

Total No. of Questions: 6

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Enrollment No.....



Faculty of Management Studies
End Sem Examination May-2024
MS3EF11 Basic International Finance

Programme: BBA

Branch/Specialisation: Management

Duration: 3 Hrs.

Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

- Q.1 i. The current system of international finance is a- 1
(a) Gold standard
(b) Fixed exchange rate system
(c) Floating exchange rate system
(d) Managed float exchange rate system
- ii. Balance of payments of a country includes: 1
(a) Balance of trade
(b) Capital receipts and payments
(c) Saving and Investment account
(d) Both (a) and (b)
- iii. Under a gold standard, 1
(a) Nation's currency can be traded for gold at a fixed rate.
(b) Monetary authority has absolute control over its money supply.
(c) New discoveries of gold have no effect on money supply.
(d) Both (a) and (b)
- iv. If the expected future exchange rate of rupee falls, the exchange 1
rates _____, and the equilibrium quantity of dollars _____.
(a) Remains constant; barely changes
(b) Remains constant; increases
(c) Falls; increases
(d) Falls; barely changes

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- v. Eurobonds are admired because- **1**
 (a) They are less risky than traditional bonds
 (b) European companies are considered very stable
 (c) Absence of government regulation
 (d) They are always denominated in euro
- vi. Today, important factor that result in augmentation in international bond market is- **1**
 (a) Low interest rates (b) High interest rates
 (c) Moderate interest rates (d) All of these
- vii. Cost of capital does not mean- **1**
 (a) Cut off rate decided by management
 (b) Rate of interest
 (c) Expectation of investors for dividend
 (d) Money paid to SEBI for permission to acquire capital
- viii. Capital structure designing has nothing to do with- **1**
 (a) Profitability (b) Solvency
 (c) Flexibility (d) Transferability
- ix. The foreign direct investment includes- **1**
 (a) Tangible good (b) Intangible good
 (c) Intellectual property (d) Human resource
- x. More expansion of foreign direct investment cannot boost- **1**
 (a) Money circulation (b) Demand
 (c) Employment (d) Unemployment
- Q.2 i. Explain the concept of international trade. **2**
 ii. Describe the primary motivations for international finance. **8**
 OR iii. What is balance of payment? What are the uses and implications of the balance of payments? **8**
- Q.3 i. What do you understand by gold exchange standard? **2**
 ii. Explain in detail the concept of Bretton Woods system. **8**
 OR iii. Write a short note on: **8**
 (a) World Bank (b) International Monetary Fund
- Q.4 i. What do you understand by Euro Bonds? **2**
 ii. Explain international bond market. Enumerate the important **8**

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- OR iii. features of this market. **8**
 Briefly explain the process of issue of American Depository Receipts.
- Q.5 i. Define cost of capital. **2**
 ii. Describe concept of capital budgeting in international long- term **8**
 financing.
- OR iii. What are the factors which affect the capital structure decision of an MNCs. **8**
- Q.6 Attempt any two:
 i. Describes the various issues in foreign investment analysis. **5**
 ii. What are the benefits of foreign direct investment? **5**
 iii. Explain in brief any two strategies for direct investment. **5**

Marking Scheme

Basic International Finance (T) - MS3EF11 (T)

Q.1	i)	(d) managed float exchange rate system	1
	ii)	(d) Both (a) and (b)	1
	iii)	(a) Nation's currency can be traded for gold at a fixed rate.	1
	iv)	(d) falls; barely changes	1
	v)	(c) absence of government regulation	1
	vi)	(a) low interest rates	1
	vii)	(d) Money paid to SEBI for permission to acquire capital	1
	viii)	(a) Profitability	1
	ix)	(a) Tangible Good	1
	x)	(c) Employment	1
Q.2	i.	Concept of international trade	2
	ii.	Primary motivations for international finance (1*8)	8
OR	iii.	What is balance of payment (2 marks)	8
		What are the uses (3 marks)	
		Implications of the balance of payments (3 marks)	
Q.3	i.	What do you understand by gold exchange standard?	2
	ii.	What are the various types of exchange rates in foreign exchange market? (According to the answer)	8
OR	iii.	Write a short note on World Bank (4 marks) International Monetary Fund (4 marks)	8
Q.4	i.	What do you understand by Euro Bonds?	2
	ii.	What is the international bond market? (2 marks) Enumerate the important features of this market. (6 marks)	8
OR	iii.	Explain the process of issue of American depository receipts. (as per the answer)	8
Q.5	i.	Define cost of capital.	2
	ii.	Describe concept of capital budgeting in international long-term financing. (as per the answer)	8
OR	iii.	What are the factors which affect the capital structure decision of an MNCs. (1*8)	8

Q.6

Attempt any two:

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|------|--|---|
| i. | Describes the various issues in Foreign investment analysis. (1*5) | 5 |
| ii. | What are the benefits of Foreign Direct Investment? (1*5) | 5 |
| iii. | Explain in brief-Strategies for Direct Investment. (as per the answer) | 5 |
