



Dr.G.R.Damodaran College of Science

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II MIB [2016-2018]

SEMESTER III

CORE: GLOBAL FINANCIAL MANAGEMENT - 353A

Multiple Choice Questions.

1. The world's four major trading currencies are all free to float against each other. They include all the following except.

- A. The British Pound
- B. The Japanese Yen
- C. The Spanish Peso
- D. The US Dollar

ANSWER: C

2. Not a profit maximizing business is

- A. International Monetary Fund
- B. International Bank for Reconstruction and Development
- C. International Financial Corporation
- D. World Trade Organisation

ANSWER: B

3. Gifts and Relief are

- A. Merchandise Payment
- B. Service Payment
- C. Factory Income
- D. Transfer payment

ANSWER: D

4. Nations that have major economic expansion attract

- A. Imports
- B. Direct Foreign Investment
- C. Exports
- D. Privatization

ANSWER: B

5. 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

issue

D. The international foreign exchange market

ANSWER: C

6. Bond issued simultaneously in several global financial center is

A. Domestic Bond

B. Foreign Bond

C. Global Bond

D. Euro Bond

ANSWER: C

7. IMF is firm of

A. 190 Member Countries

B. 182 Member Countries

C. 186 Member Countries

D. 183 Member Countries

ANSWER: D

8. In a quote exchange rate, the currency that is to purchase with another currency is called

A. Liquid currency

B. Foreign Currency

C. Local Currency

D. Base currency

ANSWER: D

9. Which of the following theories suggests that firms seek to penetrate new markets over time?

A. Theory of Comparative Advantage

B. Imperfect Market Theory

C. Product cycle theory

D. None of the above

ANSWER: C

10. US Dollar denominated bond issued in US domestic Market

A. Yankee Bond

B. Bull dog Bond

C. Samurai Bond

D. Dual Bond

ANSWER: A

11. Determination of forward rates is explained by

A. Purchasing power parity theory

B. Uncovered interest arbitrage

C. Demand and Supply for spot currency

D. demand and supply of currency in future

ANSWER: A

12. Which of the following institutions cannot be included in the international financial and monetary system?

A. WTO

- B. Bank for International Settlements
- C. IMF
- D. World Bank

ANSWER: A

13. Cash and carry arbitrage explains the determination of

- A. Forward Rates for currencies
- B. Spot rates for currencies
- C. Both forward and spot rates for currencies
- D. Penalty for non-execution of forward contracts

ANSWER: A

14. International Monetary Fund is headquartered in

- A. Washington, United States
- B. New York city, United States
- C. Geneva, Switzerland
- D. Avenue Du Mont Blanc, Switzerland

ANSWER: A

15. The margin for a currency future should be maintained with the clearing house by

- A. The buyer
- B. The seller
- C. Both the buyer and the seller
- D. Either the buyer or the seller as per the agreement between them

ANSWER: C

16. The marking to market in respect of a currency future refers to

- A. Putting up for sale specific lot of futures
- B. Adjusting the margin money of buyer and seller to reflect the current value of futures
- C. Quoting rates for different maturities
- D. Alloting futures among different brokers

ANSWER: B

17. The marking to market of a futures contract is done

- A. Daily, based on the opening price for the day
- B. Weekly, based on the opening price for the week
- C. Daily, based on the closing price for the previous day
- D. Weekly based on the closing price for the previous week

ANSWER: C

18. In India currency-notes issue system is based on

- A. Proportional Reserve System
- B. Minimum Reserve System
- C. Fixed Exchange Rate System
- D. Fully Convertibility System

ANSWER: B

19. European Economic Community founded in

- A. 1957
- B. 1958
- C. 1963
- D. 1968

ANSWER: A

20. The following statement with respect to currency option is wrong

- A. Call option will be used by exporters
- B. Put option gives the buyer the right to sell the foreign currency
- C. Foreign currency- Rupee option is available in India
- D. An American option can be executed on any day during its currency

