

FOURTH SEMESTER M.A DEGREE EXAMINATION, APRIL 2022
(Regular/Improvement/Supplementary)

ECONOMICS
FECO4C12 - INTERNATIONAL FINANCE

Time: 3 Hours

Maximum Weightage: 30

Part A: Multiple choice questions. Answer *all* questions. Each carries $\frac{1}{5}$ weightage.

1. Remittances from abroad are included in which account of the balance of payment
(a) Current account (b) Capital account
(c) Official settlement account (d) Visible account
2. The theory of optimum currency area was propounded by
(a) Robert Mundell (b) Sidney Alaxander
(c) Harry Johnson (d) Gustav Cassell
3. Euro dollars denote
(a) Dollar deposits in Europe (b) Euro deposits in US
(c) Dollar deposits outside US (d) Euro deposits outside US
4. Indian rupee is convertible in
(a) Current account only (b) Capital account only
(c) Current and capital account (d) None of the above
5. The weighted average of a currency with a basket of currencies is
(a) Effective exchange rate (b) Real exchange rate
(c) Nominal exchange rate (d) Spot exchange rate
6. The country that voted for exiting the European union is
(a) Belgium (b) Netherland
(c) United Kingdom (d) Germany
7. The gold standard system follows in
(a) Fixed exchange rate (b) Flexible exchange rate
(c) Adjustable peg system (d) Managed floating
8. The largest foreign exchange market in the world is
(a) New York (b) London
(c) Frankfurt (d) Singapore
9. Expenditure switching policies is mainly work through changes in
(a) Exchange rate (b) Domestic interest rate
(c) Foreign interest rate (d) International capital flow
10. Which among the following is considered as risk-less activity
(a) Currency swap (b) Arbitrage
(c) Futures (d) Option

(P.T.O.)

11. The value of SDR is determined on the basis of the weighted average of
 - (a) US Dollar
 - (b) Five currencies
 - (c) Four currencies
 - (d) Three currencies
12. The curve that shows equilibrium in the money market
 - (a) IS curve
 - (b) LM curve
 - (c) BP curve
 - (d) J Curve
13. Most interbank currency transaction form the type of
 - (a) Forward trading
 - (b) Currency swap
 - (c) Future transaction
 - (d) hedging
14. The Brettonwood System came to an end in
 - (a) 1969
 - (b) 1970
 - (c) 1971
 - (d) 1972
15. Which among the type of exchange rate system is called snake in the tunnel
 - (a) Managed floating
 - (b) Adjustable peg system
 - (c) Crawling peg system
 - (d) Exchange rate band system

(15 × 1/5 = 3 weightage)

Part B: Answer any five questions. Each carries one weightage.

16. Explain dollarization.
17. What is mint parity?
18. Define exchange rate overshooting.
19. What is J curve?
20. Explain currency swap.
21. What is meant by foreign exchange exposure?
22. Distinguish between NEER and REER.
23. What is foreign institutional investment?

(5 × 1 = 5 weightage)

Part C: Answer any seven questions. Each carries two weightage.

24. Derive Marshall learner condition.
25. Explain European monetary integration.
26. Analyse the advantages of multinational corporations.
27. Explain the implications of portfolio balance approach.
28. What is meant by disequilibrium in international transactions?
29. Explain internal and external balance with Swan diagram.
30. Analyse the fluctuations of Indian rupee in international currency market.
31. Describe the features of future market.

32. What are the reasons for the collapse of Brettonwood system?
33. Explain hybrid exchange rates.

(7 × 2 = 14 weightage)

Part D: Answer any *two* questions. Each carries *four* weightage.

34. Elaborate the structure and working of foreign exchange market.
35. Explain the significance of IMF in the present international monetary system.
36. Give a detailed account on the absorption approach to balance of payments.
37. Analyse the trends and pattern of foreign investment in India since 1991.

(2 × 4 =8 weightage)