19P422		(Page	s: 3)	Name		
	EQUIPMU (F)	MEGRED M.A. DEGE		Reg. No		
	FOURTH SE	MESTER M.A. DEGR (CBCS)		TION, APRIL 2021		
	CC	19P ECO4 C12 - INTE	*	INANCE		
		(Economics –	Core course)			
		(2019 Admissi	ion - Regular)			
Time:	Three Hours			Maximum: 30 Weightage		
		PAR	T A			
	Answe	er <i>all</i> questions. Each qu	estion carriers 1/2	5 weightage.		
Multip	le Choice Question	ns:				
1.	Price Specie mech	nanism is associated with	h:			
	a) Gold standard		b) Bretton Wo	b) Bretton Woods system		
	c) Clean float		d) Managed fl	d) Managed floating		
2.	2. The absorption approach of BOP was formulated by:					
	a) Friedman	b) Keynes	c) Sidney Ale	xander d) none of the above		
3.	Exporters who are agree to accept future payments of their foreign customers' currency					
	bear:					
	a) Exchange rate risk		b) All transact	b) All transaction cost		
	c) payment imbalance		d) none of the above			
4.	Adjustment mech	anism in Elasticity appro	oach is:			
	a) price adjustmen	nt	b) Direct cont	b) Direct control		
	c) income adjustn	nent	d) none of the	d) none of the above		
5.	If a country's curr	rency is overvalued in in	ternational marke	ets, its exports are:		
	a) overpriced	b) underpriced	c) stable	d) none of the above		
6.	When the supply	of foreign currency is gr	eater than the der	mand, the forward rate is quoted at		
	a) discount	b) par	c) premium	d) none of the above		
7.	Exporters who ag	ree to accept future payr	nents their foreig	n customers currency bear:		
	a) Exchange rate risk		b) purchasing	b) purchasing power parity		
	c) Speculation		d) none of the	d) none of the above		
8.	What combines the advantage of futures and spot?					
	a) Forward	b) Option	c) Hedging	d) Swap		
9.	Who put forward the theory of purchasing power parity?					
	a) Cassel	b) Paul Einzig	c) Lucas	d) Viner		
		(1)	Turn Over		

a) The demand for domestic bonds rise

b) The demand for domestic bonds fall

c) The demand for foreign bonds rise

d) none of the above

11. The overpricing or underpricing of products in the intra- firm trade of multinational corporations in an attempt to shift income and profits from high to low tax nations

a) Transfer pricing

b) Dumping

c) Reciprocal Demand

d) none of the above

12. Who originated the concept optimum currency area

a) Mundel

b) Viner

c) Arthur Laffer

d) D H Robertson

13. The most widely traded currency in the foreign exchange market is

a) US Dollar

b) Pound Sterling

c) Euro

d) Yen

14. Put option means

a) Right to sell

b) Right buy

c) Both (a) and (b)

d) none of the above

15. In Balance of Payment unrequited receipts are entered as:

a) Credit entry

b) Debit entry

c) Separate entry

d) none of the above

 $(15 \times 1/5 = 3 \text{ Weightage})$

PART B (Very Short Answer Questions)

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

16. Marshall-Lerner condition.

17. What is hedging?

18. NEER and REER

19. Optimum currency area.

20. Currency pass through.

21. Dollarisation.

22. Portfolio investment.

23. Internal and external balance.

 $(5 \times 1 = 5 \text{ Weightage})$

PART C (Short Answer Questions)

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

24. What are reasons for the breakdown of Bretton Woods system?

25. Explain how futures differ from forwards

26. Explain the J- curve effect

27. What is assignment problem?

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28. What is exchange rate overshooting?

29. FEMA

30. Currency convertibility

31. Asset market approach to exchange rate determination

32. Define Foreign Direct Investment. What are the merits and demerits of Foreign Direct Investment?

33. Swan diagram.

 $(7 \times 2 = 14 \text{ Weightage})$

PART D (Essay Questions)

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

- 34. What are disequilibrium in the balance of payments? What are measures to correct the disequilibrium?
- 35. Explain monetary approach to exchange rate determination
- 36. Critically examine the Mundel Fleming model
- 37. What are the merits and demerits of fixed and flexible exchange rate system?

 $(2 \times 4 = 8 \text{ Weightage})$
