

Q.1) Consider the following statements about exchange rate practiced by India:

1. India practices the 'dual exchange rate' i.e. 'official rate' and 'market rate'.
2. The 'official rate' determines the 'market rate'.

Which of the above statements is/are correctly matched?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.1) Solution (a)

In 1992–93 financial year, India moved to the floating currency regime with its own method which is known as **the 'dual exchange rate'**. There are two exchange rates for rupee, one is **the 'official rate' and the other is the 'market rate'**.

Here the point should be noted that it is the **everyday's changing market-based exchange rate of rupee which affects the official exchange rate** and not the other way round.

Do you know?

- Some economies, particularly small ones, peg their currencies to a major currency or to a basket of currency in a fixed exchange rate— known as **the pegging of currencies**.

THINK!

- MANAGED EXCHANGE RATES

Q.2) Which of the following are examples of export?

1. Money spent on travel by tourists in India
2. Tuition fee paid to universities by international students
3. Outsourcing the hardware supply of a mobile company.

Which of the above statements is/are correctly matched?

- a) 1 and 2 only
- b) 2 and 3 only
- c) All the above
- d) None

Q.2) Solution (a)

When we export services, we again credit money to the current account. When we import the services, we debit money from the current account. Now, export of services has two meanings. **One is that we provide service to the foreign nationals in their own land and another is that foreigners come to our country and we provide service to them here. Both have same meaning.** Like in tourism, the tourists come to India and whatever we earn from their tourism activity is also deemed to be a service export. But since we cannot see this export taking place, we call it Invisible Export. India is slowly becoming a service-oriented economy, so invisible exports are slated to play very important role in the years to come. Following are examples of Invisible exports and imports:

- Money spent on travel by tourists
- Tuition paid to universities by international students
- Banking, Insurance, Consulting services in foreign land
- Royalties and license fee paid for use of copyright or patent

Outsourcing is basically getting service from abroad. So, it is a service import or invisible import, which would be a debit entry in the current account. **Even if you outsource goods, it would mean import of goods. So outsourcing of hardware of mobile company is termed as import.**

Do you know?

- Reverse Tranche – A certain proportion of a member country's quota is specified as its reserve tranche. The member country can access its reserve tranche funds at its discretion and is not under an immediate obligation to repay those funds to the IMF. Member nation reserve tranches are typically 25% of the member's quota.

THINK!

- Components of Current Account

Q.3) It is the international currency in which the highest faith is shown and is needed by every economy. The strongest currency of the world is one which has a high level of liquidity. The economy with the highest as well as highly diversified exports that are compulsive imports for other countries will also create high demand for its currency in the World. It is always scarce. The above lines describe best, which of the following?

- a) Hot currency
- b) Hard currency
- c) Soft currency
- d) Heated currency

Q.3) Solution (b)

It is the international currency in which the highest faith is shown and is needed by every economy. The strongest currency of the world is one which has a high level of liquidity. Basically, the economy with the highest as well as highly diversified exports that are compulsive imports for other countries (as of high-level technology, defense products, lifesaving medicines and petroleum products) will also create high demand for its currency in the **and become the hard currency**. It is always scarce.

Soft currency - A term used in the foreign exchange market which denotes the currency that is easily available in any economy in its forex market. For example, rupee is a soft currency in the Indian forex market. It is basically the opposite term for the hard currency.

Hot currency is a term of the forex market and is a temporary name for any hard currency. Due to certain reasons, if a hard currency is exiting an economy at a fast pace for the time, the hard currency is known to be hot. As in the case of the SE Asian crisis, the US dollar had become hot.

Heated currency - A term used in the forex market to denote the domestic currency which is under enough pressure (heat) of depreciation due to a hard currency's high tendency of exiting the economy (since it has become hot). It is also known as currency under heat or under hammering.

Do you know?

