

## **FOREIGN EXCHANGE RATE**

### **Worksheet-2**

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- Q.1** State any two reasons for the demand or outflow of foreign exchange.
- Q.2** When price of foreign currency ....., imports from foreign country becomes cheaper and demand for foreign currency ..... (Falls/Rise)
- Q.3** When price of foreign currency ....., it promotes tourism in the home country. (Fall/Rise)
- Q.4** Demand curve of foreign exchange slope .....due to .....relationship between demand for foreign exchange and foreign exchange rate. (Downward/Upward; Inverse/Direct)
- Q.5** State the two reasons for the supply or Inflow of foreign exchange.
- Q.6** When price of foreign currency ..... domestic becomes relatively cheaper and supply of foreign currency .....(Fall/Rise)
- Q.7** Supply curve of foreign exchange slope ..... due to .....relationship between supply for foreign exchange and foreign exchange rate (Downward/Upward; Inverse/Direct)
- Q.8** What is the Equilibrium Exchange Rate.
- Q.9** When does the situation of Excess Supply arise in foreign exchange market?
- Q.10** When does the situation of Excess Demand arise in foreign exchange market?
- Q.11** An increase in demand for foreign exchange will shift the demand curve towards..... (Right/Left)
- Q.12** Due to increase in demand for foreign exchange the exchange rate .....and domestic currency ..... (Fall/Rise; Appreciated/Depreciated)
- Q.13** A decrease in demand for foreign exchange will shift the demand curve towards.... (Right/Left).
- Q.14** Due to decrease in demand for foreign exchange the exchange rate..... and domestic currency .....(Fall/Rise; Appreciated/Depreciated)
- Q.15** An Increase in supply of foreign exchange will shift the supply curve towards.....(Right/Left)
- Q.16** Due to increase in Supply of foreign exchange the exchange rate ..... and domestic currency .....(Fall/Rise; Appreciated/Depreciated)
- Q.17** A decrease in supply supply of foreign exchange will shift the supply curve towards.....(Right/Left)
- Q.18** Due to decrease in supply of foreign exchange the exchange rate.....and domestic currency .....(Fall/Rise; Appreciated/Depreciated)
- Q.19** What is Foreign Exchange Market.
- Q.20** State the function of foreign exchange market.
- Q.20** Which function of foreign exchange market is performed through credit instruments like bills of foreign exchange, bank draft and telephonic transfer.
- Q.21** "here the purpose is to avoid losses that might cause due to exchange rate variations in future". This statement reflects ..... Function in foreign exchange market.
- Q.22** What is the Spot Market of foreign exchange.
- Q.23** The rate of exchange that prevails in Spot Market is termed as.....
- Q.24** What is the Forward Market of foreign Exchange.
- Q.25** The exchange rate that prevails in Forward Market is known as .....

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