D4AEC2201 **(3 Pages)** **Name.............................**
Reg.No...........................

FOURTH SEMESTER M.A DEGREE EXAMINATION, APRIL 2024
(Regular/Improvement/Supplementary)

ECONOMICS
FECO4C12 - INTERNATIONAL FINANCE

Time: 3 Hours **Maximum Weightage: 30**

Part A: Multiple choice questions. Answer *all* questions. Each carries $^1/_5$ weightage.

1. The option contract that gives the holder the right to purchase an asset is
   a) Call option b) Put option c) Swap arrangement d) Futures
2. International institution envisaged to assist countries to solve their balance of payment crisis:
   a) IBRD b) IMF c) IDA d) IFC
3. "Snake in the tunnel" is associated with exchange rate of the form:
   a) Flexible exchange b) Fixed exchange rate
   c) Managed floating d) Adjustable peg system
4. Which among the following is not an invisible transaction in balance of payment?
   a) Trade in services b) Interest
   c) Dividends d) Merchandise trade
5. Investment in a foreign country that gives the owner control over the investment is ……....
   a) Foreign Direct Investment b) Foreign Portfolio Investment
   c) Foreign Institutional Investment d) None of the above
6. Who among the following is associated with the elasticity approach?
   a) Marshall b) Lerner
   c) Robinson d) All of the above
7. Most traded currency in the world is……....
   a) Chinese Yuan b) Euro c) Japanese Yen d) US Dollar
8. Exchange rate adjusted for relative price changes is ……...
   a) Nominal exchange rate b) Real exchange rate
   c) Effective exchange rate d) Floating exchange rate
9. In automatic adjustment mechanism, an increase in current account deficit will cause …….... pressure on the home currency value.
   a) Downward b) Upward
   c) No changes d) Upward or downward
10. Bretton Woods system effective came to the end on……....
    a) 1969 b) 1944 c) 1970 d) 1971
11. Purchasing power parity theory is associated with……....
    a) Sidney Alexander b) Gustav Cassel
    c) Robert Mundell d) Harry Johnson

(P.T.O.)

12. Most popular forward contract is for……......
a) 30 days   b) 90 days   c) 180 days   d) 364 days

13. Which of the following belongs to the direct control to attain internal and external balance?
a) Fiscal policy   b) Changes in interest rate
c) Changes in tariff   d) Budgetary policy

14. IMF provides credit for longer periods larger than the quota under……......
a) Buffer stock financing facility   b) Extended fund facility
c) Structural adjustment facility   d) Compensatory financing facility

15. European economic community was formed under the treaty……......
a) Treaty of Paris   b) Treaty of Rome   c) Maastricht treaty   d) London Treaty

($15 \times {}^{1}/_{5} = 3$ weightage)

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

16. Define arbitrage.
17. What is foreign direct investment?
18. Comment on exchange rate overshooting.
19. Define mint parity.
20. What is meant by currency swap arrangement.
21. What is hedging?
22. Write a short note on international liquidity.
23. What is meant by transfer pricing?

(5 × 1 = 5 weightage)

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

24. Write a note on Brexit.
25. What are the effects of international capital flows?
26. Explain disequilibrium in international transactions.
27. Distinguish between future and option contract.
28. State monetary approach of balance of payments.
29. Explain spot and forward market.
30. What are problems that led to the collapse of Bretton Woods system?
31. State the reasons for the fluctuations of Indian Rupee in the international market.
32. Explain the reasons for the collapse of Gold Standard.
33. State portfolio balance approach.

(7 × 2 = 14 weightage)

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

34. Critically examine Mundell Fleming model.
35. Explain elasticity approach to balance of payments.
36. Elaborate hybrid exchange rates.
37. Evaluate the role of MNCs in international monetary system.

(2 × 4 =8 weightage)