ANSWER: A

21. For contingency exposure of foreign exchange, the best derivative that can be used to hedge is

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

ANSWER: C

22. Japan yen denominated Bond issued in Japan domestic Market

- A. Yankee Bond
- B. Samurai Bond
- C. Bull dog Bond
- D. Dual Bond

ANSWER: B

23. An option at-the-money when

- A. The strike price is greater than the spot price, in the case of a call option
- B. The strike price is greater than spot price, in the case of a put option
- C. The option has a ready market
- D. The strike price and the spot price are the same

ANSWER: D

24. The intrinsic value of an Call option is

- A. Strike price - Underlying Price
- B. Underlying price - Strike Price
- C. Strike price > Underlying price
- D. Strike price < Underlying price

ANSWER: B

25. Which of the countries did not become a member of the Economic and Monetary Union as on Jan 1 1999.

- A. Britain
- B. France
- C. Germany
- D. Italy

ANSWER: A

26. The acronym CIRCUS stands for
- A. Current Interest Rate Swap
 - B. Circular Currency Swap
 - C. Combined Income Range Currency Swap
 - D. Combined Interest Rate and Currency Swap

ANSWER: D

27. Under the interest rate option , the buyer
- A. Avoids unfavourable movement in interest rates
 - B. Gains from favourable movement in interest rates
 - C. Both a and b
 - D. Gains nothing , only the seller gains

ANSWER: C

28. An interest rate cap is a series of
- A. Call options
 - B. Put options
 - C. Periodical payments
 - D. Differential payments

ANSWER: A

29. FRAs cant be used for
- A. Hedging
 - B. Arbitraging
 - C. Speculating
 - D. Any of the Above

ANSWER: D

30. Euro is the official currency of
- A. All the States of Europe
 - B. All the states of European Union
 - C. Only 12 of the states of European Union
 - D. Only 10 of the States of European Union

ANSWER: B

31. The external method of hedging transaction exposure does not include
- A. Forward contact hedge
 - B. Money market hedge
 - C. Cross hedging
 - D. Future hedging

ANSWER: C

32. The cost of hedging through option includes
- A. Option premium
 - B. Interest on option premium till due date of the contract
 - C. Both a and b
 - D. optimum premium and difference between option price and spot price

ANSWER: C

33. Foreign currency exposures can be avoided by
- A. Entering into forward contracts
 - B. Denominating the transaction in domestic currency
 - C. Exposure netting
 - D. Maintaining foreign currency accounts

ANSWER: B

34. Forward contract is a agreement to buy or sell an assets on
- A. Specified price
 - B. Specified time
 - C. Specified date
 - D. Specified volume

ANSWER: A

35. International Financial Corporation established in the year
- A. 1948
 - B. 1952
 - C. 1962
 - D. 1956

ANSWER: D

36. For the purpose of translation exposure, historical rate is the rate prevalent on the date
- A. The parent company was established
 - B. The foreign subsidiary was established
 - C. The investment in the subsidiary was made by the parent company
 - D. The asset was acquired or the liability was incurred

ANSWER: D

37. This is not established method of translation
- A. Current rate method
 - B. Monetary/Non-monetary method
 - C. Temporary method
 - D. Current/Non-current method

ANSWER: C

38. Two tier exchange rate system is a form of
- A. Different exchange rate
 - B. Fixed rate
 - C. Multiple exchange rate
 - D. Flexible rate

ANSWER: C

39. Which of the following is not a 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

ANSWER: D

40. The _____ is especially well suited to offer hedging protection against transactions risk exposure

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

ANSWER: A

41. Which of the following is not an example of an international trade draft?

- A. Time draft
- B. Sight draft
- C. Both the first and second answers are correct
- D. Usance draft

ANSWER: C

42. The first Indian company raised the fund by issuing Bond in US dollar in United States

- A. Airtel
- B. TATA
- C. Reliance
- D. Aircel

ANSWER: C

43. Purchasing-power parity (PPP) refers to _____

- A. the concept that the same goods should sell for the same price across countries after exchange rates are taken into account
- B. the concept that interest rates across countries will eventually be the same
- C. the orderly relationship between spot and forward currency exchange rates and the rates of interest between countries
- D. the natural offsetting relationship provided by costs and revenues in similar market environments

