

Roll No.

Question Booklet Number

O. M. R. Serial No.

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B. Com. (Honors) (Fourth Semester)

EXAMINATION, July, 2022

INTERNATIONAL FINANCE

Paper Code

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Questions Booklet
Series

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Time : 1:30 Hours]

[Maximum Marks : 100

Instructions to the Examinee :

1. Do not open the booklet unless you are asked to do so.
2. The booklet contains 100 questions. Examinee is required to answer any 75 questions in the OMR Answer-Sheet provided and not in the question booklet. If more than 75 questions are attempted by student, then the first attempted 75 questions will be considered for evaluation. All questions carry equal marks.
3. Examine the Booklet and the OMR Answer-Sheet very carefully before you proceed. Faulty question booklet due to missing or duplicate pages/questions or having any other discrepancy should be got immediately replaced.

परीक्षार्थियों के लिए निर्देश :

1. प्रश्न-पुस्तिका को तब तक न खोलें जब तक आपसे कहा न जाए।
2. प्रश्न-पुस्तिका में 100 प्रश्न हैं। परीक्षार्थी को किन्हीं 75 प्रश्नों को केवल दी गई OMR आन्सर-शीट पर ही हल करना है, प्रश्न-पुस्तिका पर नहीं। यदि छात्र द्वारा 75 से अधिक प्रश्नों को हल किया जाता है तो प्रारम्भिक हल किये हुए 75 उत्तरों को ही मूल्यांकन हेतु सम्मिलित किया जाएगा। सभी प्रश्नों के अंक समान हैं।
3. प्रश्नों के उत्तर अंकित करने से पूर्व प्रश्न-पुस्तिका तथा OMR आन्सर-शीट को सावधानीपूर्वक देख लें। दोषपूर्ण प्रश्न-पुस्तिका जिसमें कुछ भाग छपने से छूट गए हों या प्रश्न एक से अधिक बार छप गए हों या उसमें किसी अन्य प्रकार की कमी हो, तो उसे तुरन्त बदल लें।

(Remaining instructions on the last page)

(शेष निर्देश अन्तिम पृष्ठ पर)

(Only for Rough Work)

1. Which of the following is true of foreign exchange markets ?
 - (A) The futures market is mainly used by hedgers while the forward market is mainly used for speculating.
 - (B) The futures market and the forward market are mainly used for hedging.
 - (C) The futures market is mainly used by speculators while the forward market is mainly used for hedging.
 - (D) The futures market and the forward market are mainly used for speculating.

2. Foreign currency forward market is :
 - (A) An over-the-counter unorganized market
 - (B) Organized market without trading
 - (C) Organized listed market
 - (D) Unorganized listed market

3. The Purchasing Power Parity (PPP) theory is a good predictor of :
 - (A) the long-run tendencies between changes in the price level and the exchange rate of two countries.
 - (B) interest rate differentials between two countries when there are strong barriers preventing trade between the two countries.
 - (C) Either (A) or (B)
 - (D) All of the above

4. The forward market is especially well-suited to offer hedging protection against :
 - (A) Translation risk exposure
 - (B) Transaction risk exposure
 - (C) Political risk exposure
 - (D) Taxation

5. What is the full form of SDR ?
 - (A) Special Drawing Right
 - (B) Super Drawing Right
 - (C) Both (A) and (B)
 - (D) None of the above

6. _____ purchases securities from one market and sell these securities into the other market with some profit of price difference in both markets.
- (A) Arbitrager
(B) Speculator
(C) Normal dealer
(D) None of the above
7. Interest-rate parity refers to the concept that, where market imperfections are few :
- (A) interest rates across countries will eventually be the same.
(B) there is an offsetting relationship between interest rate differentials and differentials in the forward spot exchange market.
(C) Profits
(D) None of the above
8. National income, capital movement and interest rates affect the _____.
- (A) Exchange rates
(B) Banking profit
(C) Non-banking profit
(D) None of the above
9. Foreign exchange market is considered as 24 hours' market because :
- (A) All transactions are to be settled within 24 hours
(B) Due to geographical dispersal at least one market is active at any point of time.
(C) Minimum 24 hours must lapse before any transaction is settled.
(D) None of the above
10. The statutory basis for administration of foreign exchange in India is :
- (A) Foreign Exchange Regulation Act, 1973
(B) Foreign Exchange Management Act, 1999
(C) Exchange Control Manual
(D) Conservation of Foreign Exchange and Prevention of Smuggling Act.

