

	<p style="text-align: center;">Demand and Supply of Foreign Currency</p>
13	<p>a. Explain the meaning and <i>two</i> merits of fixed foreign exchange rate.</p> <p>b. Explain <i>two</i> sources each of demand and supply of foreign exchange.</p>
14	<p>State components of the current account of balance of payments account.</p>
15	<p>Suggest ways to finance a deficit on current account other than by lowering official foreign exchange reserves. What are their implications? Where are they recorded in the capital account?</p>
16	<p>Identify whether the following will be included in current account or capital account of BOP:</p> <ol style="list-style-type: none"> Export of machinery abroad Loan taken from a foreign country Purchase of shares of a domestic company by a foreign company Financial assistance received from a foreign country Donation received from foreign country for health care project Consultancy services provided by an Indian company to a foreign company
17	<p>Distinguish between current account and capital account of BOP.</p>
18	<p>Explain the components of capital account 1 of BOP.</p>
19	<p>What are the causes for disequilibrium in BOP?</p>
20	<p>What is depreciation of currency? Explain its impact on imports and exports. How is it different from devaluation of currency?</p>

21	'Current account deficit in an economy must be financed by a corresponding capital account surplus'. Do you agree with the given statement? Give valid reasons in support of your answer.
22	Giving valid reasons, state whether the following statements are true or false: (i) Dividend received from investment abroad is recorded on the credit side of the capital account. (ii) Depreciation of the Indian Currency will lead to promotion of Indian exports.