Part 1: Basic Concepts and Market Structure

1. Foreign Exchange is defined as the conversion of:
A) Gold to Currency
B) Home Currency to Foreign Currency and vice-versa
C) Assets to Liabilities
D) Stocks to Bonds
Answer: B

2. Which section of the FEMA Act (1999) defines Foreign Exchange?
A) Section 1
B) Section 2
C) Section 5
D) Section 10
Answer: B

3. Under FEMA, which of the following is considered foreign exchange?
A) Deposits payable in Foreign Currency
B) Travelers' Cheques expressed in Indian Currency but payable in Foreign Currency
C) Drafts drawn in Indian Currency payable in Foreign Currency
D) All of the above
Answer: D

4. A contract to exchange funds in one currency for another at an agreed rate is a:
A) Stock Transaction
B) Foreign Exchange Transaction
C) Commodity Trade
D) Real Estate Deal
Answer: B

5. What denotes the price or ratio at which one currency is exchanged for another?
A) Interest Rate
B) Inflation Rate
C) Exchange Rate
D) Fiscal Deficit
Answer: C

6. Exchange rates are dynamic and typically change every:
A) 4 seconds
B) 10 minutes
C) 1 hour
D) 24 hours
Answer: A

7. Which of the following is NOT a major participant in the Forex Market?
A) Central Banks
B) Commercial Banks
C) Local Grocery Stores
D) Investment Funds

Answer: C

8. What is the approximate daily turnover of the Global Forex Market?
A) USD 320 Billion
B) USD 3.20 Trillion
C) USD 1.50 Trillion
D) USD 500 Billion
Answer: B

9. Daily World Trade Turnover accounts for what percentage of Global Forex Turnover?
A) 2%
B) 50%
C) 98%
D) 10%
Answer: A

10. What percentage of Global Forex relates to investments and speculative trading?
A) 2%
B) 50%
C) 98%
D) 25%
Answer: C