ANSWER: A

44. A group of European countries have formed a union and created a common currency known as _____

- A. the EU currency
- B. the European Union
- C. the EMU
- D. the Euro

ANSWER: D

45. The forward exchange rate _____

- A. is the rate today for exchanging one currency for another for immediate delivery
- B. is the rate today for exchanging one currency for another at a specific future date
- C. is the rate today for exchanging one currency for another at a specific location on a specific future date

D. is the rate today for exchanging one currency for another at a specific location for immediate delivery

ANSWER: B

46. The spot exchange rate _____

A. is the rate today for exchanging one currency for another for immediate delivery

B. is the rate today for exchanging one currency for another at a specific future date

C. is the rate today for exchanging one currency for another at a specific location on a specific future date

D. is the rate today for exchanging one currency for another at a specific location for immediate delivery

ANSWER: A

47. Which organisation of the World Bank Group deals with matters related to the development of the poorest countries in the world?

A. The International Bank for Reconstruction and Development

B. The International Development Association

C. The International Finance Corporation

D. The Multilateral Investment Agency

ANSWER: B

48. India's foreign exchange rate system is?

A. Fixed target

B. Managed float

C. Free float

D. Fixed and Float

ANSWER: B

49. The index of Financial Inclusion has been launched for the first time in 2008

A. Confederation of Indian Industries (CII)

B. Federation of Indian Chamber of Commerce and Industry (FICCI)

C. National Council of Applied Economic Research (NCAER)

D. Indian Council for Research on International Economic Relations (ICRIER)

ANSWER: D

50. The most liquid asset among the following is?

A. Gold

B. Share

C. Cash

D. Land

ANSWER: C

51. The price at which a market maker is prepared to buy a currency or borrow money is termed as

A. spot rate

B. bid rate

C. ask price

D. forward rate

ANSWER: B

52. A deposit or borrowing domiciled outside the home country of the currency is called as
- A. foreign bond
 - B. euro bond
 - C. euro currency
 - D. domestic bond

ANSWER: C

53. The system operated by the WTO is known as the
- A. multilateral trading system
 - B. bilateral trading system
 - C. ratified system
 - D. unratified system

ANSWER: A

54. The price at which a market maker is prepared to sell (a currency or lend (money
- A. forward rate
 - B. sport rate
 - C. bid rate
 - D. offer rate

ANSWER: D

55. Bretton woods agreement arrived at in
- A. July 1994
 - B. July 1954
 - C. June 1960
 - D. June 1964

ANSWER: A

56. A contract that gives the buyer the right to buy commodity or a foreign currency from the seller at a fixed price is called as

- A. put option
- B. call option
- C. cross option
- D. currency swap

ANSWER: B

57. SIBOR refers to
- A. static interest bonds offered rate
 - B. singapore international bonds offered rate
 - C. simple interest bearing offshore rate
 - D. Singapore interbank offered rate

ANSWER: D

58. The market where long term securities (shares, bonds, etc are bought and sold is called as
- A. money market
 - B. capital market
 - C. primary market

D. secondary market

ANSWER: D

59. A bank located usually in another country that provides service for another bank is

- A. Foreign bank
- B. Central bank
- C. Correspondent bank
- D. World bank

ANSWER: C

60. The maximum amount that an Indian company can issue as ADR/GDR in a year is

- A. USD 500 million
- B. USD 30 million
- C. USD 20 million
- D. No monetary ceiling

ANSWER: D

61. An operation in order to protect the domestic currency value of an asset or a liability that is denominated in foreign currency is called as

- A. Hedging
- B. Hermes
- C. Indexation
- D. Leading

ANSWER: A

62. Difference between buying and selling rates in an exchange rate or interest rate quotation is known as

- A. Strike price
- B. Spread
- C. Swap points
- D. Spot rate

ANSWER: B

63. International Finance Corporation established in

- A. 1956
- B. 1960
- C. 1966
- D. 1970

ANSWER: A

64. Which exchange rate theory focuses on the inflation exchange rate relationship?

- A. Interest rate parity
- B. International Fisher Effect
- C. Purchasing power parity
- D. Traditional Model

