

# **GIRLS' HIGH SCHOOL AND COLLEGE, PRAYAGRAJ.**

**2020-2021**

**CLASS: 12 C&D**

**Economics**

**Worksheet – 7**

**Chapter – Balance of Payments and Exchange Rate.**

**Note** – Parents please ensure that your ward refers to the textbook, **ISC Economics Class 12 by D.K.Sethi and Mrs.U.Andrews by Frank publication** and the websites for at least two days to read and understand the chapter.

**Answer in brief**

- 01) Define the term balance of payments.
- 02) Mention two invisible items of current account.
- 03) Differentiate between autonomous capital flows and accommodating capital flows.
- 04) What is portfolio investment?
- 05) How does inflation in the economy cause adverse balance of payment?
- 06) Explain the terms:
  - (a) Depreciation
  - (b) Appreciation
  - (c) Devaluation
  - (d) Revaluation
- 06) What is meant by exchange rate?
- 07) What types of transactions are recorded in capital account?
- 08) What is fixed exchange rate system?
- 09) What is flexible exchange rate system?
- 10) What are visible transactions? Give examples.

### **Answer in detail**

- 01) “Balance of payments must always balance” .Comment.
  - 02) Explain any three causes for disequilibrium in the balance of payments of a country.
  - 03) State the items included in the balance of payments of a country.
  - 04) Explain any four methods of correcting disequilibrium in the balance of payments of a country.
  - 05) Explain with the help of a diagram how is exchange rate determined under the flexible exchange rate system.
- 

**End**