Foreign Investment

Question 1 : A surge in foreign capital inflow in India would lead to

a) Sale of foreign exchange by the central bank in order to prevent depreciation of rupee

b) Purchase of foreign exchange by central bank in order to prevent depreciation of rupee

c) Sale of foreign exchange by the central bank in order to prevent appreciation of rupee

d) Purchase of foreign exchange by central bank in order to prevent appreciation of rupee

Answer : d

Question 2 : Which of the following is not the recommendation of the Arvind Mayaram Committee on rationalizing FDI/FPI definition?

a) Foreign investment of 10% or more in a listed company will be treated as foreign direct investment (FDI)

b) In a particular company, an investor can hold the investments either under the FPI route or under the EDI route, but not both.

c) any investment by way of equity shares, compulsorily convertible preference shares/debentures, which is less than 10% of the post-issue paid-up equity capital of a company shall be treated as FPI.

d) On NRI investments in India, the committee recommended treating non-repayable investments as FDI.

Answer : d

Question 3 : What is global depository receipt?

a) It is a receipt issued by multinational banks on deposit of money.

b) It is a receipt issued by stock exchange to bank clearing mechanism.

c) It is a receipt issued by an overseas bank is lieu of shares of a domestic company.

d) It is a receipt issued by stock exchange on investment by foreign portfolio investor.

Answer : c

Question 4 : Both foreign direct investment (FDI) and foreign institutional investment (FII) are related to investment in a country. Which of the following is incorrect regarding FDI and FII?

a) Both FII and FDI bring capital into the economy.

b) FII invests in technology-oriented enterprises, whereas FDI invests in traditional business set ups.

c) The restrictions on the entry of FDI are lower than that on FII.

d) FDI is considered to be more stable thna FII. FII can be withdrawn even at a short notice.

Answer : b

Question 5 : Participatory notes (PNs) are associated with which one of the following?

a) Consolidated Fund of India

b) Foreign institutional investors

c) United Nations Development programme

d) Kyoto Protocol

Answer : b

Question 6 : The term “hot money” is used to refer to

a) Currency + reserves with the RBI

b) Net GDR receipts

c) Net foreign direct investment

d) Foreign portfolio investment

Answer : d

Question 7 : The union government adopted new definition of FDI and FPI in 2014. Which of the given below is incorrect in this regard?

a) The new definition considers 5% investment in capital of an unlisted company as FPI.

b) The new definition considers 5% investment in capital of an unlisted company as FDI.

c) The new definition considers 5% investment in capital of an listed company as FPI.

d) None of the above.

Answer : a

Question 8 : Which of the following statements is/are correct regarding FDI under automatic route?

1. FDI in India under the automatic route does not require prior approval either by the Government of India or the Reserve Bank of India.
2. Investors are only required to notify the concerned regional office of the RBI before receipt of inward remittances and file required documents with that office before the issue of shares to foreign investors.

Select the correct answer using the codes given below.

a) 1 only

b) 2 only

c) Both 1 and 2

d) Neither 1 nor 2

Answer : c

Question 9 : Which of the following are the components of foreign capital?

1. Grants and loans
2. External commercial borrowings
3. Foreign direct investment
4. Deposits from non-residents

Select the correct answer using the codes given below.

a) 1, 2, 3, and 4

b)1, 2, and 4 only

c) 1 and 2 only

d) 3 and 4 only

Answer : a

Question 10 : Consider the following statements:

1. Foreign investment may affect a country's export performance adversely.
2. Inflow of foreign exchange may cause appreciation of local currency, leading to a rise in the prices of export commodities.

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

Answer : c

11. The foreign direct investment includes
a) Tangible Good
b) Intangible Goods
c) Intellectual Property
d) Human Resource
Answer: Tangible Good

12. For spreading information the Foreign policy decision-makers rely on
a) Media
b) Politicians
c) Bureaucrats
d) Public

Answer: Media

13.How will offer curve react when customers are heterogeneous?
a) Negative quadrant
b) Positive quadrant
c) Zero quadrant
d) Optimum quadrant
Answer: Negative quadrant

14.When a country is specialized in particular good and then trade with other countries is called
a) Interdependence
b) Dependence
c) Agreement
d) Correlation
Answer: Interdependence

15.The Committee of Secretaries has recommended that 51 per cent foreign direct investment (FDI) be allowed in the multi-brand retail sector provided the investmentis not less that than
a) $ 100 million
b) $ 250 million
c) $ 200 million
d) $ 500 million
Answer: $ 100 million

16.When capital and labour are moved internationally to will develop the
a) Gains more from trade
b) Gains more from income
c) Economic growth gains
d) None Of The Above
Answer: Gains more from income

17. India is the fourth largest FDI source for which Arab nation?
a) Qatar
b) Iraq
c) Iran
d) none of the above
Answer: Qatar

18. Union government on 20th June 2016 changed the FDI policy with the aim of providing major impetus to employment and job creation. FDI beyond 49 percent in Defence Sector was allowed through which route?
a) Automatic
b) Both of the above
c) Approval
d) None of the above
Answer: Approva

19. Both foreign direct investment (FDI) and foreign institutional investment (FII) are related to investment in a country. Which of the following is incorrect regarding FDI and FII?

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b) FII invests in technology-oriented enterprises, whereas FDI invests in traditional business set ups.

c) The restrictions on the entry of FDI are lower than that on FII.

d) FDI is considered to be more stable thna FII. FII can be withdrawn even at a short notice.

Answer : b

20. The union government adopted new definition of FDI and FPI in 2014. Which of the given below is incorrect in this regard?
a) The new definition considers 5% investment in capital of an unlisted company as FPI.

b) The new definition considers 5% investment in capital of an unlisted company as FDI.

c) The new definition considers 5% investment in capital of an listed company as FPI.

d) None of the above.

Answer : a