

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MCom(IB) DEGREE EXAMINATION MAY 2022
(Fourth Semester)

Branch – INTERNATIONAL BUSINESS

INTERNATIONAL FINANCIAL MARKETS AND INSTRUMENTS

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions .

ALL questions carry EQUAL marks (10 x 1 = 10)

1. International finance is concerned with _____
(i) Exchange rates of currencies (ii) Monetary systems of the world
(iii) Foreign direct investment (iv) All of the above
2. The foreign direct investment includes
(i) Intellectual Property (ii) Human Resource
(iii) Tangible Goods (iv) Intangible Goods
3. When was IMF established?
(i) Dec. 27, 1945 (ii) Jan. 30, 1947 (iii) Jan.1, 1946 (iv) Sept. 24, 1947
4. The value of Special Drawing Right (SDR) is determined by the basket ofcurrencies.
(i) 4 (ii) 5 (iii) 6 (iv) 7
5. Financial derivatives include _____.
(i) Stocks (ii) Bonds (iii) Futures (iv) None of the above
6. Forward contracts are risky because they _____.
(i) Are subject to lack of liquidity (ii) Are subject to default risk.
(iii) Hedge a portfolio. (iv) Both (i) and (ii) are true.
7. Which one of the following is used for International money Transfer?
(i) RTGS (ii) NEFT (iii) SWIFT (iv) DD
8. The monetary amount used to record intercompany transactions is called:
(i) Exchange rate (ii) Transfer price (iii) Conversion rate (iv) Incremental cost
9. The term Euro Currency market refers to _____.
(i) The international foreign exchange market
(ii) The market where the borrowing and lending of currencies take place outside the country of issue
(iii) The countries which have adopted Euro as their currency
(iv) The market in which Euro is exchanged for other currencies
10. The relationship between the exchange rate and the prices of tradable goods is known as the?
(i) Purchasing power parity theory (ii) Asset markets theory
(iii) Monetary theory (iv) Balance of payments theory

SECTION - B (35 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 7 = 35)

11. a) Explain about the advantages of foreign direct investment.
(OR)
b) Discuss about the features of American Depositary Receipt (ADR).
12. a) Evaluate the features of Special Drawing Rights in international finance.
(OR)
b) Analyze about the importance of International bond markets and its instruments.

Cont...

13. a) Illustrate the functions of derivate markets .
(OR)
b) Explain about the main types of future contracts.
14. a) Show the role of transfer pricing in cash management .
(OR)
b) Justify the role of Multi lateral netting in cash management.
15. a) Explain about the Fisher effect and why is it important?
(OR)
b) Sketch the functions of Euro currency market.

SECTION - C (30 Marks)

Answer any **THREE** Questions
ALL Questions Carry **EQUAL** Marks (3 x 10 = 30)

16. Categorize the methods of raising fund in international markets.
17. Assess the importance of International Monetary fund in international financial systems.
18. Evaluate the legal framework of derivatives market in India.
19. Analyze about the importance of double taxation avoidance agreement.
20. Compare and contrast the difference between PPP and IRP.

Z-Z-Z

END