11. The International Fisher equation states that _____.
- (A) domestic inflation rates will tend to equal foreign inflation rates.
- (B) domestic real interest rates will tend to equal foreign real interest rates.
- (C) the expected exchange rate depreciation of the domestic currency is equal to the future inflation differential (foreign minus domestic inflation).
- (D) the difference between the bid-ask spread for an exchange rate is equal to the future inflation differential (foreign minus domestic inflation).
12. Who maintains the foreign exchange reserves in India ?
- (A) Reserve Bank of India
- (B) State Bank of India
- (C) Ministry of Finance, Government of India
- (D) Export-Import Bank of India
13. Which one of the following is implied by interest rate parity ?
- (A) Interest rates are at par in all the countries.
- (B) Movements in spot rates and forward rates in the foreign exchange market are same.
- (C) Potential holders of foreign currency deposits do not view these deposits as a desirable asset.
- (D) A condition that the expected returns on deposits in any two countries are equal when measured in the same currency.

14. Accounting standards are prepared by :
- (A) SEBI
 - (B) Reserve Bank of India
 - (C) Accounting Standard Board
 - (D) ITA
15. Suppose that the Japanese yen is selling at a forward discount in the forward exchange market. This implies that most likely :
- (A) this currency has low exchange rate risk.
 - (B) this currency is gaining strength in relation to the dollar.
 - (C) interest rates are higher in Japan than in the United States.
 - (D) interest rates are declining in Japan.
16. Which of the following is a legitimate reason for international investment ?
- (A) Dividends from a foreign subsidiary are tax exempt in the United States.
 - (B) Most governments do not tax foreign corporations.
 - (C) There are possible benefits from international diversification.
 - (D) International investments have less political risk than domestic.
17. According to the Purchasing Power Parity theory, the value of a currency should remain constant in terms of what it can buy in different countries of :
- (A) Bonds
 - (B) Stocks
 - (C) Goods
 - (D) Labour

18. In the foreign exchange market, the _____ of one country is traded for the _____ of another country.
- (A) currency; currency
 (B) currency; financial instruments
 (C) currency; goods
 (D) goods; goods
19. By definition, currency appreciation occurs when :
- (A) the value of all currencies fall relative to gold.
 (B) the value of all currencies rise relative to gold.
 (C) the value of one currency rises relative to another currency.
 (D) the value of one currency falls relative to another currency.
20. If purchasing power parity were to hold even in the short-run, then :
- (A) real exchange rates should tend to decrease over time.
 (B) quoted nominal exchange rates should be stable over time.
 (C) real exchange rates should tend to increase over time.
 (D) real exchange rates should be stable over time.
21. The date of settlement for a foreign exchange transaction is referred to as :
- (A) Clearing date
 (B) Swap date
 (C) Maturity date
 (D) Value date
22. The objectives of the International Monetary Fund (IMF) are :
- (A) to promote international monetary cooperation
 (B) to promote exchange stability
 (C) to create standby reserves
 (D) All of the above

23. The quota allotted to a member country of the IMF, which it can borrow at will, is known as _____ tranche.
- (A) Gold
(B) Basic
(C) Member
(D) Reserve
24. SDR interest rates are the weighted average interest rate of _____.
- (A) given short-term
(B) SDR countries
(C) Treasury Bill
(D) IMF member countries
25. Differences in nominal interest rates are removed in exchange rate is :
- (A) Fisher effect
(B) Leontief paradox
(C) Combined equilibrium theory
(D) Purchasing power parity
26. Law of one price is related to :
- (A) Arbitrage
(B) Cross rate
(C) Fisher effect
(D) IMF
27. International business increase the importance of :
- (A) Globalised competition
(B) Exchange rates
(C) Interest rates in the countries
(D) All of the above
28. An option provides the investor with the right to purchase a security at a specific price on or before a certain date :
- (A) Call American
(B) Put American
(C) Call European
(D) None of the above
29. Put European Default risk exists in the type of contract :
- (A) Future Contract
(B) Forward Contract
(C) Option Contract
(D) Swap Contract

