18P422 (Pages: 3) Name………………….

Reg.No………………..

FOURTH SEMESTER M.A. DEGREE EXAMINATION, APRIL 2020

(CUCSS - PG)

(Regular/Improvement/Supplementary)

CC15P ECO4 C13 – INTERNATIONAL FINANCE

(Economics)

(2015Admission onwards)

Time: Three Hours Maximum:36 Weightage

Part A

Answer ***all*** questions. Each question carries ¼ weightage.

1. The purchasing power parity theory was formulated by:
   (a) Gustav Cassel (b) Marshal (c) Ricardo (d) Krugman.
2. The absorption approach of balance of payments was formulated by
   (a) Friedman (b) Lerner (c) Marshal (d) Sidney Alexander
3. Exchange controls are imposed in India by:
   (a) RBI (b) SEBI
   (c) Ministry of Finance (d) Ministry of Commerce.
4. Under gold standard, the country with deficit will have:
   (a) Inflow of foreign currency (b) Outflow of gold
   (c) Inflow of gold (d) Outflow of foreign currency.
5. The market at which transaction will be consummated at some specified time in future is called:
   (a) Spot market (b) Forward market (c) Current market (d) Capital market.
6. Devaluation of currency will result in:
   (a) Capital outflow (b) Increased capital inflow
   (c) Increase in imports (d) Increase in exports.
7. The right to buy an amount of foreign exchange at a specified price within a specified margin is known as:
   (a) Call option (b) Currency option (c) Currency swap (d) None of these.
8. Multinational Corporations:
   (a) Require governmental subsidies in order to conduct worldwide operation.
   (b) Always enjoy political harmony in nations where their subsidiaries operate
   (c) Make it harder to nations to foster activities of comparative advantage
   (d) Increase the transfer of technology between nations.

9. In the balance of payments, unrequited receipts are entered as:

   (a) Separate entry (b) Debit entry (c) Credit entry (d) None of these.

10. European Monetary Union was established under the

    (a) Treaty of Mandrid (b) Treaty of Paris

    (c) Treaty of Maastricht (d) Treaty of Geneva

11. The appropriate expenditure switching policy to correct a deficit in balance of payments is:

    (a) Fiscal policy (b) Monetary policy (c) Devaluation (d) Revaluation

12. Bretton Woods system was

    (a) A gold standard (b) A flexible exchange rate system

    (c) A gold exchange standard (d) A managed float.

(12 × ¼ = 3 Weightage)

Part B

Answer any ***five*** questions. Each question carries 1 weightage.

13. What do you mean by Marshall-Lerner condition?
14. Distinguish between balance of payments and balance of trade.
15. Distinguish between stabilizing and destabilizing speculation.
16. Distinguish between portfolio investment and direct investment.
17. Distinguish between NEER and REER.
18. What is J curve effect?
19. What do you mean by dollarization?
20. Distinguish between internal and external balance.

(5 × 1 = 5 Weightage)

Part C

Answer any ***eight*** questions. Each question carries 2 weightage.

21. What do you mean by exchange rate overshooting?
22. Distinguish between Future and Forward market.
23. Write a note on currency boards.
24. How does monetary approach differ from expenditure changing approach?
25. Explain the collapse of Bretton Woods System.
26. Briefly discuss elasticity approach to balance of payments.
27. What are the motives for international capital flows?
28. Explain the Purchasing Power Parity Theory.
29. Discuss the role of MNCs in the Indian economy.

30. Explain Swan diagram.
31. Examine the role of devaluation in reducing deficits in balance of payments of a country.

(8 × 2 = 16 Weightage)

Part D

Answer any ***three*** questions. Each question carries 4 weightage.

32. What is meant by balance of payment equilibrium? Bring out important measures to correct it.
33. Discuss the role of international financial institutions in facilitating capital flows. Examine the effects of international capital flows.
34. Examine the relative merits and defects of fixed and flexible exchange rates.
35. Critically evaluate Mundell-Flemming Model.
36. Discuss the current international monetary system.

(3 × 4 = 12 Weightage)

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