- Up to the second world war, the best hard currency was the Pound Sterling (£) of the UK, but soon it was replaced by the US Dollar. Some of the best hard currencies of the world today are the **US Dollar, the Euro (€), Japanese Yen (¥) and the UK Sterling Pound (£)**. Meanwhile, by late 2015, the IMF allowed the SDR to be denominated in the **Chinese 'Yuan'**—paving the way for a new hard currency to be implemented in 2016.

THINK!

- Cheap currency
- Dear currency

Q.4) Which of the following comes under capital account?

1. Purchase of stocks in the USA
2. Gifts, donations and remittances
3. Dividends

4. External Borrowings such as ECB

Select the correct answer using the codes given below.

- a) 1 and 2 only
- b) 1, 2 and 3 only
- c) All the above
- d) 1 and 4 only

Q.4) Solution (d)

Current Account – It deals with current, ongoing, short term transactions like trade in goods, services (invisible) etc. It reflects the nation's net income.

There are 4 components of Current Account:

- Goods – trade in goods
- Services (invisible) – trade in services e.g. tourism
- Income – investment income
- Current unilateral transfers – **donations, gifts, grants, remittances**. Note that grants might appear as component of capital account but are included in current account as they are unilateral, create no liability. Recipient does not have to give anything back in return.

Capital Account – It deal with capital transactions i.e. those transactions which create assets or liabilities. It reflects the net changes in the ownership of national assets.

For instance, **if you buy a stocks or property in US**, it will be a capital account transaction and it will be debit on capital account as you have to pay to US to buy the asset.

Components of Capital Account

- Foreign Direct Investment (FDI)
- Foreign Portfolio Investment (FPI)
- **External Borrowings such as ECB**
- Reserve Account with the Central Bank

Note here that foreign investment is under capital account but **dividends and income from investment comes under current account** in the category income from abroad as dividend is transferred periodically, does not result in creation of asset or liability.

Do you know?

- Current Account Deficit and Fiscal Deficit together are known as twin deficits and often both reinforce each other i.e. High fiscal deficit leads to higher CAD and vice versa.

THINK!

- Current account deficit

Q.5) Which of the following are the advantages of External Commercial Borrowings (ECBs)?

1. ECBs provide opportunity to borrow large volume of funds
2. The funds are available for relatively long term
3. Interest rate are also lower compared to domestic funds

Select the correct answer using the codes given below.

- a) 1 only
- b) 2 only
- c) 1 and 2
- d) 1, 2 and 3

Q.5) Solution (d)

ECB is basically a loan availed by an Indian entity from a nonresident lender. Most of these loans are provided by foreign commercial banks and other institutions. It is a loan availed of from non-resident lenders with a minimum average maturity of 3 years.

The significance of ECBs their size in India's balance of payment account. In the post reform period, ECBs have emerged a major form of foreign capital like FDI and FII.

Advantages of ECBs

- ECBs provide opportunity to borrow large volume of funds
- The funds are available for relatively long term
- Interest rate are also lower compared to domestic funds
- ECBs are in the form of foreign currencies. Hence, they enable the corporate to have foreign currency to meet the import of machineries etc.
- Corporate can raise ECBs from internationally recognized sources such as banks, export credit agencies, international capital markets etc.

Do you know?

- **ECB can be availed by either automatic route or by approval route.** Under automatic route, the government has permitted some eligibility norms with respect to industry, amounts, end-use etc. If a company passes all the prescribed norms, it can raise money without any prior approval.

- For specific pre-specified sectors, the borrowers have to take explicit permission of the government/The Reserve bank of India (RBI) before borrowing through ECB. RBI has issued formal guidelines and circulars specifying these rules for borrowing.

THINK!

- Disadvantages of ECB.

Q.6) Consider the following statements about REER.

1. In India RBI publishes REER index.
2. The base year for calculating index numbers is 2004-05.

Which of the above statements is/are correctly matched?

