SEBI- GRADE A

CURRENCY CONVERTIBITY PRACTICE QUESTIONS

Q.1) Which of the following statements are not part of Current Account Convertibility-

1. All payments due in connection with foreign trade, other current business, including services and normal short-term banking and credit facilities;

2. Payments due as loans and as other Advances.

3. Payments of moderate amount of amortization of loans or for depreciation of direct investment; and

4. Moderate remittances for family living expenses.

Codes:

[a] All of the above

[b] 4 only

[c] 2 only

[d] Both 2 & 4

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Q.2) The Reserve Bank of India is in consultations with the government has set a limit for capital account transactions for individuals of the value-

[a] $ 250000

[b] $150000

[c] $400000

[d] $200000

Q.3) Which currency is the one that is used and held beyond the borders of the issuing country, not merely for transactions with that country's residents, but also for transactions between non-residents-

[a] Domestic currency

[b] International currency

[c] Foreign currency

[d] Mixed currency

Q.4) Which of the below is not one of the essential elements or features of international currency-

1. An international currency is one that is used instead of the national currencies of the parties directly involved in an international transaction.

2. An international currency has to be capable of playing roles of store of value, medium of exchange and unit of account for both residents and non-residents.

3. An international currency has to be essentially a non-freely convertible currency.

4. The currency has to possess a greater degree of stability in its exchange rate determined by the market forces and a deep and liquid market.

Codes:

[a] 2,3 & 4

[b] 3 & 4 only.

[c] 2 only

[d] 3 only

Q.5)Which of the following are not the benefits of Capital Account Convertibility-

1.All developed countries are capital account convertible; hence this is an inevitable destiny of the developing countries in their path to development.

2.Free global capital flows bring about better and more efficient allocation of the global pool of savings to the more productive uses.

3.Open capital accounts facilitate portfolio diversification by investors in developed as well as developing countries.

4.It creates a sort of commitment for the country concerned to ensure better macroeconomic management.

Codes:

[a] 4 only

[b] 2 & 3 only

[c] 3 & 4 only

[d] None of the above