C 41745 (Pages : 4) Name......................................

Reg. No................................

FOURTH SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2023

(CBCSS)

Economics

ECO 4C 12—INTERNATIONAL FINANCE

(2019 Admission onwards)

Time : Three Hours   Maximum : 30 Weightage

Part A (Multiple Choice Questions)

Answer **all** *questions.*
Each bunch of **five** *questions carries a weightage of* 1.

1. Investment is in the ———— account of BOP.

    (a) Financial.   (b) Capital.

    (c) Current.   (d) Deficit.

2. The absorption approach to balance of payments is ———— in nature.

    (a) Perfect equilibrium.   (b) Equilibrium.

    (c) Partial equilibrium.   (d) General equilibrium.

3. Changes in balance of payments in terms of the demand for and supply of money is ———— in nature.

    (a) Fiscal.   (b) Monetary.

    (c) Both (a) and (b).   (d) (a) only.

4. Among the following which is correct :

    (a) Government has no authority to change exchange rate when needed.

    (b) Government has the authority to change exchange rate when needed.

    (c) Both (a) and (b).

    (d) (a) only.

5. ———— is a hybrid of fixed and flexible exchange rate.

    (a) Pegged exchange rate system.   (b) Floating exchange rate system.

    (c) Arbitrage.   (d) Absorption.

Turn over

6. ———— is an indicator of a country's international competitiveness in terms of foreign exchange market.

   (a) BEER.   (b) NEER.

   (c) RERR.   (d) MRER.

7. The relative version of PPP is calculated with ———— formula.

   (a) S = P2/P1.   (b) S = P1/P2.

   (c) P = S1/P2.   (d) P = P1/S2.

8. ———— looks towards a "No surplus - No deficit" position in the economy.

   (a) Dual balance.   (b) Single economy.

   (c) Internal balance.   (d) External Balance.

9. Mundell-Fleming model is an extension of ———— model.

   (a) Patinkin.   (b) Kalecki.

   (c) Keynes.   (d) IS-LM.

10 The most common way of hedging in the investment world is through ————.

   (a) Interest.   (b) Foreign exchange.

   (c) Dumping.   (d) Derivatives.

11. A portfolio investment is ———— in nature.

   (a) Multiple.   (b) Active.

   (c) Neutral.   (d) Passive.

12. MNC' have a ———— economic effect on the country where the business is taking place.

   (a) Negative.   (b) Positive.

   (c) Flexible.   (d) Fixed.

13. ———— shows the quantity of one type of product that an agent will export for each quantity of another type of product that it imports.

   (a) Laffer curve.   (b) Offer curve.

   (c) H-O Curve.   (d) Swan diagram.

14. The international gold standard prevailed from.

    (a) 1914 to 1947.   (b) 1814 to 1914.

    (c) 1875 to 1914.   (d) 1859 to 1940.

15. IMF was established officially in ————.

    (a) 27th December 1944.   (b) 27th December 1945.

    (c) 27th December 1948.   (d) 27th December 1947.

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Type Questions)

Answer any **five** *questions.*
Each questions carries a weightage of 1.

16. Compare equilibrium and disequilibrium in Balance of payments.

17. Explain current and capital account of BOP.

18. Distinguish fixed and flexible exchange rate.

19. Define Spot market.

20. What is MNCs ?

21. Define capital flows.

22. Write a note on Brexit.

23. What do you mean by Gold standard ?

(5 × 1 = 5 weightage)

Part C (Short Answer Type Questions)

Answer any **seven** *questions.*
Each questions carries a weightage of 2.

24. Explain Marshall-Lerner condition.

25. Compare Absorption and Monetary approach.

26. Explain the Purchasing power parity theory.

27. Explain the Asset market model.

28. Explain currency futures and options.

29. Explain currency arbitrage.

30. Compare portfolio investment and direct investment.

Turn over

31. Explain the status of foreign investment in India.

32. Explain the features of European monetary union.

33. Make a brief note on Bretton-Woods system.

(7 × 2 = 14 weightage)

Part D (Essay Type Questions)

Answer any **two** *questions.*

Each questions carries a weightage of 4.

34. Explain Balance of Payment and the various adjustment mechanisms in correcting BOP deficit.

35. Explain the main features, merits and defects of various exchange rate systems in the world.

36. Briefly explain the main functions and participants of Foreign exchange market.

37. Briefly explain the effects of international capital flows.

(2 × 4 = 8 weightage)