- a) 1 only
- b) 2 only
- c) Both 1 and 2
- d) None

Q.6) Solution (c)

The RBI publishes two sets of export-based exchange rate indices: nominal and real exchange rate indices. Since there are 36 major currencies of the world, RBI derives the average nominal exchange rate, using the proportion of exports to each currency area as weights, known as nominal effective exchange rate (NEER). **The base year for calculating index numbers is 2004-05 equal to 100.**

The real exchange rate unlike NEER goes one step ahead by taking into account the movements in domestic price level relative to average foreign price level. It is defined as the product of NEER and the price index of the country and the world price index. Known as 'real effective exchange rate' (REER), **the index numbers are calculated using the fiscal year 2004-05 as base year equal to 100.** Movements in REER index would indicate whether REER has been stable, appreciating or depreciating.

Do you know?

- Exchange rates are categorized into three sets: currency-based, trade-based and export-based. Our concern is with export based.

THINK!

- Purchasing Power Parity

Q.7) Consider the following pairs.

Trade agreements	Meaning
1. Preferential Trade Agreement	Two or more partners agree to reduce tariffs on agreed number of tariff lines.
2. Bilateral Investment Treaty	Provides investors with various guarantees when investing in the country of the treaty partner.
3. Custom Union	Provisions to facilitate free movements of labour and capital, harmonize technical standards across members etc.
4. Common Market	Partner countries may decide to trade at zero duty among themselves, however they maintain common tariffs against rest of the world.

Which of the pairs is/are correctly matched?

- a) 1, 2 and 3 only
- b) 1 and 2 only
- c) 2 and 4 only
- d) All the above

Q.7) Solution (b)

Preferential Trade Agreement (PTA): In a PTA, two or more partners agree to reduce tariffs on agreed number of tariff lines. The list of products on which the partners agree to reduce duty is called positive list. India MERCOSUR PTA is such an example. However, in general PTAs do not cover substantially all trade.

The key difference between an FTA and a PTA is that while in a PTA there is a positive list of products on which duty is to be reduced; in an FTA there is a negative list on which duty is not reduced or eliminated.

Bilateral Investment Treaty (BIT): A Bilateral Investment Treaty (BIT) provides investors with various guarantees when investing in the country of the treaty partner.

Economic Partnership Agreement (EPA) or Comprehensive Economic Partnership (CEP): The EPA/CEP agreements are comprehensive in scope, covering such fields as trade in goods, trade in services, investment, and economic cooperation

Foreign Investment and Protection Agreement (FIPA): The main provisions of the Foreign Investment and Protection Agreement cover the handling of foreign investments by the host country, the transfer of capital and investment income, compensation for expropriation and procedures for settling disputes.

Custom Union: In a Custom union, partner countries may decide to trade at zero duty among themselves, however they maintain common tariffs against rest of the world. An example is Southern African Customs Union (SACU) amongst South Africa, Lesotho, Namibia, Botswana and Swaziland. European Union is also an outstanding example.

Common Market: Integration provided by a Common market is one step deeper than that by a Customs Union. A common market is a Customs Union with provisions to facilitate free movements of labour and capital, harmonize technical standards across members etc. European Common Market is an example.

Do you know?

- European Free Trade Association- EFTA is regional trade organization and free trade area consisting of four European states, Iceland, Norway, Switzerland and Liechtenstein. It operates in parallel with European Union (EU), and all four-member states participate in the European single market.

THINK!

- TTIP
- RCEP

Q.8) India's exported goods plus services represent 18.4% of total Indian economic output or Gross Domestic Product. Which of the following commodities contributes highest to the Indian Exports?

- a) Gems and precious metals
- b) Automobiles
- c) Pharmaceuticals
- d) Cereals

Q.8) Solution (a)

The following export product groups represent the highest dollar value in Indian global shipments during 2017. Also shown is the percentage share each export category represents in terms of overall exports from India.

1. Gems, precious metals: US\$42.6 billion (14.4% of total exports)
2. Mineral fuels including oil: \$35.9 billion (12.1%)
3. Machinery including computers: \$16.7 billion (5.6%)
4. Vehicles: \$16.2 billion (5.5%)
5. Organic chemicals: \$13.6 billion (4.6%)
6. Pharmaceuticals: \$12.9 billion (4.4%)
7. Iron, steel: \$11.7 billion (4%)
8. Clothing, accessories (not knit or crochet): \$9 billion (3%)
9. Electrical machinery, equipment: \$8.8 billion (3%)
10. Knit or crochet clothing, accessories: \$8.3 billion (2.8%)

India's top 10 exports accounted for 59.4% of the overall value of its global shipments.

