

FOURTH SEMESTER M.A. DEGREE EXAMINATION, JUNE 2019

(CUCSS—PG)

Economics

ECO 4C 13—INTERNATIONAL FINANCE

(2015 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

*Answer all questions from the given alternatives.
Each bunch of four questions carries a weightage of 1.*

1. The weighted average exchange rate of a currency with a basket of other currencies is :
 - (a) Real Exchange rate.
 - (b) Effective exchange rate.
 - (c) Forward exchange rate.
 - (d) Spot exchange rate.
2. The mechanism used by MNCs to transfer profit from high tax countries to low tax countries is :
 - (a) Average cost pricing.
 - (b) Price discrimination.
 - (c) Transfer Pricing.
 - (d) Market Skimming.
3. Which is a hybrid contract ?
 - (a) Futures.
 - (b) Swaps.
 - (c) Forwards.
 - (d) Options.
4. Bretton Woods System envisaged for :
 - (a) Fixed exchange rate.
 - (b) Floating exchange rate.
 - (c) Crawling Peg.
 - (d) Adjustable Peg.
5. People of which country voted for exiting from European Union :
 - (a) U. K.
 - (b) Germany.
 - (c) France.
 - (d) Belgium.
6. Which curve shows equilibrium in balance of payment ?
 - (a) IS curve.
 - (b) LM Curve.
 - (c) BP curve.
 - (d) None of these.

7. The adjustment mechanism in Elasticity approach is :
- (a) Price adjustment. (b) Direct control.
(c) Income adjustment. (d) None of these.
8. Devaluation is :
- (a) Expenditure Switching policy. (b) Expenditure reducing policy.
(c) Expenditure increasing policy. (d) None of these.
9. What gives the right to buy a currency at a pre-determined price without obligation :
- (a) Put option. (b) Call option.
(c) Forwards. (d) Swaps.
10. The Chairman of the Committee on Capital Account Convertibility was :
- (a) S. S. Tarapore. (b) C. Rangarajan.
(c) M. Narasimham. (d) Chakravarthy.
11. Under flexible exchange rate, external balance is brought about :
- (a) Automatically. (b) Through monetary expansion.
(c) Through fiscal contraction. (d) Through direct intervention.
12. The full current account convertibility of rupee was achieved in :
- (a) 2015. (b) 1990.
(c) 1999. (d) 1994.

(12 × ¼ = 3 weightage)

Part B (very short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

13. What is NEER ?
14. What is flexile exchange rate ?
15. What is transfer pricing ?
16. Define BP curve ?

17. What is Speculation?
18. What are the components of domestic Absorption ?
19. What is balance of payments ?
20. What is Dollarization ?

(5 × 1 = 5 weightage)

Part C

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

21. Explain the main features of Gold standard.
22. Explain how futures differ from forwards.
23. What is Assignment problem ?
24. What is Arbitrage ? How arbitrageurs make profit ?
25. What are the functions of foreign exchange market ?
26. Write a note on European Monetary Union.
27. Explain the J- curve effect.
28. What is Sterilization ?
29. Explain the demerits of Bretton woods System.
30. Explain the elasticity approach to devaluation.
31. Write a note on monetarist approach to exchange rates.

(8 × 2 = 16 weightage)

Part D (Essay Questions)

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

32. Explain the problem of internal and external balance Swan Model.
33. What are the reasons behind foreign direct investment ? How FDI differs from portfolio investment.
34. Explain the Absorption approach to devaluation.
35. Explain the methods that can be used to correct balance of payment disequilibrium.
36. Explain the Purchasing Power Parity Theory.

(3 × 4 = 12 weightage)