ANSWER: C

65. The exchange rate prevailing at a financial reporting date

- A. Closing exchange rate
- B. Opening exchange rate
- C. Fixed exchange rate
- D. Fluctuating exchange rate

ANSWER: A

66. The bank account of a non-resident of a country, where the amount of currency in the account cannot be transferred to another country is called as

- A. Nostro account
- B. Blocked Account
- C. Foreign account
- D. Capital account

ANSWER: B

67. Exchange rate between currency A and currency B, given the values of currencies A and B with respect to a third currency is known as

- A. Golden standard
- B. Flexible exchange rate
- C. Fixed exchange rate
- D. Cross exchange rate

ANSWER: D

68. Agreement to exchange one currency for another at a specified exchange rate and date is

- A. Currency swap
- B. Swap points
- C. Currency put option
- D. Currency call option

ANSWER: A

69. Long-term securities denominated in two currencies is called as

- A. Euro bond
- B. Dual currency bonds
- C. Foreign bonds
- D. Euro dollar deposit

ANSWER: B

70. Foreign exchange transactions involve monetary transactions

- A. among residents of the same country
- B. between residents of two countries only
- C. between residents of two or more countries
- D. among residents of at least three countries

ANSWER: C

71. Syndication of loans is done in

- A. Eurocredit market
- B. Eurobond market
- C. Euronote market
- D. All the above

ANSWER: A

72. The Bretton Woods System called for:

- A. The IMF to promote development
- B. Floating exchange rates against the Japanese Yen
- C. Fixed exchange rates against the US Dollar
- D. Floating exchange rates against US Dollar

ANSWER: C

73. The number of nostro accounts that can be maintained by a bank in a particular currency is

- A. One
- B. not exceeding three
- C. minimum two
- D. no such limit

ANSWER: D

74. Non-resident bank accounts are maintained in

- A. the permitted currencies
- B. the currency of the country of the bank maintaining the account
- C. the currencies in which FCNR accounts are permitted to be maintained
- D. Indian rupee

ANSWER: D

75. Full fledged money changers are authorized to undertake

- A. only sale transactions
- B. only purchase transactions
- C. all types of foreign exchange transactions
- D. purchase and sale of foreign currency notes, coins and travelers cheques

ANSWER: D

76. According to classification by IMF, the currency system of India falls under

- A. managed floating
- B. independently floating
- C. crawling peg
- D. pegged to basket of currencies

ANSWER: A

77. Under fixed exchange rate system, fall in the value of domestic currency due to deficit in balance of payments resulted in

- A. depreciation of the currency
- B. devaluation of the currency
- C. appreciation of the currency
- D. no change in the exchange rate normally

ANSWER: D

78. Under the original scheme IMF, a member country had to obtain the permission of IMF for

- A. any devaluation of its currency
- B. any devaluation or revaluation of its currency

- C. devaluation of its currency at a time exceeding 10%
- D. devaluation of its currency exceeding cumulatively 10%

ANSWER: A

79. At present the role of IMF in the exchange rate policies of its members is to

- A. prohibit floating rate
- B. have surveillance and express opinion on policies
- C. restrict the exchange fluctuations within a band
- D. prohibit fixed rate

ANSWER: B

80. Pegging the value of a currency can be done by

- A. pegging to a major currency
- B. pegging to a basket of currencies
- C. pegging to SDR
- D. any of the above

ANSWER: D

81. Convertibility of a currency is indicated by its

- A. Conversion at market rates
- B. Conversion at market rates, but subject to quantity restriction by government
- C. Conversion at market rate without any quantitative restriction by government
- D. Conversion at official rate

ANSWER: C

82. The role if IMF does not include

- A. monitoring the proper conduct of the international monetary system
- B. lending to socially oriented projects
- C. financing temporary balance of payments deficits of member countries
- D. providing source of liquidity to member countries

ANSWER: B

83. IMF augments its resources by borrowing under

- A. General arrangements to borrow
- B. New arrangements to borrow
- C. Trust funds
- D. All the above

