

IASbaba's Daily Quiz

March 6, 2017

Q.1) Which of the following exchange rate system is being followed in India??

- a) Flexible Exchange Rate System
- b) Fixed Exchange Rate System
- c) Managed Floating Exchange Rate System
- d) Free Floating Exchange Rate System

Q.1) Solution (c)

Exchange rate (foreign exchange rate) is the rate at which domestic currency is traded for a foreign currency. Similarly, it is the rate that shows the value of domestic currency in terms of other currencies. Here, the value of Rupee means the value measured in terms of other currencies like the US Dollar.

Exchange rate system refers to the arrangement for the movement of exchange rate. There are basically three types of exchange rate systems globally: flexible or floating exchange rate system, fixed exchange rate system and managed floating (intermediate exchange rate system).

Managed floating or Intermediate Exchange rate System

India is having this type of exchange rate system. In this hybrid exchange rate system, the exchange rate is basically determined in the foreign exchange market through the operation of market forces. Market forces mean the selling and buying activities by various individuals and institutions. So far, the managed floating exchange rate system is similar to the flexible exchange rate system.

But during extreme fluctuations, the central bank under a managed floating exchange rate system (like the RBI) intervenes in the foreign exchange market. Objective of this intervention is to minimise the fluctuation in the exchange rate of rupee.

Since, the exchange rate is basically determined by market forces, the upward and downward movement in the value of rupee are appreciation and depreciation.

In News - http://www.business-standard.com/article/opinion/a-v-raiwade-manipulated-and-managed-exchange-rates-117022201291_1.html

Q.2) 'Fiat Money' is the currency backed by

- a) Budgetary support
- b) Gold reserves

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- c) Tangible assets
- d) Government Guarantee

Q.2) Solution (d)

Fiat money is a currency established as money by government regulation or law.

A fiat-money currency generally loses value once the issuing government or central bank either loses the ability to or refuses to further guarantee its value.

Q.3) A fractional reserve banking system operates so that

- a) a fraction of depositors' money is available to them at any given time
- b) a fraction of depositors' money is held in reserve by banks
- c) banks lend the full amount of people's deposits
- d) None of the above

Q.3) Solution (b)

Fractional reserve banking is a banking system in which only a fraction of bank deposits are backed by actual cash on hand and are available for withdrawal. This is done to expand the economy by freeing up capital that can be loaned out to other parties.

When you put your money into a bank, the bank is required to keep a certain percentage, a fraction, of that money on reserve at the bank, but the bank can lend the rest out. For instance, if you deposit 1000 Rupees at the bank and the bank has a reserve requirement of 10 percent, the bank must keep 100 Rupees of your money on reserve and can lend out the 900 Rupees.

In essence, the bank has taken 1000 Rupees and has turned it into 1900 Rupees by giving you a 1000 rupees credit on your deposits and then lending the additional 900 rupees out to someone else.

Q.4) Shahpurkandi dam project is located in

- a) Uttarakhand
- b) Jammu & Kashmir
- c) Punjab

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d) Haryana

Q.4) Solution (c)

In News - <http://www.hindustantimes.com/punjab/punjab-j-k-agree-to-start-work-on-shahpur-kandi-dam-project/story-hc0rMvcoQLqNLLDMPqwGKO.html>

Q.5) Consider the following the statements about International Conference on Theory and Practice of Electronic Governance (ICEGOV 2017)

1. It was established by the United Nations University
2. India will host the 10th edition of ICEGOV

Select the correct statements

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.5) Solution (c)

International Conference on Theory and Practice of Electronic Governance is an international conference series, established by the United Nations University in 2007, with the aim to share the latest in theory and practice of Electronic Governance. It is to be hosted by India for the first time. It will be organized by Ministry of Electronics and IT in collaboration with United Nation University and UNESCO. ICEGOV 2017 is the 10th edition of ICEGOV, which will focus on the use of technology to transform relationships between government and citizens, businesses, civil society.

In News - <http://pib.nic.in/newsite/PrintRelease.aspx?relid=158823>