of approximately 2600 members from _____ countries:</p> <p>a) 147 b) 170 c) 100 d) None of The Above</p>	A
213	<p>The biggest borrowers (amounts outstanding as on 13 March, 2015) was:</p> <p>a) Portugal and Greece b) Ireland and Ukraine c) All of The Above d) None</p>	C
214	<p>_____ was the first country to borrow from IMF:</p> <p>a) France b) India c) Germany d) None of The Above</p>	A
215	<p>Which among the following is correct:</p> <p>a) Only Under Developed countries may apply to be a part of the IMF. b) Any country may apply to be a part of the IMF c) Only Developed Countries may apply to be a part of the IMF. d) None of The Above</p>	B
216	<p>At UN Monetary and Financial Conference held in 1944 at Bretton Woods, World Bank was established along with another organization. Name the said organization?</p> <p>A. International Labour Organization B. Food and Agricultural Organization C. International Monetary Fund D. World Health Organization</p>	C

217	<p>How many countries are the members of IMF?</p> <p>(a) 189</p> <p>(b) 180</p> <p>(c) 196</p> <p>(d) 192</p>	A
218	<p>On joining IMF, each member is assigned a quota in special drawing rights (SDRs) Corresponding to its _____?</p> <p>(a) Relative position in the world economy</p> <p>(b) Relative position in the world politics</p> <p>(c) Relative position in the world nuclear forum</p> <p>(d) None of them</p>	A
219	<p>Which country has the largest quota which was about Special Drawing Rights (SDR) 42 billion dollars in 2011?</p> <p>(a) Russia</p> <p>(b) China</p> <p>(c) Germany</p> <p>(d) The USA</p>	D
220	<p>What determines how large a vote a member will have in IMF deliberations or how much foreign exchange it may withdraw from the funds?</p> <p>(a) Size of its population</p> <p>(b) Amount of quota subscription</p> <p>(c) Level of its poverty</p> <p>(d) Amount of quota demanded</p>	B
221	<p>What is the maximum period of a member country which use the foreign exchange extended by IMF to extricate itself from its balance of payments problems?</p> <p>(a) 10 years</p> <p>(b) 7 years</p> <p>(c) 5 years</p> <p>(d) 3 years</p>	C
222	<p>What qualifies a member to apply for the fund from IMF?</p> <p>(a) Long-term Industrial Projects</p> <p>(b) A Viable Industrial Project</p> <p>(c) Temporary Balance of Payment Problems</p> <p>(d) None of the</p>	C

223	The Economies of the developing nations are monitored by _____? (a) ILO (b) WTO (c) IMF (d) WB	C
224		
225	What is the main role of the IMF? a) To ensure a stable exchange rate regime and provide emergency assistance to countries facing crises in balance of payments. b) To be a forum for trade and liberalization. c) To assist countries in development. d) To facilitate private investment around the world.	A
226	What is meant by the 'Washington Consensus'? a) The consensus in Washington about matters of foreign policy. b) The ten-point guideline to liberal economic reform for development around the world. c) The ten-point guideline for economic growth in Europe. d) The ten-point neo-liberal guideline for progress in the US	B
227	Which of the following statement is NOT correct regarding the membership of the IMF? (a) Currently its membership is 189 (b) All "member countries" of the IMF are members of the United Nations (c) All member countries of the IMF are not sovereign states (d) Nauru is the latest member of the IMF	B
228	The value of Special Drawing Right (SDR) is determined by the basket ofcurrencies. (a) 4 (b) 5 (c) 6 (d) 7	B
229	Which of the following currency has largest weightage in the determination of the value of the SDR? (a) Japanese Yen (b) Euro (c) US Dollar (d) British Pound	C
230	Which of the following is not the objective of the IMF? (a) To promote international monetary cooperation (b) To ensure balanced international trade (c) To ensure exchange rate stability (d) To provide loan to private sectors	D
231	Which of the following statement is NOT correct about the quota at the IMF? (a) Voting power in the IMF is based on a quota system	C

	(b) USA has highest quota in the IMF (c) Germany has third highest quota in the IMF (d) Indian quota in the IMF stands at 2.79% of the total quota	
232	If the Balance of Payment of a country is adverse, then which institution will help that country? (a) World Bank (b) World Trade Organization (c) International Monetary Fund (d) Asian Development Bank	C
233	Which of the following currency is not included in the calculation of SDR value? (a) Yen (b) Yuan (c) Rupee (d) Pound sterling	C
234	Which of the following is known as the Paper Gold? (a) US Dollar (b) Pound (c) Demand draft (d) Special Drawing Right	D
235	Global bond market consists of all bonds sold by issued companies, governments, or other firms A. within their own countries B. outside their own countries C. to London banks D. to developing nations only	B
236	more instability in currency is called as A. country risk B. financial risk C. currency risk D. liquidity risk	C
237	Foreign bonds issued in Japan are known A. bulldog bonds B. dragon bonds C. Yankee bonds D. samurai bonds	D
238	Largest number of buyers and sellers, greater the A. liquidity B. speculation C. hedging D. forward rate	A
239	Differences in nominal interest rates are removed in exchange rate is A. fisher effect B. Leontief paradox.	A

	C. Combined equilibrium theory. D. purchasing power parity	
240	Simplicity with which bondholders and shareholders can change their investments into cash is known A. barter B. hedging C. arbitrage D. liquidity	D
241	Eurobonds are admired because A. they are less risky than traditional bonds B. European companies are considered very stable C. of absence of government regulation D. they are always denominated in euro	C
242	Not aim of international capital market is A. preserving hard currencies to finance trade deficits B. reducing cost of money to borrowers C. reducing investor risk D. expanding money supply for borrowers	A
243	in 1944 international accord is recognized as A. Breton Wood Agreement B. Exchange Agreement C. International Trade D. Fisher Effect	A
244	International Money Market is for about A. 2 years B. 3 years C. 5 years D. 1 years	D
245	Gold standard introduced in A. 1913 B. 1990 C. 1876 D. 1944	C
246	International capital market A. innovative financial instruments B. information technology C. deregulation D. foreign exchange rates	D
247	International capital market A. limits available set of lending opportunities B. increases overall portfolio risk for investors C. allows investors to reduce risk by holding international securities whose price move independently D. is easily accessible to everyone	C
248	Governments enforce currency limitations to A. protect a currency from speculators	D

	B. keep resident individuals and businesses from investing in other nations C. preserve hard currencies to finance trade deficits or repay debts D. all of above	
249	The bonds that are backed by cash flow from project and are sold to finance particular project are classified as A. finance bonds B. revenue bonds C. financing bonds D. project bonds	B
250	which of the following is not an example of a frequently used Euro-instrument? A. Eurobond B. Euro note C. Euro stock D. Euro commercial paper	C