Do you know?

Iron and steel was the fastest growing among the top 10 export categories up 81.8% from 2016 to 2017.

In second place for improving Indian export sales were mineral fuels including oil which gained 29.5%, led by refined petroleum oils.

Indian machinery including computers posted the third-fastest gain in value up 22.8%, trailed by the 20.6% improvement for exported organic chemicals.

There were two declining top categories: pharmaceuticals via its -1.1% drop and unknit and non-crocheted clothing or accessories, the latter decelerating by -0.7%.

Q.9) Which of the following refers to Invisible balance in the context of BoP?

- a) It refers to import of Capital Goods.
- b) It refers to the amount of goods imported in the country on lease.
- c) It refers to services and other products that do not result in the transfer of physical object.
- d) It refers to the interest paid by importers if they have borrowed money for imports.

Q.9) Solution (c)

Invisible balance

The invisible balance or balance of trade on services is that part of the balance of trade that refers to services and other products that do not result in the transfer of physical objects. Examples include consulting services, shipping services, tourism, and patent license revenues. This figure is usually generated by tertiary industry. The term 'invisible balance' is especially common in the United Kingdom.

For countries that rely on service exports or on tourism, the invisible balance is particularly important. For instance the United Kingdom and Saudi Arabia receive significant international income from financial services, while Japan and Germany rely more on exports of manufactured goods.

Types of Invisibles

Invisibles are both international payments for services (as opposed to goods), as well as movements of money without exchange for goods or services. These invisibles are called 'transfer payments' or 'remittances' and may include money sent from one country to another by an individual, business, government or non-governmental organisations (NGO) – often charities.

Q.10) Who of the following are likely to benefit from devaluation of currency in the country?

1. Exporters
2. Importers
3. Borrowers
4. Lenders

Select the code from following:

- a) 1 and 3
- b) 2 and 4
- c) None of the above
- d) 4 only

Q.10) Solution (a)

Devaluation

Devaluation is a deliberate downward adjustment to the value of a country's currency relative to another currency, group of currencies or standard. It is a monetary policy tool used by countries that have a fixed exchange rate or semi-fixed exchange rate.

Benefits of Devaluation

After a devaluation, the new lower value of the domestic currency will make it less expensive for foreign consumers to obtain local currency with which to buy locally produced export goods, so more exports will be sold, helping domestic businesses. Further, the new exchange rate will make it more expensive for local consumers to obtain foreign currency with which to import foreign goods, hurting domestic consumers and causing less to be imported. The combined effect will be to reduce or eliminate the previous net outflow of foreign currency reserves from the central bank.

It will also benefit the borrower. If the rate of interest is fixed, a person will be paying the same amount in numbers but the value of that amount will decrease in the market.

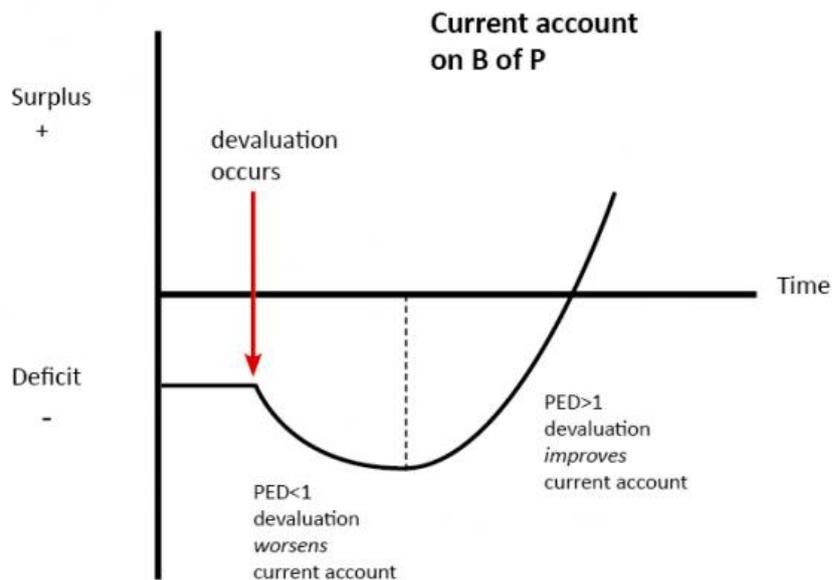
Q.11) The 'J curve' is the time path of a country's trade balance following a devaluation or depreciation of its currency, under a certain set of assumptions. Which of the following statements regarding 'J Curve' are correct?

