REV-01
MCM/01/05

2023/08

SET A

MASTER OF COMMERCE
THIRD SEMESTER [SPECIAL REPEAT]
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 should not be included in the Balance of Payment Account?
   a. Dividend payment to home country investors from a foreign subsidiary
   b. Interest payment on the loan to IMF
   c. Bonus shares to equity shareholder
   d. Import of automobiles parts

2. Gold standard introduced in the year:
   a. 1913
   b. 1990
   c. 1876
   d. 1944

3. The bid quote is for:
   a. Seller
   b. Buyer
   c. Hedger
   d. Speculator

4. Bid-ask spread in the foreign exchange market is the:
   a. price of a currency in the foreign exchange market
   b. difference between the Bid and the Ask quotes for a currency
   c. price at which a bank will buy a currency
   d. price a bank will pay for a currency

5. The market in which currencies buy and sell and their prices settle on is called the
   a. Eurocurrency market
   b. International capital market
   c. International bond market
   d. Foreign exchange market

6. Balance of payments of a country includes:
   a. Balance of trade
   b. Capital receipts and payments
   c. Saving and investment account
   d. Both a and b

7. The Euro is the name for:
   a. a currency deposited outside its country of origin.
   b. a bond sold internationally outside of the country in whose currency the bond is denominated.
   c. a common European currency.
   d. None of the above

8. The forward market is especially well-suited to offer hedging protection against:
   a. Translation risk exposure.
   b. Transactions risk exposure.
   c. Political risk exposure.
   d. Taxation.

9. The spot Exchange rate____________
   a. Is the rate today for exchanging one currency for another for immediate delivery
   b. Is the rate today for exchanging one currency for another at a specific future date
   c. A rate today for exchanging one currency for another
   d. A rate today for exchanging one currency for another

10. A Floating exchange rate:
   a. Is determined by national governments involved
   b. Remains extremely stable for long periods
   c. Is determined by the actions of central banks
   d. Is allowed to vary according to market forces

11. A _________ is an agreement to exchange fixed or floating rate payments, in one currency for fixed or floating payments in a second currency plus an exchange of the principal currency amounts.
   a. interest rate swap
   b. forward
   c. currency swap
   d. futures

12. ______________ is the sensitivity of changes in the real domestic currency value of assets, liabilities or operating incomes due to unanticipated change in exchange rates.
   a. Exchange rate
   b. Foreign exchange exposure
   c. Tax differential
   d. Tax skewness

13. Foreign Exchange refers to
   a. The excess of exports over imports
   b. Trade with other countries
   c. The currencies of other countries
   d. The goods and services of other countries

14. A eurocurrency is
   a. The currency of the European Union
   b. A bank deposit held in a country that does not issue that currency in which the deposit is denominated
   c. A bank deposit in a European currency held outside of Europe
   d. The currency of European Economic and Monetary Union - called the 'euro' for short

15. Purchasing-power parity (PPP) refers to
   a. The concept that the same goods should sell for the same price across countries after exchange rates are taken into account
   b. The concept that interest rates across countries will eventually be the same
   c. The orderly relationship between spot and forward currency exchange rates and the rates of interest between countries
   d. The natural offsetting relationship provided by costs and revenues in similar market environments

16. Which of the following have a positive effect on the foreign exchange of the domestic country?
   a. Increase in exports
   b. Higher inflation rate
   c. Lower Interest rate
   d. None of the above

17. Transactions where the exchange of currencies takes place two days after the date of the contact are known as the __________.
   a. Bid ask spread
   b. Spot transactions
   c. Arbitrage
   d. Hedging

18. The rate of exchange applicable to the forward contract is called the __________.
   a. forward exchange rate
   b. cross exchange rate
   c. bid ask rate
   d. forward rate

19. Which of the following is **not** a major factor which causes changes in the demand for foreign exchange?
   a. increase in domestic prices
   b. rise in the real income of a country
   c. rate of interest in the domestic economy increases
   d. cultural change

20. The __________ theory of exchange rate determination states that the exchange rate between any two currencies equals the ratio of their price levels.
   a. balance of payment
   b. purchasing power parity
   c. absolute parity
   d. fiscal parity

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(Descriptive)

Time : 2 Hr. 30 Mins. Marks : 50

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

1. Give an overview of international financial market. 10

2. Elaborate the differences between domestic financial management and international financial management. 10

3. Write notes on the following: 5+5=10
   a) Gold Standard;
   b) Bretton Woods System

4. Define foreign exchange rate. Elaborate the factors that influence the foreign exchange rate determination. 10

5. Who are the players in the Foreign Exchange Market? Describe the role played by each of them. 2+8=10

6. Explain the procedure of determination of Exchange Rate. 10

7. Explain various types of foreign exchange exposures. 10

8. Explain *any two* of the following: 5+5=10
   a) Principles of taxation in MNCs
   b) Hedging techniques
   c) Fixed and flexible exchange rate

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