

FOURTH SEMESTER M.A. DEGREE EXAMINATION, JUNE 2018

(CUCSS)

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 largest volume of foreign exchange transactions is taking place in :
 - (a) UK.
 - (b) USA.
 - (c) France.
 - (d) India.
2. When domestic interest rate falls :
 - (a) The demand for domestic bonds rise.
 - (b) The demand for foreign bonds rise.
 - (c) The demand for cash balances falls.
 - (d) Exports increase.
3. The full current account convertibility of rupee was achieved in :
 - (a) 1994.
 - (b) 1990.
 - (c) 1999.
 - (d) 2015.
4. Which is a hybrid contract ?
 - (a) Futures.
 - (b) Swaps.
 - (c) Forwards.
 - (d) Options.
5. The Chairman of the Committee on Capital Account Convertibility was :
 - (a) S. S. Tarapore.
 - (b) C. Rangarajan.
 - (c) M.Narasimham.
 - (d) Chakravarthy.

Turn over

6. Price Specie flow mechanism is associated with :
- (a) Bretton Woods System. (b) Gold standard.
(c) Crawling Peg. (d) Managed floating.
7. When the domestic currency is depreciating, to increase its value to a Peg, the central bank should :
- (a) Buy domestic currency. (b) Buy foreign currency.
(c) Sell domestic currency. (d) None of these.
8. What gives the right to sell a currency at a pre-determined price without obligation :
- (a) Call option. (b) Put option.
(c) Forwards. (d) Swaps.
9. Gold standard was a:
- (a) Fixed exchange rate System.
(b) Floating exchange rate System.
(c) Crawling Peg Exchange rate system.
(d) Adjustable Peg.
10. Using a foreign currency as domestic legal tender in the face of high inflation is :
- (a) Demonetization. (b) Monetary expansion.
(c) Monetary contraction. (d) Dollarisation.
11. Which curve shows equilibrium in goods market :
- (a) IS curve. (b) LM Curve.
(c) BP curve. (d) None of these.
12. The purchasing power Parity theory is associated with the name of :
- (a) Karl Marx. (b) Alfred Marshall .
(c) Knut Wicksell. (d) Gustav Cassel.

(12 × ¼ = 3 weightage)

Part B (Very Short Answer Questions)

Answer any five questions.

Each question carries a weightage of 1.

13. What is hedging ?
14. What is REER ?
15. What are autonomous transactions ?
16. What is Timbergen's Policy rule ?
17. Define BP curve.
18. What is foreign exchange risk ?
19. What is Mint par of exchange ?
20. What is speculation ?

(5 × 1 = 5 weightage)

Part C

Answer any eight questions.

Each question carries a weightage of 2.

21. What are the functions of foreign exchange market.
22. Explain the J-curve effect.
23. Explain the assignment problem.
24. What are the problems of capital account convertibility.
25. What are the main features of options.
26. What is transfer pricing ? Explain the possibility for transfer pricing.
27. Explain FEMA.
28. Explain the OLI paradigm.
29. Briefly explain the purchasing power Parity theory.
30. What is Arbitrage ? How arbitrageurs make profit ?
31. What are the merits of Foreign Direct Investment ?

(8 × 2 = 16 weightage)

Turn over

Part D (Essay Questions)

Answer any three questions.

Each question carries a weightage of 4.

32. Explain the elasticity approach to devaluation. Are the real world elasticities large enough for attainment of equilibrium.
33. Explain the different types of disequilibrium in balance of payment and suggest measure to correct disequilibrium.
34. Explain the Monetary approach to exchange rates.
35. Trace out the evolution of international monetary system from gold standard to the present system.
36. Explain the problem of internal and external balance using the Swan Model.

(3 × 4 = 12 weightage)