

**MASTER OF BUSINESS ADMINISTRATION
THIRD SEMESTER
INTERNATIONAL FINANCE
MBA – 305C**

**SET
A**

[USE OMR SHEET FOR OBJECTIVE PART]

Full Marks: 70

Duration: 3 hrs.

(Objective)

Marks: 20

Time: 30 mins.

1 × 20 = 20

Choose the correct answer from the following:

1. Which one of the following organizations lay stress on liberalization of foreign trade and foreign investment?
a. International Monetary Fund b. International Labour Organization
c. World Bank d. World Trade Organization
2. Which of the following is not a function of the International Monetary Fund (IMF)?
a. Surveillance b. Financial assistance
c. Issuing bonds d. Technical assistance.
3. When did the government remove the barriers for investment in India?
a. 1990 b. 1991
c. 1992 d. 1993
4. Exchange rate risk arises due to fluctuations in:
a. Interest rates b. Foreign exchange rates
c. Inflation rates d. Commodity prices
5. In a floating exchange rate system, the exchange rate is determined by:
a. Mutual consultations between countries b. Central bank
c. Market forces d. Government orders
6. Special Drawing Rights (SDRs) are issued by:
a. World Bank b. European Central Bank
c. IMF d. WTO
7. Appreciation of domestic currency leads to rise in:
a. exports b. imports
c. Both a and b d. Neither a nor b
8. In an options contract, the buyer of a call option:
a. Has the right but not the obligation to sell an asset b. Has the right but not the obligation to buy an asset
c. Is obliged to buy the asset at maturity d. Is obliged to sell the asset at maturity

9. The primary reason for hedging in the forex market is to:
 - a. Increase profits
 - b. Limit exposure to risk
 - c. Encourage speculation
 - d. Avoid taxation
10. Which of the following is a source of international finance for multinational companies?
 - a. Foreign direct investment (FDI)
 - b. Equity financing
 - c. External commercial borrowing (ECB)
 - d. All of the above
11. FEMA was introduced in which of the following year?
 - a. 1990
 - b. 1989
 - c. 1999
 - d. 1991
12. Name the two schemes introduced under the foreign trade policy (2015-20):
 - a. Merchandise Export from India Scheme & Services Export from India Scheme
 - b. Services Export from India Scheme & Services Import from India Scheme
 - c. Services Import from India Scheme & Merchandise Export from India Scheme
 - d. Merchandise Import from India Scheme & Services Export from India Scheme
13. Special Economic Zones (SEZs) are being set up to attract:
 - a. foreign tourists
 - b. foreign investment
 - c. foreign goods
 - d. foreign policies
14. Currency swap is a method of.....
 - a. Hedging against foreign exchange risk
 - b. Speculating in foreign exchange
 - c. Leverage instrument used by cooperative banks
 - d. Mode of payment in international trade
15. International Financial Reporting Standards (IFRS) are designed to:
 - a. Create local accounting standards
 - b. Standardize financial reporting across countries
 - c. Regulate banking operations
 - d. Promote trade policies
16. Which of the following is not a function of the foreign exchange market?
 - a. import and export of goods and services
 - b. transfer of purchasing power
 - c. coverage of risk
 - d. provision of credit instruments and credit
17. Foreign Direct Investment (FDI) is characterized by:
 - a. Portfolio investment in a foreign country
 - b. Control and ownership in a foreign company
 - c. Purchase of government bonds
 - d. Currency exchange

18. Which of the following is a source of international finance for MNCs?
- a. ADRs/GDRs
 - b. Foreign Direct Investment
 - c. Eurobond Issues
 - d. All of the above
19. Which of the following is not a core function of the International Monetary Fund (IMF)?
- a. Promoting exchange rate stability
 - b. Providing loans for development projects
 - c. Monitoring global economic trends
 - d. Offering technical assistance
20. Exchange rate risk arises mainly due to fluctuations in:
- a. Commodity prices
 - b. Interest rates
 - c. Currency values
 - d. Political systems

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(Descriptive)

Time : 2 Hr. 30 Mins.

Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. a) Define – international finance and forex market. 2+8=10
b) Explain the types of foreign exchange markets and discuss how they facilitate global trade.
2. Evaluate the roles of the IMF, World Bank, and WTO in promoting international economic stability and growth. 10
3. a) Analyze the effects of the 1991 LPG policy on India's financial integration. 6+4=10
b) What are Special Economic Zones (SEZs)? Discuss their role in promoting foreign investment in India.
4. a) Compare and contrast the different exchange rate systems with examples from different countries, including its advantages and disadvantages. 6+4=10
b) Discuss the implications of domestic currency depreciation for India's foreign trade.
5. a) Explain the key objectives of the Foreign Trade Policy and highlight the key focus of the last two FTPs (2015-20 & 2023). Assess its impact on export competitiveness. 6+4=10
b) Differentiate between ADRs and GDRs.
6. a) Describe about the key participants of the forex market and their role. 6+4=10
b) Briefly discuss the major sources of raising finance for the MNCs.
7. a) Highlight the significance of adopting International Financial Reporting Standards (IFRS) for multinational corporations. 6+4=10
b) As a financial manager of an MNC, how would you use forward or futures contract to hedge against exchange rate fluctuations?
8. Identify and discuss the types of foreign exchange risks faced by multinational firms and describe common hedging strategies. 10

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