- a) Following depreciation, imports will increase while exports will cease.
- b) Following devaluation, country's trade balance will initially worsen and then improves.
- c) Following devaluation, country's trade balance will initially improve and then worsen
- d) None of the above

Q.11) Solution (b)

J Curve

In economics, the 'J curve' is the time path of a country's trade balance following a devaluation or depreciation of its currency, under a certain set of assumptions. A devalued currency means imports are more expensive, and on the assumption that the volumes of imports and exports change little at first, this causes a fall in the current account (a bigger deficit or smaller surplus). After some time, though, the volume of exports may start to rise because of their lower and hence more competitive prices to foreign buyers, and domestic consumers may buy fewer of the costlier imports. Eventually, if this happens, the trade balance should move to a smaller deficit or larger surplus compared to what it was before the devaluation. Likewise, if there is a currency revaluation or appreciation the same reasoning may be applied and will lead to an inverted J curve.



Immediately following the depreciation or devaluation of the currency, the total value of imports will increase and exports remain largely unchanged due in part to pre-existing trade contracts that have to be honored. This is because in the short run, prices of imports rise due to the depreciation and also in the short run there is a lag in changing consumption of imports, therefore there is an immediate jump followed by a lag until the long run prevails and consumers stop importing as many expensive goods and along with the rise in exports cause the current account to increase (a smaller defect or a bigger surplus). Moreover, in the short run, demand for the more expensive imports (and demand for exports, which are cheaper to foreign buyers using foreign currencies) remain price inelastic. This is due to time lags in the consumer's search for acceptable, cheaper alternatives (which might not exist).

Over the longer term a depreciation in the exchange rate can have the desired effect of improving the current account balance. Domestic consumers might switch their expenditure to domestic products and away from expensive imported goods and services, assuming equivalent domestic alternatives exist. Equally, many foreign consumers may switch to purchasing the products being exported into their country, which are now cheaper in the foreign currency, instead of their own domestically produced goods and services.

Q.12) Which of the following is also known as 'Paper Gold'?

- a) Government Securities
- b) Bitcoins
- c) Gold bonds
- d) Special Drawing Rights (SDR) of IMF

Q.12) Solution (d)**Special Drawing Rights**

International financing instrument created in 1970 by the International Monetary Fund (IMF) to coincide with the disfavor of the US dollar as the principal currency of the world trade. Also called **paper gold**, an SDR is neither paper nor gold but an accounting entry. It is not backed by any currency or precious metal, and is used only among governments and IMF for balance Of payments settlements. SDRs are a measure of a country's reserve assets with IMF and, whereas not 'money' in the strict sense, have several characteristics of money as interest bearing assets, store of value, and means of settling indebtedness.

They are distributed among all member states of IMF in proportion to each member's quota of IMF dues based on the member's GNP. Used mainly to supplement gold and convertible (hard) currencies in maintaining stability of foreign exchange markets, SDRs are valued on the basis of the value of a basket of 16 major currencies with periodically adjusted weightage reflecting each currency's importance in global trade.

Q.13) Which of the following constitutes the FOREX reserve of India?

