

## EXCHANGE RATE AND ITS ECONOMIC IMPACT

### Multiple Choice Questions

**1. Real exchange rate considers**

- a. relative prices of domestic goods
- b relative prices of foreign goods
- c relative prices essential goods
- d. Relative prices of domestic and foreign goods

**2. If real exchange rate is high**

- a. foreign goods cheaper and imports will raise
- b. domestic goods cheaper
- c exports will raise
- d. Imports will fall

**3. Under floating exchange rate is determined by**

- a. The value of currency of a country is pegged
- b. market forces will determine
- c. IMF
- d. World bank

**4. If rupee is depreciating against the \$**

- a. RBI will sell the \$
- b. RBI will cut the repo rate
- c. Govt prints more currency
- d. RBI will purchase the \$

**5. Which of the following is not determinant of exchange rate**

- a. Inflation

- b. Capital flows
- c. Repo rate
- d. Consumption

**6 . If real exchange rate is high, it might lead to**

- a. Current account deficit
- b. fiscal deficit
- c. current account surplus
- d. Increase in foreign exchange reserves

**7.If rupee appreciating against the \$ then RBI**

- a. Will purchase \$
- b. Will increase the repo rate
- c. will sell \$
- d. Ensures capital flows out

**8. Which of the following statement is false regarding rupee depreciation**

- a. Builds pressure on corporate and govt debt repayment
- b. Capital flows in
- c. Pressure on foreign exchange reserves
- d. Imports become costly

**9. The terms revaluation is applied to**

- a. Flexible exchange rate
- b. Fixed exchange rate
- c. Gold
- d. ECB

**10.Which of the following statement is false**

- a. Majority of countries follow flexible exchange rate
- b. The term devaluation applies to fixed exchange rate
- c. RBI wants Indian companies to hedge their currency

d. Dirty float is generally followed by countries with fixed exchange regime

1. d	2. a	3. b	4. a	5. d	6. a	7. a	8. b	9. b	10. d
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