D4AEC2301 **(3 Pages)** **Name............................**

Reg.No..........................

FOURTH SEMESTER M.A DEGREE EXAMINATION, APRIL 2025

(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 absorption approach of BOP was formulated by:
   a) Meade b) David Ricardo
   c) Marshall & Lerner d) Sydney Alexander

2. The governments of the major industrial countries adopted floating exchange rates in:
   a) 1991 b) 1973 c) 1936 d) 1971

3. Which of the following is related to conglomerate integration?
   a) Research & Development b) Technological transfer
   c) Business diversification d) Arbitrage

4. The collapse of which of the following systems is related to the Triffin paradox?
   a) Gold standard b) Bretten Woods
   c) Brexit d) EU

5. Under a flexible exchange rate system, which policies can be used to achieve internal balance?
   a) Fiscal policies alone. b) Neither monetary nor fiscal policies.
   c) both monetary and fiscal policies. d) Monetary policies alone.

6. If a country has a fundamental deficit in BOP, it should resort to ………..
   a) exchange controls. b) foreign loans.
   c) devaluation. d) revaluation.

7. The three types of foreign exchange transactions are ………….
   a) spot, forward, futures b) spot, forwards, swaps
   c) spot, forward, options d) spot, futures, hedging

8. The price at which two currencies exchange is called ……….
   a) depreciation b) revaluation
   c) exchange rate d) devaluation

9. The Bretten Wood System was ……….
   a) gold standard b) fixed exchange rate system
   c) gold exchange standard d) none of these

(P.T.O.)

10. Present exchange rate system in India is ………..
    a) freely floating system. b) fixed exchange rate system.
    c) managed floating system. d) crawling peg.

11. The FDIs in India are mainly channelized through:
    a) Foreign Governments b) MNCs
    c) WTO d) None of the above

12. If Indian rupee improves in value against a foreign currency, it is called ………..
    a) appreciation b) devaluation
    c) revaluation d) depreciation

13. The fundamental cause for the fall of Bretten Wood System was …………
    a) the confidence problem b) the adjustment problem
    c) the liquidity problem d) all of the above

14. A record of international transactions in financial assets is ………..
    a) capital account b) current account
    c) ORA d) financial account

15. Which country is the largest source of FDI in India?
    a) USA b) Singapore
    c) Mauritius d) UAE

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

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

16. Foreign investment in India is growing rapidly. Comment.
17. What are the differences between optimum currency areas and currency boards?
18. How effective exchange rate differs from nominal and real exchange rates?
19. Elaborate on J – curve effect.
20. Write a note on exchange rate overshooting.
21. Write a short note on FDI Vs FPI.
22. What is called ‘impossible trinity’?
23. Differentiate between balance of payments and balance of trade.

(5 × 1 = 5 weightage)

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

24. What are the disadvantages of MNCs on host and home countries?
25. Elaborate the structure of BOP.

26. Write a note on hybrid exchange rates.
27. Explain assignment problem and Swan Diagram.
28. How MNCs utilise vertical and horizontal integration for profit accumulation?
29. Critically evaluate ‘Brexit’ and its aftermaths.
30. Analyse the significance of European Union in the present monetary system.
31. Explain the monetary approach of BOP.
32. How are BOP deficits automatically corrected using income adjustment mechanism?
33. Compare and contrast stabilising and destabilising speculation.

(7 × 2 = 14 weightage)

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

34. Explain the concept of currency convertibility in detail and highlight the Indian experience.
35. Discuss the evolution of international monetary system from 1870-1973.
36. Elaborate the policy adjustments used by a country for attaining internal and external balance.
37. Discuss Purchasing Power Parity theory in detail.

(2 × 4 = 8 weightage)