1. Foreign currency assets
2. Gold
3. SDRs
4. Share holding of Indians in foreign companies

Select the code from following:

- a) 1,2 and 3
- b) 1 and 3
- c) 1,3 and 4
- d) All of the above

Q.13) Solution (a)

The forex are reserve assets held by a central bank in foreign currencies. It acts as buffer to be used in challenging times and used to back liabilities on their own issued currency as well as to influence monetary policy. Almost all countries in world, regardless of size of their economy, hold significant foreign exchange reserves.

The components of India's FOREX Reserves include

- Foreign currency assets (FCAs),

- Gold Reserves,
- Special Drawing Rights (SDRs) and
- RBI's Reserve position with International Monetary Fund (IMF).

FCAs constitute largest component of Indian Forex Reserves and are expressed in US dollar terms.

Q.14) Consider the following statements regarding FOREX reserves in India?

1. FOREX reserves in India are managed by SEBI
2. For the first time in History, the FOREX reserve crossed 4000 Billion mark in India.
3. Inflow of foreign currency and Gold in economy decreases the money supply.

Which of the above statements are correct?

- a) 1 and 2
- b) 2 only
- c) 2 and 3
- d) None of the above

Q.14) Solution (d)

- The Foreign exchange reserves of India are India's holdings of cash, bank deposits, bonds, and other financial assets denominated in currencies other than India's national currency, the Indian rupee. The reserves are managed by the Reserve Bank of India for the Indian government.
- Second statement is absurd. For the first time Indian FOREX Reserves crossed 400 Billion mark. Currently Indian FOREX reserves stand at 417 Billion (Approx) till Jan 2018.
- With inflow of Gold and Foreign Currency in economy RBI has to print currency. This increases the money supply in the market.

Q.15) Reserve Money includes which of the following?

1. Currency in circulation
2. Bank deposits with the RBI
3. Deposits in commercial banks.
4. 'Other' deposits with the RBI.

Select the correct answer using the code given below:

- a) 1, 2 and 3 only

- b) 1, 2 and 4 only
- c) 2, 3 and 4 only
- d) 1, 2, 3 and 4

Q.15) Solution (b)

Reserve Money is also called as Central Bank Money, Monetary base, Base money, high-powered money and sometimes **narrow money**. It is the base level for money supply or the high-powered component of money supply.

Reserve money = Currency in Circulation + Bankers' Deposits with RBI + 'Other' Deposits with RBI

Q.16) Consider the following in regard to Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) of the rupee:

1. NEER of the rupee is a weighted average of exchange rates before the currencies of India's major trading partners.
2. When the weight of inflation is adjusted with the NEER, we get the REER of the rupee.

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

Q.16) Solution (c)

NEER : : The Nominal Effective Exchange Rate (NEER) of the rupee is a weighted average of exchange rates before the currencies of India's major trading partners.

REER : : When the weight of inflation is adjusted with the NEER, we get the Real Effective Exchange Rate (REER) of the rupee. Since inflation has been on the higher side in recent months, the REER of the rupee has been more against it than the NEER.

Usually the exchange rate is determined for a domestic currency against a single foreign currency. In the effective exchange rate (EER) system, a currency is fixed against a basket of currencies. For NEER and REER the basket is SDR (Special Drawing Rights at IMF) currencies.

The way real GDP arrived from nominal GDP after correcting it for price change the REER is arrived from NEER.

Q.17) Which of the following items is not a part of Current Account in a country's Balance of Payment?

- a) Exports of Services
- b) Imports of Goods
- c) Remittances
- d) External commercial Borrowings

Q.17) Solution (d)

The current account on the balance of payments measures the inflow and outflow of goods, services and investment incomes.

The main components of the current account are:

- i. Trade in goods (visible balance): includes both export and import.
- ii. Trade in services (invisible balance) e.g. insurance and services
- iii. Investment incomes e.g. dividends, interest and migrants remittances from abroad
- iv. Net transfers – e.g. International aid

A deficit on the current account means that the value of imports is greater than the value of exports. A surplus on the current account means that the value of imports is less than the value of exports.

