REV-01
MCM/39/45

2022/12

SET A

MASTER OF COMMERCE
THIRD SEMESTER
INTERNATIONAL FINANCIAL MANAGEMENT
MCM – 305A
[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. Full Marks: 70

Objective

Time: 30 mins. Marks: 20

Choose the correct answer from the following: ***1×20=20***

1. Which of the following is not a forex market participant?
   a. Hedger
   b. Central Bank
   c. Broker
   d. Commercial banks

2. International finance is concerned with:
   a. Monetary systems of the world
   b. FDI
   c. Exchange rate of currencies
   d. All of the above

3. Who maintains the foreign exchange reserves in India?
   a. State Bank of India
   b. Finance ministry
   c. Reserve Bank of India
   d. EXIM Bank

4. An arbitrager in foreign exchange is a person who:
   a. Earns profit illegally by manipulating the forex market
   b. Buys foreign currency with the hope of selling at a higher rate at some later date
   c. Simultaneously buys large amount of foreign currency in one market and sells it in another market
   d. None of the above

5. The era of bimetallism consisted of the use of both _______ and _______ coins as the international modes of payment
   a. Gold, silver
   b. Gold, brass
   c. Gold, copper
   d. Gold, iron

6. Floating exchange rate is determined by ___________
   a. Government
   b. Central bank
   c. Market forces
   d. All of the above

7. The present system of international finance is __________
   a. Gold standard
   b. Fixed exchange rate system
   c. Free-float exchange rate system
   d. Pegged or managed-float exchange rate system

8. The World Bank Group does not include this organization.
   a. Multilateral Investment Guarantee Agency
   b. International Development Association
   c. International Finance Corporation
   d. UNICEF

9. A simultaneous purchase and sale of foreign exchange for two different dates is called
   a. Currency exchange
   b. Currency swap
   c. Currency option
   d. Currency future

10. In the spot market, settlement takes place on the _________ working day after the date of transaction
    a. First
    b. Second
    c. Third
    d. Fourth

11. Which of the following is an example of direct exchange rate quotation?
    a. Re. 1 = USD 0.0122
    b. Rs. 100 = USD 1.22
    c. USD 1 = Rs. 82
    d. None of the above

12. Foreign direct investment is a source of:
    a. Demand for foreign exchange
    b. Supply of foreign exchange
    c. Both (a) and (b)
    d. None of the above

13. In the foreign exchange market, the market price for 1 US dollar rises from Rs 80 to Rs. 82. This implies that:
    a. Rupee has depreciated
    b. US dollar has appreciated
    c. Both (a) and (b) are true
    d. None of the above

14. Which of the following factors influences exchange rate of currencies?
    a. Inflation rates
    b. Government debt
    c. Interest rates
    d. All of the above

15. The Purchasing Power Parity theory was put forward by __________
    a. Adrian Buckley
    b. Adam Smith
    c. Gustav Cassel
    d. Michael Porter

16. The government or the central banks manage exchange rates for which of the following reasons?
    a. To stabilize the exchange rate movements
    b. To establish implicit exchange rate boundaries
    c. Both of the above
    d. None of the above

17. Foreign exchange exposure and risk can affect a firm's:
    a. Assets
    b. Liabilities
    c. Cash flows
    d. All of the above

18. Which of the following is also known as accounting exposure?
    a. Translation exposure
    b. Transaction exposure
    c. Economic exposure
    d. None of the above

19. Which of the following is not a type of foreign exchange exposure?
    a. Transaction exposure
    b. Tax exposure
    c. Translation exposure
    d. Operating exposure

20. Which one of the following is not a hedging strategy?
    a. Leading and lagging
    b. Forward hedge
    c. Netting and offsetting
    d. Technical analysis

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Descriptive

Time : 2 Hr. 30 Mins. Marks : 50

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

1. Discuss the evolution of the international monetary system. 10

2. What is a country's Balance of Payment? Explain the Current Account and Capital Account in BOP. 5+5=10

3. Define International financial management. Differentiate between International financial management and domestic financial management. 3+7=10

4. Write a note on the World Bank group organizations. Highlight the major functions of the World Bank. 5+5=10

5. What do you mean by futures contract in foreign exchange? Examine the differences between futures and forward contracts. 2+8=10

6. a) What is a cross rate in foreign exchange? 4+6=10
   b) Explain the direct and indirect method of quoting exchange rate.

7. a) Describe the concept of currency appreciation and depreciation with a relevant example. 5+5=10
   b) Explain the factors that influence exchange rates.

8. What do you understand by foreign exchange exposure and risk? Discuss the different types of foreign exchange exposure. 4+6=10

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