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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

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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

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