30. Strike price = ₹ 100 and Premium = ₹ 10, what is the net pay amount if option exercised ?
- (A) ₹ 110
 (B) ₹ 100
 (C) ₹ 90
 (D) None of the above
31. A price at which a derivative contract can be bought or sold when it will exercise :
- (A) Strike Price
 (B) Spot Price
 (C) Speculation Price
 (D) Normal Price
32. Financial derivatives widely use for :
- (A) Learning
 (B) Speculating
 (C) Both (A) and (B)
 (D) None of the above
33. Derivatives market available at :
- (A) BSE
 (B) NSE
 (C) Both (A) and (B)
 (D) None of the above
34. Types of options are available :
- (A) Call Option
 (B) Put Option
 (C) Both (A) and (B)
 (D) None of the above
35. A _____ is a customized contract obligating counterparties to buy (receive) or sell (deliver) an asset at a specified price on a future date.
- (A) Forward Contract
 (B) Normal Contract
 (C) Currency
 (D) None of the above
36. Role of exchange is mandatory in _____.
- (A) Forward Contract
 (B) Future Option
 (C) Both (A) and (B)
 (D) None of the above

37. International Business increases the importance of _____.
- (A) International Finance
 - (B) Finance
 - (C) Paperwork of Accounting
 - (D) None of the above
38. Example of derivative securities includes :
- (A) Swap contract
 - (B) Option contract
 - (C) Futures contract
 - (D) All of the Above
39. Future contract is the upgrade contract of _____.
- (A) Forward Contract
 - (B) Currency Option
 - (C) Both (A) and (B)
 - (D) None of the above
40. Option which may be exercised only on the expiration date :
- (A) European Style
 - (B) American Style
 - (C) Both (A) and (B)
 - (D) None of the above
41. The right to buy a specified quantity of the underlying at a fixed exercise price on or before the expiration date :
- (A) Call Option
 - (B) Put Option
 - (C) Both (A) and (B)
 - (D) None of the above
42. IFRS stands for :
- (A) International Financial Recognition Standards
 - (B) International Foreign Reporting Standards
 - (C) International Financial Reporting Solutions
 - (D) International Financial Reporting Standards
43. Trade restrictions is called as _____.
- (A) Trade stopper
 - (B) Trade barrier
 - (C) Trade damage
 - (D) Trade booster

44. _____ refers to the price of one currency against another currency.
- (A) Barter
 - (B) Exchange rate
 - (C) Purchase rate
 - (D) Sale rate
45. The central feature of a _____ is that its laws and other measures can be used to evade or avoid the tax laws or regulations of other jurisdictions.
- (A) Tax burden
 - (B) Tax avoidance
 - (C) Tax heaven
 - (D) Tax deduction
46. From the following, which is not a feature of Balance of Payment ?
- (A) Systematic record
 - (B) All transactions
 - (C) Single entry
 - (D) Double entry
47. From the following, which is not a component of Balance of Payment ?
- (A) Trade balance
 - (B) Current account balance
 - (C) Capital account balance
 - (D) Production balance
48. Current account _____ will take place when credits are more and debits are less.
- (A) Deficit
 - (B) Profit
 - (C) Loss
 - (D) Surplus
49. _____ Account is a summary statement of transactions in a foreign exchange in a year.
- (A) Cash Flow
 - (B) Trading
 - (C) Balance of Payment
 - (D) Profit & Loss
50. _____ transactions include goods imports, imports of services and capital outflows.
- (A) Payments
 - (B) Purchases
 - (C) Trade
 - (D) Sales

