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Name.....

Reg.No.....

FOURTH SEMESTER M.A. DEGREE EXAMINATION, APRIL 2019

(CUCSS - PG)

(Economics)

CC15P ECO4 C13 – INTERNATIONAL FINANCE

(Regular/Improvement/Supplementary)

(2015 Admission onwards)

Time: Three Hours

Maximum: 36 Weightage

Part A

Answer *all* questions. Each question carries $\frac{1}{4}$ weightage.

1. Bretton Woods System collapsed in:
a) 1978 b) 1971 c) 1981 d) 1961
2. ----- is the simultaneous buying and selling of foreign currencies with the intention of making profits from the exchange rate differentials.
a) Arbitrage b) Hedging c) Swap d) options
3. Visible goods are recorded in this part of balance of payments account:
a) Current account b) Capital account
c) Official settlement account d) Final account
4. The absorption approach of Balance of payment was formulated by:
a) J M Keynes b) Sidney Alexander c) A P Lerner d) Friedman
5. Devaluation will improve the balance of payment of a country when the summation of elasticities of export and import is -----
a) Equal to one b) Greater than one c) Less than one d) None of the above
6. The purchasing power parity theory was formulated by:
a) Gustav Cassel b) Marshal c) Ricardo d) Friedman
7. The swan diagram explains:
a) Internal equilibrium b) External equilibrium
c) Both internal and external equilibrium d) General equilibrium
8. The function of the foreign exchange market is to -----
a) Transfer funds from one nation to another
b) Provide short term credits to finance trade
c) Provide the facilities for hedging
d) All of the above

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Turn Over

9. Balance of Payment Adjustment under gold standard was described by:
- a) The price-specie flow mechanism
 - b) Variation in national incomes
 - c) Flexible exchange rates
 - d) Mint Parity

10. Hedging refers to -----
- a) The acceptance of a foreign exchange risk
 - b) The covering of a foreign exchange risk
 - c) Foreign exchange speculation
 - d) Exchange Control

11. Transfer pricing is associated with -----
- a) IMF
 - b) GATT
 - c) WTO
 - d) MNC

12. The current system of international finance is a -----
- a) Gold standard
 - b) Fixed exchange rate system
 - c) Floating exchange rate system
 - d) Managed floating exchange rate system

(12 x ¼ = 3 Weightage)

Part B

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

- 13. What is currency convertibility?
- 14. What is Hybrid exchange rates?
- 15. Define Mint parity.
- 16. Distinguish between Balance of Trade and Balance of Payment.
- 17. Briefly explain the FEMA.
- 18. What is Arbitrage?
- 19. What are the major forms of foreign investment?
- 20. What do you mean by Dollarization?

(5 x 1 = 5 Weightage)

Part C

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

- 21. What are the advantages of flexible exchange rate system?
- 22. Briefly explain the Optimum Currency area.
- 23. Explain the J curve effect of devaluation.
- 24. Explain the merits and demerits of Multi National Corporations.
- 25. Distinguish between stabilizing and destabilizing speculation.
- 26. Discuss the merits and demerits of Euro.

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- 27. Explain the absorption approach.
- 28. Discuss monetary approach to BOP.
- 29. What is meant by Exchange rate overshooting? What are the causes of Exchange rate overshooting?
- 30. Explain the main factors that led to the collapse of Bretton woods System.
- 31. Discuss the motives and effects of International capital flows.

(8 x 2= 16 Weightage)

Part D

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

- 32. Explain the Mundel-Fleming Model.
- 33. Discuss the functioning of the Present international monetary system.
- 34. What is meant by Purchasing Power Parity (PPP)? Critically examine purchasing power parity theory of exchange rate.
- 35. What are the components of Balance of Payment? Explain the methods of correcting Balance of Payment disequilibrium.
- 36. Critically examine Asset market approach to BOP.

(3 x 4 = 12 Weightage)

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