

10. When domestic interest rate increases:
 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 x 1/5 = 3 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 x 1 = 5 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 x 2 = 14 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 x 4 = 8 Weightage)

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