51. The _____ is also called the IMF's fixed exchange rate system.
- (A) Gold Standards System
(B) Brettonwoods System
(C) Gold System
(D) Silver Standard System
52. International Bank for Reconstruction and Development (IBRD) is known as the _____.
- (A) International Bank
(B) World Bank
(C) Singapore Bank
(D) World Trade Organization
53. The gold standard was the _____ universally implemented exchange rate system.
- (A) First
(B) Second
(C) Third
(D) Fourth
54. In Brettonwoods System, the countries can also earn _____ on their dollar reserves.
- (A) Tax
(B) Interest
(C) Both (A) and (B)
(D) None of the above
55. Fixed exchange rate system is also known as _____ exchange rate.
- (A) Pegged
(B) Flexible
(C) Both (A) and (B)
(D) None of the above
56. Every country was required to establish a central bank to function as the _____ of the country's monetary gold reserve.
- (A) Supreme
(B) Superior
(C) Custodian
(D) Owner
57. Foreign exchange market is also referred to as _____ market.
- (A) Fourange
(B) Barter
(C) Forex
(D) Exforeign

58. The basic function of foreign exchange market is to facilitate the _____ of one currency into another.
- (A) Conversion
(B) Conservation
(C) Concentration
(D) Consolation
59. _____ can be described as the arithmetical difference in the interest rates of the variable and base currencies in annualized percentage terms.
- (A) ATM
(B) AFM
(C) AMF
(D) AEM
60. _____ increase the purchasing power risk in the international market.
- (A) Reduce the value of currency
(B) Market price
(C) Technology
(D) None of the above
61. Technical analysis is used by the investors alone or with _____ analysis exclusively.
- (A) Basic
(B) Fundamental
(C) Inflation
(D) Market
62. International _____ market mainly deals in Euro currency deposits, Euro credits, Euro notes, Euro commercial paper etc.
- (A) Money
(B) Real
(C) Local
(D) None of the above
63. Euro credits are a kind of _____ extended to corporations in a currency other than the home currencies.
- (A) Loan
(B) Gift
(C) Subsidy
(D) Scheme

64. Spot stands for _____ payment options trading in foreign exchange terminology.
- (A) Double
 - (B) Single
 - (C) Straight
 - (D) Future
65. Main Center of Euro Currency markets are _____.
- (A) Pune
 - (B) London
 - (C) Both (A) and (B)
 - (D) None of the above
66. The swap agreement defines the _____ when the cash flows are to be paid and the way they are accrued and calculated.
- (A) Price
 - (B) Duration
 - (C) Dates
 - (D) Type
67. LIBOR stands for _____ Interbank Offered Rate.
- (A) Loan
 - (B) Landmark
 - (C) London
 - (D) Liberia
68. _____ is a financial institution that accepts foreign currency denominated deposits and makes foreign currency loans.
- (A) Euro capital
 - (B) Euro bank
 - (C) Dollar bank
 - (D) Dollar capital
69. Rates on _____ loans are typically lower than those in the domestic market.
- (A) USD currency
 - (B) Pound currency
 - (C) Euro currency
 - (D) Gold currency
70. _____ equity markets are an important platform for global finance.
- (A) International
 - (B) Euro
 - (C) Rupees
 - (D) None of the above
71. The risk of being unable to sell your investment at a fair price and get your money out when you want to, is called _____.
- (A) Concentration risk
 - (B) Liquidity risk
 - (C) Inflation risk
 - (D) Credit risk

72. IDR stands for _____.
- (A) International Depository Receipt
 - (B) International Deposit Receipt
 - (C) Indian Deposit Receipt
 - (D) Indian Depository Receipt
73. FERA stands for _____.
- (A) Foreign Existence Regulation Act
 - (B) Foreign Exchange Regulation Act
 - (C) For Exercise Regulation Act
 - (D) Foreign Exercise Regulation Act
74. The overall objective of capital budgeting is to _____ the profitability of a firm or the return on investment.
- (A) Minimise
 - (B) Exceed
 - (C) Maximise
 - (D) Deficit
75. _____ is simply the net amount of all cash flowing in and out of your business, from all sources.
- (A) Total cash flow
 - (B) Revenue
 - (C) Sales
 - (D) Income
76. _____ are often used by foreign companies engaged in manufacturing and trading activities in India.
- (A) Subsidiaries
 - (B) MNCs
 - (C) Branch Offices
 - (D) Head Offices
77. _____ attempt to profit from rising and falling prices of the shares.
- (A) Speculators
 - (B) Manufacturer
 - (C) Both (A) and (B)
 - (D) None of the above
78. _____ is planned in such a way to increase the effective yield an investor gets from his surplus invested funds.
- (A) Income Management
 - (B) Share Portfolio Management
 - (C) Profit Management
 - (D) None of the above
79. International business leads to production on a large scale because of _____.
- (A) Extensive demand
 - (B) Goods includes services
 - (C) Goods quality
 - (D) None of the above

