



BRAINWARE UNIVERSITY

Course – MCOM

International Financial Management (MCM406A)

(Semester – 4)

Time allotted: 3 Hours

Full Marks: 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternative from the following*

(i) The exchange system followed in India is known as

- | | |
|----------------------------|--------------------------------|
| a. Fixed Peg system | b. Crawling peg system |
| c. Managed floating system | d. Independent floating system |

(ii) Country A provides floor relief to country B. What kind of transfer it is ?

- | | |
|-------------------------------|-------------------------------|
| a. Requited physical transfer | b. Un-Requited physical trans |
| c. Both of the above | d. None of the above |

(iii) Floating Rate is determined by

- | | |
|--|---|
| a. Government of the country | b. On the basis of value of some other currency |
| c. By the interaction of demand and supply of the currency | d. None of them |

(iv) In which option does the buyer get the right to sell the underlying asset ?

- | | |
|--------------------|----------------------|
| a. Call Option | b. Put Option |
| c. American Option | d. None of the above |

- (v) If an importer has to buy US dollars from the bank, he has to buy it at the
- a. Buying rate of the bank
 - b. Selling rate of the bank
 - c. Average of (a) & (b)
 - d. None of them
- (vi) Which balance of the balance of payment is influenced by the invisibles?
- a. Trade balance
 - b. Current Account balance
 - c. Capital Account balance
 - d. All of the above
- (vii) China hedges its currency with its other currency, known as
- a. Hong Kong Yuan
 - b. Hong Kong Macaw Pataka
 - c. Hong Kong Dollar
 - d. Hong Kong Pound.
- (viii) Cross Hedging a foreign currency is normally done when
- a. futures contract on the currency is available
 - b. forward contract on the currency is available
 - c. Option contract on the currency is available
 - d. None of them
- (ix) The investment income from abroad appears under head of BOP statement.
- a. Merchandize account
 - b. Capital account
 - c. Invisibles account
 - d. Unilateral transfer account
- (x) The Bretton Wood system fell apart because
- a. Of the oil crisis
 - b. U.S. monetary policy was too explanatory
 - c. US ran a huge Trade Deficit
 - d. None of them

Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

2. Describe the relationship between BOP & Foreign Exchange markets. [5]
3. Differentiate between forwards & contracts. [5]
4. Differentiate between Hedging & Swaps. [5]
5. Discuss in brief the features or characteristics of Foreign Exchange Market. [5]
6. What do you mean by Special Drawing Rights (SDR)? [5]

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. (a) Write short notes on – LIBOR. [8]
- (b) Explain the following statement: “Exposure is the regression coefficient”. [7]
8. Show “The countries with higher rates of inflation should bear higher interest rates than countries with lower rates of inflation” - Explain. [15]
9. (a) What do you mean by Swap? [5]
- (b) Differentiate between interest rate swap and currency swaps with examples. [10]
10. What are the problems associated with evaluating FDI projects that are different from those associated with the evaluation of domestic direct investment projects. [15]

- 11 (a) What is trade deficit? [5]
- (b) What is Export Subsidy? [5]
- (c) What do you mean by Free Trade Agreement (FTA)? [5]