Capital account of BOP records all those transactions, between the residents of a country and the rest of the world, which cause a change in the assets or liabilities of the residents of the country or its government. It is related to claims and liabilities of financial nature.

The components of Capital account involve Borrowings and landings to and from abroad, this includes the External Commercial Borrowings. Investments to and from abroad: this includes investments in securities and real estate.

Q.18) Consider the following statements with reference to the Convertibility of Indian currency

1. For current account transactions, Indian rupee can be fully converted into any foreign currency

2. India has introduced full convertibility in capital account transactions since 2015

Which of the above statements is/are correct?

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

Q.18) Solution (a)

Rupee convertibility means the system where any amount of rupee can be converted into any other currency without any question asked about the purpose for which the foreign exchange is to be used. rupee convertibility in India is a gradual one, it was first introduced in the Current account and then in capital account. Full convertibility in current account was introduced in 1994.

The government of India had appointed two committees to suggest way to introduce Full Convertibility on capital Account, one in 1996 and another in 2006, Both were headed by S.S. Tarapore.

The present situation is that, rupee is fully convertible in Current Account, and is partially convertible in Capital account. It means that you can convert 1000rs into equivalent foreign currency if you are trading something, going on a vacation, or for medical purpose. But you will get less than 1000rs equivalent of foreign currency if you want to buy securities and shares in foreign companies, or want to buy real estate.

Q.19) Consider the following statements with reference to depreciation of a currency

- 1. It is a fall in the value of domestic currency with respect to other currencies
- 2. It is done by deliberate government intervention

Which of the above statements is/are correct?

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

Q.19) Solution (a)

Currency depreciation is the loss of value of a country's currency with respect to one or more foreign reference currencies, typically in a floating exchange rate system in which no official currency value is maintained. In a floating exchange rate system, a currency's value goes up (or down) if the demand for it goes up more (or less) than the supply does.

On the other hand, when the government lowers the exchange rate of its currency, it is called Devaluation, it is intentional and is done to promote the exports of the country.

Q.20) Consider the below statements with regard to Depreciation and Devaluation:

1. Devaluation refers to a change in value of a money that has its value set by the country's government.
2. Depreciation refers to a change in value of a money that has its value determined by market forces generated in the open money market.

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

Q.20) Solution (c)

Depreciation : : In foreign exchange market, it is a situation when domestic currency loses its value in front of a foreign currency if it is market-driven. It means depreciation in a currency can only take place if the economy follows the floating exchange rate system.

Devaluation : : In the foreign exchange market when exchange rate of a domestic currency is cut down by its government against any foreign currency, it is called devaluation. It means official depreciation is devaluation.

Q.21) Consider the following statements:

1. Appreciation : : government increasing the exchange rate of its currency against any foreign currency
2. Revaluation : : if a free floating domestic currency increases its value against the value of a foreign currency

Which of the above is/are correctly matched?

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

Q.21) Solution (d)

REVALUATION : : A term used in foreign exchange market which means a government increasing the exchange rate of its currency against any foreign currency.

APPRECIATION : : In foreign exchange market, if a free floating domestic currency increases its value against the value of a foreign currency, it is appreciation. In domestic economy, if a fixed asset has seen increase in its value it is also known as appreciation. Appreciation rates for different assets are not fixed by any government as they depend upon many factors which are unseen.

Q.22) Consider the following statements about 'LEADS Index'

1. It is developed by NITI Aayog in collaboration with the World Bank
2. It is a composite indicator to assess international trade logistics across states and Union territories

Select the correct statements

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

Q.22) Solution (b)**LEADS index**

- Logistics Ease Across Different States (LEADS) index is developed by the commerce and industry ministry along with Deloitte.
- It is a composite indicator to assess international trade logistics across states and Union territories
- Gujarat has topped the index closely followed by Punjab and Andhra Pradesh.