80. International business _____ employment opportunities in an export-oriented market.
- (A) Discourages
(B) Boosts
(C) Exceeds
(D) Decreases
81. International financial instruments may include _____.
- (A) Future Contracts
(B) Currency Options
(C) Both (A) and (B)
(D) None of the above
82. _____ is one of the most important pre-requisites to establish an enterprise.
- (A) Finance
(B) Tax
(C) Branch
(D) None of the above
83. Real options valuation, also often termed as _____.
- (A) Real investment
(B) Real option analysis
(C) Real cash inflow
(D) Real option exercise
84. Future option rates may affect by the _____.
- (A) Expected Spot Rates
(B) Contracted Exchange Rates
(C) Both (A) and (B)
(D) None of the above
85. IMF is headquartered in _____.
- (A) Washington DC
(B) New York, US
(C) Geneva, Switzerland
(D) Avenue Du Mont Blanc, Switzerland
86. The currency used to buy imported goods is :
- (A) The buyer's home currency
(B) The seller's home currency
(C) Special drawing rights
(D) The currency of a third
87. Export of goods is called trade in :
- (A) Visible good
(B) Invisible good
(C) Both (A) and (B)
(D) Non- real goods

88. Which one of the following is the SDR given by the IMF to its member countries ?
- (A) Cold Money
 - (B) Hot Money
 - (C) Paper Money
 - (D) None of the above
89. If a company agreements today for future date for buy or sale of a commodity :
- (A) Stock Contract
 - (B) Futures Contract
 - (C) Forward Contract
 - (D) None of the above
90. The scope of voluntary internal audit is decided by the :
- (A) Shareholders
 - (B) Management
 - (C) Government
 - (D) Law
91. The _____ is an economic concept that states that the price of an identical asset or commodity will have the same price globally.
- (A) Law of one price
 - (B) Global goods
 - (C) Direct goods
 - (D) None of the above
92. The quest is direct when the price of one unit of foreign currency is expressed in terms of _____.
- (A) Law of one price
 - (B) Global goods
 - (C) Domestic currency
 - (D) Foreign currency
93. The _____ is a foreign currency exchange transaction between two currency that are both valued against a third currency.
- (A) Currency rate
 - (B) Cross rate
 - (C) Global rate
 - (D) None of the above

94. What are the factors affecting currency exchange rate ?
- (A) Balance of Payment
 - (B) Inflation
 - (C) Money Supply
 - (D) All of the above
95. _____ means the rate at which the cost of living of people of a country is increasing.
- (A) Inflation rate
 - (B) Exchange rate
 - (C) Currency rate
 - (D) None of the above
96. Stock should be valued at :
- (A) Cost
 - (B) Market price
 - (C) Cost or market price whichever is lower
 - (D) Cost less depreciation
97. Under a gold standard :
- (A) A nation's currency can be traded for gold at a fixed rate.
 - (B) A nation's central bank or monetary authority has absolute control over its money supply.
 - (C) New discoveries of gold have no effect on money supply or prices.
 - (D) Both (A) and (B)
98. Dumping refers to :
- (A) Reducing tariffs
 - (B) Sale of goods abroad at low a price, below their cost and price in home market.
 - (C) Buying goods at low prices abroad and selling at higher prices locally.
 - (D) Expensive goods selling for low prices.
99. International finance is concerned with :
- (A) Exchange rates of currencies
 - (B) Monetary system of the world
 - (C) Foreign Direct Investment (FDI)
 - (D) All of the above
100. Market in which currencies buy and sell and their prices settle on is called the :
- (A) International bond market
 - (B) Foreign exchange market
 - (C) Indian currency market
 - (D) None of the above

(Only for Rough Work)

4. Four alternative answers are mentioned for each question as—A, B, C & D in the booklet. The candidate has to choose the most correct/appropriate answer and mark the same in the OMR Answer-Sheet as per the direction :

Example :

Question :

Q. 1 (A) ● (C) (D)

Q. 2 (A) (B) ● (D)

Q. 3 (A) ● (C) (D)

Illegible answers with cutting and over-writing or half filled circle will be cancelled.

