

SECTION B

UNIT: 9 Chapter 11 FOREX:

SHORT ANSWER TYPE QUESTIONS (3-4 MARKS)

1. Give three reasons why people desire to have foreign exchange
2. Give any three/four sources of supply of foreign exchange.
3. Explain the relationship between foreign exchange rate and demand for it.
4. Explain the relationship between foreign exchange rate and supply of foreign exchange.
5. Explain the terms 'appreciation and depreciation of currency.'
6. Explain the merit and demerits of fixed exchange rate.
7. Explain the merits and demerits of flexible exchange rate.
8. How is flexible exchange rate determined in a free market economy? Explain with the help of diagram.
9. Higher the foreign exchange rate, lower the demand for foreign exchange.
Explain why?
10. Lower the foreign exchange rate, higher the demand for foreign exchange.
Explain why?
11. Explain the impact of Devaluation of domestic currency on the export and imports of an economy.
12. Give the meaning of fixed flexible and managed floating exchange rate.
13. Why the demand for foreign exchange falls when the foreign exchange rate rise explain with the help of an example.