- LEADS is loosely based on the World Bank's biannual Logistics Performance Index (LPI), on which India was ranked 35 among 160 countries in 2016, up from 54 in 2014.
- LEADS is based on eight parameters such as infrastructure, services, timeliness, track and trace, competitiveness of pricing, safety of cargo, operating environment and regulatory process.

Q.23) Consider the following statements

1. Badakhshan province of Afghanistan borders China's Xinjiang
2. Wakhan Corridor separates Tajikistan from Pakistan
3. Uyghurs are a Turkic ethnic group living in East and Central Asia

Select the correct statement

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

Q.23) Solution (d)

China to fund base in Afghanistan

News: China will fund construction of an Afghan counterterrorism base in Badakhshan province to block cross-border infiltration of the ethnic Uyghur militants.

Badakhshan

- It is one of Afghanistan's northern provinces.
- The Wakhan Corridor is the province's thin strip of land — often called a panhandle — that winds through the mountains between Tajikistan, to the north, and Pakistan, to the south.
- Badakhshan borders China's Xinjiang.
- Badakhshan is viewed by some as strategic and has proven problematic. During Taliban rule, it remained one of the few regions out of reach.

Uyghurs

- They are a Turkic ethnic group living in East and Central Asia.
- Uyghurs live primarily in the Xinjiang Uyghur Autonomous Region in the People's Republic of China, where they are one of 55 officially recognized ethnic minorities.

- Outside of China, significant diasporic communities of Uyghurs exist in the Central Asian countries of Kazakhstan, Kyrgyzstan, and Uzbekistan, and in Turkey.

Q.24) Which of the following is/are correctly matched?

Mountains	Country
1. Mt Aconcagua	Chile
2. Mt McKinley	United States of America
3. Mt Vinson	Canada
4. Mt Carstenz Pyramid	Indonesia

Select the correct code:

- a) 1, 2 and 4
- b) 2 and 4
- c) 1 and 3
- d) 2, 3 and 4

Q.24) Solution (b)

The Seven Summits are composed of each of the highest mountain peaks of each of the seven continents.

- Mt Everest (Asia),
- Mt Carstenz Pyramid (Indonesia- Australasia continent),
- Mt Elbrus (Russia-Europe),
- Mt Kilimanjaro (Africa),
- Mt Aconcagua (Argentina-South America),
- Mt McKinley/Denali (Alaska-North America)
- Mt Vinson in (Antarctica)

Q.25) Consider the following statements about 'IPrism'

1. It is an initiative for start-ups to protect their Intellectual Property
2. It is launched by the Controller General of Patents, Designs and Trade Marks (CGPDTM)
3. It is supported by Sequoia Capital and NITI Aayog

Select the correct statements

- a) 1 Only
- b) 1 and 2
- c) 2 and 3
- d) None of the above

Q.25) Solution (d)**IPrism**

- The Cell for IPR Promotion and Management (CIPAM) in collaboration with ASSOCHAM and ERICSSON India has launched a one of its kind Intellectual Property (IP) Competition 'IPrism' for college and university students.

Q.26) The Budapest Convention provides for

1. Criminalisation of conduct, ranging from illegal access, data and systems interference to computer-related fraud and child pornography
2. Procedural law tools to make the investigation of cybercrime and the securing of e-evidence in relation to any crime more effective
3. International police and judicial cooperation on cybercrime and e-evidence

Select the correct statements

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

Q.26) Solution (d)**Budapest Convention**

- It is the first international treaty seeking to address Internet and computer crime by harmonizing national laws, improving investigative techniques, and increasing cooperation among nations.
- It was drawn up by the Council of Europe in Strasbourg, France, with the active participation of the Council of Europe's observer states Canada, Japan, South Africa and the United States.

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Do You Know?

- In 2014, the Council of Europe established a dedicated Programme Office on Cybercrime (C-PROC) in Bucharest, Romania.
- In 2007 and 2008, India and the Council of Europe cooperated in the reform of India's Information Technology Act. These reforms brought the legislation of India broadly in line with the Budapest Convention.
- While membership in the Budapest Convention more than doubled since then, India is yet to join this treaty.

