

20P424

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Name:

Reg. No.....

FOURTH SEMESTER M.A. DEGREE EXAMINATION, APRIL 2022

(CBCSS-PG)

(Regular/Supplementary/Improvement)

CC19P ECO4 C12 - INTERNATIONAL FINANCE

(Economics - Core Course)

(2019 Admission onwards)

Time: Three Hours

Maximum: 30 Weightage

Part A

Answer *all* questions. Each question carries 1 weightage.

Multiple choice questions:

1. If a transaction is completed in two business days the exchange rate will be _____
(a) Spot rate (b) swap rate (c) forward rate (d) futures rate
2. Which of the following is an item in the official reserve account?
(a) Gold (b) SDR (c) US Dollar (d) all the above
3. The exchange rate between two currencies is kept the same in different monetary centres by _____
(a) Speculation (b) arbitrage (c) hedging (d) swapping
4. If forward rate is below the current spot rate the foreign currency is said to be at _____
(a) Forward discount (b) forward exchange rate
(c) forward premium (d) none of the above
5. Purchasing Power Parity theory was elaborated by _____
(a) Marshall (b) Keynes (c) Gustav Cassel (d) Pigou
6. Exchange rate overshooting happens because
(a) Financial markets respond slowly (b) goods market responds slowly
(c) goods market responds fastly (d) none of the above
7. The J curve shows the effect in trade balance after a _____
(a) Devaluation (b) appreciation (c) revaluation (d) none of the above
8. Call option implies
(a) Right to buy (b) Right to sell (c) right to argue (d) none of the above
9. Absorption approach was developed by _____
(a) Marshall (b) Sidney Alexander (c) Keynes (d) Adam Smith

10. Mint parity theory was used under
 (a) Gold standard (b) paper currency standard
 (c) Dollar standard (d) gold exchange standard
11. European Union has _____ Member nations
 (a) 21 (b) 29 (c) 27 (d) 25
12. Brexit is the abbreviation of 2 English words
 (a) Brazil & Exports (b) Brazil and Exit
 (c) Briatrain & Exports (d) Britain & Exit
13. SDR is also called
 (a) Paper gold (b) paper currency (c) Plastic gold (d) paper bond
14. Internal - external balance means
 (a) Low unemployment rate (b) BOP equilibrium
 (c) low inflation rate (d) all the above
15. Maastricht Treaty established _____
 (a) WTO (b) ASEAN (c) EU (d) IMF
- (15 × 1/5 = 3 Weightage)**

Part B (Very Short Answer Questions)

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

16. Define portfolio investment.
17. What is swap market?
18. Define real exchange rate.
19. What do you mean by forward rate?
20. What are expenditure changing policies?
21. Define exchange rate.
22. What do you mean by current account convertibility?
23. Explain Marshal – Lerner condition.

(5 × 1 = 5 Weightage)

Part C (Short Answer Questions)

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

24. Critically evaluate fixed exchange rate system.
25. Write a note on J curve effect.
26. Explain how internal- external balance is attained with Swan diagram.
27. What are the motives for international capital flows?

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28. Explain the purchasing power parity theory.
29. What do you mean by exchange rate overshooting?
30. Write a note on European Union.
31. What do you mean by stabilizing and destabilizing speculation?
32. What are the functions of foreign exchange market?
33. Explain the asset market model of exchange rate.

(7 × 2 = 14 Weightage)

Part D (Essay Questions)

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

34. Explain the Balance of Payments. What are the different measures used to correct BOP disequilibrium?
35. Explain the Mundell-Fleming model.
36. Explain Bretton Woods System and its breakdown.
37. What are the advantages and disadvantages of Multi National Corporations?

(2 × 4 = 8 Weightage)

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