

QUESTION BANK
UNIT I- 305: International Finance
Unit I

| Sr. no | Question Type | Question | Marks |
|--------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 1 | REMEMBERING | <p>Which of the following would likely have the least direct influence on a country's current account?</p> <p>(A) Inflation. (B) National Income. (C) Exchange Rates. (D) Tariffs. (E) A tax on income earned from foreign stocks, products and services.</p> <p>More instability in currency called as</p> <p>(A) Country Risk (B) finance Risk (C) Currency Risk (D) liquidity Risk</p> | 2 |
| 2 | REMEMBERING | <p>Which of the following is <i>not</i> seen as an advantage of the gold standard?</p> <p>(A) For a given stock of gold, a rise in real money supply can only occur if the price level declines. (B) Inflation is unlikely to emerge as a significant problem. (C) No country needs to serve at the centre of this fixed exchange rate system. (D) The monetary mechanism has credibility.</p> <p>The Bretton Woods System is referred to as the "gold exchange standard" because...</p> <p>(A) ...it replaced sterling which had been the silver exchange standard. (B) ..gold was the fundamental standard of value based on the ability of the US to maintain the parity of \$35 per ounce. (C) ...all central banks exchanged their foreign exchange reserves for gold to become members of the system. (D) ...gold could be exchanged between countries, all other capital was controlled.</p> | 2 |

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| 3 | REMEMBERING | <p>The functions of the International Monetary Fund include all of the following <i>except</i>...</p> <p>(A) ...to provide emergency loans to countries facing balance of payments problems.</p> <p>(B) ...to monitor macroeconomic developments continuously in member countries.</p> <p>(C) ...to serve as the world central bank.</p> <p>(D) ...to provide a line of credit for each member country.</p> <p>The following three aspects of a monetary system are jointly incompatible: monetary policy independence; (A) _____ exchange rates; and (B) _____ .</p> <p>(A) (A) floating; (B) capital controls (B) (A) floating; (B) free capital mobility (C) (A) fixed; (B) capital controls (D) (A) fixed; (B) free capital mobility</p> | 2 |
| 4 | REMEMBERING | <p>Consider the following</p> <ol style="list-style-type: none"> 1. Trade and earn revenue 2. Become the sole controller of food grain supply 3. Prevent Black marketing <p>Which among the following are the primary objectives of the government to buy food grains directly from the farmers?</p> <p>(A) 1 and 2 (B) Only 1 (C) Only 3 (D) 1,2 and 3</p> <p>Which among the following in India can use 'Repo Bonds' to raise short term money from markets?</p> <ol style="list-style-type: none"> 1. Commercial Bank 2. Regional Bank 3. Corporate 4. Governments <p>Select the above correct statements. a) Only 3 b) Only 1 c) 1 and 3 d) 2 and 4</p> <p>(A) Only 3 (B) Only 1 (C) 1 and 3 (D) 2 and 4</p> | 2 |
| 5 | REMEMBERING | <p>Hedging is used by companies to:</p> <p>(A) Decrease the variability of tax paid (B) Decrease the spread between spot and forward market quotes (C) Increase the variability of expected cash flows (D) Decrease the variability of expected cash flows</p> <p>The current system of international finance is a</p> <p>(A) Gold standard (B) Fixed exchange rate system (C) Managed float exchange rate system (D) Floating exchange rate system</p> | 2 |

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| 1 | UNDERSTANDING | Explain the various goals of international finance? | 5 |
| 2 | UNDERSTANDING | What are the Emerging Challenges in International Finance? | 5 |
| 3 | UNDERSTANDING | Describe about Gold Standard System? | 5 |
| 4 | UNDERSTANDING | Give about various Currency Market instruments? Explain any 2 of them. | 5 |
| 5 | UNDERSTANDING | Explain Gold standard system. Advantages and disadvantages? | 5 |
| 1 | APPLY | Exchange rate regime in today business world. | 10 |
| 1 | ANALYSE | Briefly about Structure and participants of the global financial system with figure. | 10 |
| 2 | ANALYSE | Give the Structure and participants of the global financial system? | 10 |
| 1 | EVALUATE | Define International Finance and its goals? | 10 |
| 2 | EVALUATE | Balance of payment effects on India economics | 10 |