

International Banking and Finance

Sem V TYBBI

Sample Questions

1. Which of the following is a measure of selective credit control

- A. Bank rate policy
- B. Statutory cash reserve ratio
- C. Open market operation
- D. None of the above

2. In order to control credit and investment, the Central Bank of a country should

- A. Sell securities in the open market and hike the cash reserve ratio.
- B. Buy securities in the open market and lower the cash reserve ratio.
- C. Buy securities from the open market and hike the cash reserve ratio.
- D. Sell securities in the open market and lower the cash reserve ratio.

3. Which of the following is not a function of a Bank

- A. To accept deposits
- B. To waive loans
- C. To grant advances
- D. To supply input to farmers

4. The feature of a well-functioning investment industry that gives Investors the ability to quickly buy and sell a significant amount of an investment without having a material impact on the price is described as:

- (a) Liquidity
- (b) Competitive markets
- (c) Risk transfer
- d) Illiquidity

5. Which one of the following is not a Current account transaction?

- a. Imports payables
- b. Exports receivables
- c. Insurance
- d. External Commercial Borrowings

6. An appreciation of the Rupee relative to the US Dollar would be expected to have which of the following effects?

- a. Increase US exports to India
- b. Increase US imports from India
- c. Create Balance of Payments surplus for India
- d. Create Balance of payments surplus for USA

7. Which one of the following is not a part of institutions under Bretton Woods System?

- a. IMF
- b. IBRD(World Bank)
- c. IFC
- d. BIS

8. Financial risk involves:

- A. fluctuation in exchange rates
- B. different interest and inflation rates
- C. balance of payments position
- D. A and B

9. A global company is an organization that attempt to :

- A. has a worldwide presence in its market
- B. Integrate its operations worldwide
- C. standardizes operations in one or more of the company's functional areas.
- D. A and B

10. Which of the following is not true about the theory of comparative advantage?

- A. some countries can produce some goods more efficiently than other countries.
- B. all countries are better off if each specializes in its area of strength.
- C. factors of production are equally distributed among nations.
- D. efficient production requires combinations of different resources and technologies.

11. The term Eurocurrency Market refers to :

- A.The countries which have adopted Euro as their currency
- B.The market in which Euro is exchanged for other currencies
- C.The market where the borrowing and lending of currencies take place outside the country of issue
- D.The international foreign exchange market

12. Which of the following is not the reason for international investment ?

- A.To provide an expected risk-adjusted return in excess of that required
- B.To gain access to important raw materials
- C.To produce products and/or services more efficiently than possible domestically
- D.International investments have less political risk than domestic investments

13. The _____ is especially well suited to offer hedging protection against transaction risk exposure.

- A. forward market
- B.spot market
- C.transactions market
- D.inflation-rate market

14. For contingency exposure in foreign exchange market the best derivative that can be used as a hedge is :

- A.Forwards
- B.Futures
- C.Options
- D.Swaps

15. 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

16. 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

17. Given a home country and a foreign country, purchasing power parity suggests that:

- a) the home currency will appreciate if the current home inflation rate exceeds the current foreign inflation rate;
- b) the home currency will depreciate if the current home interest rate exceeds the current foreign interest rate;
- c) the home currency will depreciate if the current home inflation rate exceeds the current foreign inflation rate.
- d) the home currency will depreciate if the current home inflation rate exceeds the current foreign interest rate;