5. Each question carries equal marks. Marks will be awarded according to the number of correct answers you have.
6. All answers are to be given on OMR Answer sheet only. Answers given anywhere other than the place specified in the answer sheet will not be considered valid.
7. Before writing anything on the OMR Answer Sheet, all the instructions given in it should be read carefully.
8. After the completion of the examination candidates should leave the examination hall only after providing their OMR Answer Sheet to the invigilator. Candidate can carry their Question Booklet.
9. There will be no negative marking.
10. Rough work, if any, should be done on the blank pages provided for the purpose in the booklet.
11. To bring and use of log-book, calculator, pager and cellular phone in examination hall is prohibited.
12. In case of any difference found in English and Hindi version of the question, the English version of the question will be held authentic.

Impt. : On opening the question booklet, first check that all the pages of the question booklet are printed properly. If there is any discrepancy in the question Booklet, then after showing it to the invigilator, get another question Booklet of the same series.

4. प्रश्न-पुस्तिका में प्रत्येक प्रश्न के चार सम्भावित उत्तर— A, B, C एवं D हैं। परीक्षार्थी को उन चारों विकल्पों में से एक सबसे सही अथवा सबसे उपयुक्त उत्तर छोटना है। उत्तर को OMR आन्सर-शीट में सम्बन्धित प्रश्न संख्या में निम्न प्रकार भरना है :

उदाहरण :

प्रश्न :

प्रश्न 1 (A) ● (C) (D)

प्रश्न 2 (A) (B) ● (D)

प्रश्न 3 (A) ● (C) (D)

अपठनीय उत्तर या ऐसे उत्तर जिन्हें काटा या बदला गया है, या गोले में आधा भरकर दिया गया, उन्हें निरस्त कर दिया जाएगा।

5. प्रत्येक प्रश्न के अंक समान हैं। आपके जितने उत्तर सही होंगे, उन्हीं के अनुसार अंक प्रदान किये जायेंगे।
6. सभी उत्तर केवल ओ. एम. आर. उत्तर-पत्रक (OMR Answer Sheet) पर ही दिये जाने हैं। उत्तर-पत्रक में निर्धारित स्थान के अलावा अन्यत्र कहीं पर दिया गया उत्तर मान्य नहीं होगा।
7. ओ. एम. आर. उत्तर-पत्रक (OMR Answer Sheet) पर कुछ भी लिखने से पूर्व उसमें दिये गये सभी अनुदेशों को सावधानीपूर्वक पढ़ लिया जाये।
8. परीक्षा समाप्ति के उपरान्त परीक्षार्थी कक्ष निरीक्षक को अपनी OMR Answer Sheet उपलब्ध कराने के बाद ही परीक्षा कक्ष से प्रस्थान करें। परीक्षार्थी अपने साथ प्रश्न-पुस्तिका ले जा सकते हैं।
9. निगेटिव मार्किंग नहीं है।
10. कोई भी रफ कार्य, प्रश्न-पुस्तिका के अन्त में, रफ-कार्य के लिए दिए खाली पेज पर ही किया जाना चाहिए।
11. परीक्षा-कक्ष में लॉग-बुक, कैलकुलेटर, पेजर तथा सेल्युलर फोन ले जाना तथा उसका उपयोग करना वर्जित है।
12. प्रश्न के हिन्दी एवं अंग्रेजी रूपान्तरण में भिन्नता होने की दशा में प्रश्न का अंग्रेजी रूपान्तरण ही मान्य होगा।

महत्वपूर्ण : प्रश्नपुस्तिका खोलने पर प्रथमतः जाँच कर देख लें कि प्रश्न-पुस्तिका के सभी पृष्ठ भलीभाँति छपे हुए हैं। यदि प्रश्नपुस्तिका में कोई कमी हो, तो कक्षनिरीक्षक को दिखाकर उसी सिरीज की दूसरी प्रश्न-पुस्तिका प्राप्त कर लें।