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शक्तिउत्थानआश्रमलखीसरायबिहार

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Revised Notes

VERY SHORT ANSWER QUESTIONS.

1. Define foreign exchange rate.

Ans: Foreign exchange rate is the rate at which currency of one country can be exchanged for currency of another country.

2. What do you mean by Foreign Exchange Market?

Ans: The foreign exchange market is the market where international currencies are traded for one another.

3. What is meant by Fixed Exchange Rate?

Ans: Fixed Rate of exchange is a rate that is fixed and determined by the government of a country and only the government can change it.

4. What is equilibrium rate of exchange?

Ans: Equilibrium exchange rate occurs when supply of and demand for foreign exchange are equal to each other.

5. Define flexible exchange rate.

Ans: Flexible rate of exchange is that rate which is determined by the demand and supply of different currencies in the foreign exchange market.

6. What is meant by appreciation of currencies?

Ans: Appreciation of a currency occurs when its exchange value in relation to currencies of other country increases.

7. Define Spot exchange rate.

Ans: The spot exchange rate refers to the rate at which foreign currencies are available on the spot.

8. Define forward market.

Ans: Market for foreign exchange for future delivery is known as the forward market.

9. What is meant by balance of payments?

Ans: Balance of payments refers to the statement of accounts recording all economic transactions of a given country with the rest of the world.

10. What do you mean by balance of trade?

Ans: Balance of trade is the difference between the value of imports and exports of only physical goods.

11. The balance of trade shows a deficit of Rs. 600 crores, the value of exports is Rs.1000 crores. What is value of Imports?

Ans: Balance of Trade = Exports of goods – import of goods
Import of good = Export of goods – (B.O.T)

= 1000- (-600)

= Rs. 1600.

12. What is the balance of visible items in the balance of payments account called?

Ans:- Balance of trade

13. What do you mean by disequilibrium in BOP?

Ans:- Disequilibrium in BOP is means either there is a surplus or deficit in balance of payment account.

14. List two items of the capital account of BOP account.

Ans:- i) external assistance ii) commercial borrowing iii) foreign investment

15. Which transactions bring balance in the BOP account?

Ans:- Accommodating transactions bring balance in the BOP account.

16. Define autonomous items in BOP.

Ans:- Autonomous items in BOP refers to international economic transaction that take place due to some economic motive such as profit maximization. These items are independent of the state of the country balance of payments.

17. What is the other name of autonomous items in the BOP?

Ans:- The other name of autonomous items in BOP is above the line item.

18. When does a situation of deficit in BOP arises?

Ans:- A situation of deficit in BOP arise when autonomous receipts are less than autonomous payments.

19. What is meant by managed floating?

Ans:- It is a system that allows adjustments in exchange rate according to a set of rules and regulations which are officially declared in the foreign exchange market.

20. What is meant by dirty floating?

Ans:- Manipulate the exchange rate without following the guidelines issued by IMF is called dirty floating.