

## IASBABA TEST 21(ECONOMY)

### 22. Consider the following statements

1. The real exchange rate is often taken as a measure of a country's international competitiveness.
  2. If the real exchange rate is equal to one, currencies are at purchasing power parity.
- Which of the statements given above is/are correct?

a) 1 only                      b) 2 only                      c) Both 1 and 2                      d) Neither 1 nor 2

### 23. Recently, India signed a currency swap agreement with which of the following countries?

a) USA                      b) China                      c) Russia                      d) Japan

### 24. Consider the following statements

1. Through Indian Depository Receipts, investors abroad can invest in Indian companies.
2. Participatory notes are derivative instruments issued in foreign jurisdictions by Foreign Institutional Investors (FIIs).

Which of the above statements is correct?

a) 1 only                      b) 2 only                      c) Both 1 and 2                      d) Neither 1 nor 2

### 25. "Liberalized remittance scheme" seen in news sometimes refers to which of the following

- a) It is a scheme introduced by the government for the welfare of the overseas workers
- b) It is a scheme introduced by the government to attract External commercial borrowings
- c) It is a scheme to allow all resident individuals to freely remit overseas every financial year a permissible set of current or capital account transactions.
- d) None of the above

### 26. What does "Trade deficit" indicates?

- a) There are more imports than exports
- b) The country's consumption is increasing
- c) Country's consumers are wealthy enough to purchase more goods than the country produces
- d) All of the above

### 27. Consider the following statements regarding Special Drawing Rights (SDR) holdings

1. The SDR holdings of member countries are allocated by the World Bank.
2. The SDR holdings form a component of Foreign exchange reserve of a country.

Choose the correct answer using the codes given below

a) 1 only                      b) 2 only                      c) Both 1 and 2                      d) Neither 1 nor 2

### 28. Consider the following statements regarding External Commercial Borrowing (ECB) –

1. ECB is a loan availed by an Indian entity from a non-resident lender.
2. ECBs cannot be used for investment in the stock market or speculation in real estate.
3. Public Sector Enterprises are not eligible for External commercial borrowing.

Which of the statements given above is/are correct?

a) 1 and 2 only                      b) 1 and 3 only                      c) 2 and 3 only                      d) All of the above

### 29. If a country has a Capital account deficit, what does it imply?

- a) The country is buying assets in other countries.
- b) Foreigners are buying assets in the country.
- c) Countries liability to foreigners is increasing.
- d) Value of import of Invisibles of the country exceeds the value of its exports.

### 30. Which of the following are effects of the depreciation of currency?

1. Imported goods become more expensive.
2. Increase in inflation.
3. Increased demand for goods in International market.

Choose the correct answer using the codes given below

a) 1 and 2 only                      b) 1 and 3 only                      c) 2 and 3 only                      d) All of the above

### 31. India's foreign exchange reserves consist of –

1. Foreign currency assets held by RBI.
2. Foreign currency assets held by individual citizens.
3. Gold stock by RBI.

Choose the correct answer using the codes given below

a) 1 and 2 only                      b) 1 and 3 only                      c) 2 and 3 only                      d) All of the above

### 32. Consider the following statements about Export-Import (EXIM) Bank -

1. It is a statutory body.
2. Bank's primary objective is to assist importers and exporters of the country.

Which of the above statement/s is/are incorrect?

a) 1 only                      b) 2 only                      c) Both 1 and 2                      d) Neither 1 nor 2