ANSWER: D

84. What is the role of IMF

- A. It controls the budgets of national government
- B. It acts as a forum for international economics
- C. It Observes world exchange rates, balance of payments and multilateral payments
- D. It seeks to promote free international trade

ANSWER: C

85. The abbreviations SDR stands for

- A. Special Drawing Rights

- B. Specific Drawing Rights
- C. Special Depository Rules
- D. Specific Depository Rules

ANSWER: A

86. The term World Bank refers to

- A. IBRD
- B. IDA
- C. Both IBRD and IDA
- D. IFC

ANSWER: C

87. The eligibility to borrow from IDA is based on

- A. relative poverty
- B. lack of creditworthiness to borrow on market terms
- C. good policy performance
- D. all the above

ANSWER: D

88. Financial products of IFC does not include

- A. loans
- B. equity participation
- C. risk management products
- D. none of the above

ANSWER: D

89. MIGA stands for

- A. Multilateral Investment Guarantee Agency
- B. Multilateral Institutional and Government Agencies
- C. Mutual Interest Guaranteeing Agencies
- D. Mutual Institutional and Government Agencies

ANSWER: A

90. The activities of ADB include

- A. project financing
- B. guaranteeing loans
- C. both a and b
- D. risk management products

ANSWER: C

91. A credit in balance of payments indicates

- A. Accumulation of bank balances abroad
- B. Foreign direct investment received into the country
- C. Earning of foreign exchange by the country
- D. Earning of foreign exchange or incurring of liability abroad or decrease in asset abroad

ANSWER: C

92. A debit in balance of payments does not indicate

- A. Import of goods and services
 - B. Foreign tourists encashing travelers cheque in the country
 - C. Investments made abroad
 - D. Export of goods and services
- ANSWER: D

93. The current account of balance of payments includes

- A. Unilateral payments
- B. Portfolio investments
- C. Short term borrowings
- D. Long term borrowings

ANSWER: B

94. A country has a negative balance of trade It means the balance of payments on current account

- A. Should also be negative
- B. Should be positive
- C. May be positive or negative
- D. Should be same as balance of trade

ANSWER: D

95. The current account of balance of payments does not include

- A. Trade in goods
- B. Trade in services
- C. Income on investments
- D. None of the above

ANSWER: A

96. The capital account of balance of payments represents

- A. Balances the central bank of the country maintains with IMF
- B. Balances held by commercial banks of the country with their central bank
- C. Investment made by the country s resident abroad, but not vice versa
- D. None of the above

ANSWER: C

97. Country A imports gold worth USD 100 million for commercial purposes The transaction will affect

- A. Current account only
- B. Capital account only
- C. Official reserves account only
- D. Both current account and capital account

ANSWER: D

98. Money received for purchase of shares in Indian company by a foreign investor will be treated as foreign direct investment if

- A. The investment is in equity shares
- B. The shares are allotted directly to him by the company
- C. The investor has an intention to take active role in the management of the company
- D. The shares are acquired other than through stock exchange

ANSWER: D

99. ADR/GDR can be issued

- A. only by listed companies
- B. by listed or unlisted companies
- C. only by companies listed on BSE
- D. none of the above

ANSWER: A

100. The apex body of the Foreign Trade is

- A. The Central Government
- B. The State Government
- C. The Ministry of Commerce
- D. All the above

ANSWER: C

101. The tenure of the Foreign Trade policy is

- A. 3 years
- B. 5 years
- C. 1 year
- D. 7 years

ANSWER: D

102. The threshold limit for the handloom industry as per the recent EXIM policy is:

- A. 500 crores
- B. 350 crores
- C. 250 crores
- D. 100 crores

ANSWER: C

103. A depository receipt

- A. is a non-negotiable instrument
- B. represents shares issued in local currency
- C. is issued by custodian
- D. is issued for safe custody of articles

ANSWER: B

104. The Imports and Exports (Control) Act was passed in the year:.

- A. 1955.
- B. 1947.
- C. 1977.
- D. 1996.

ANSWER: B

105. How many chapters are there in The Foreign Trade (Development and Regulation) Act, 1992?

- A. 5.
- B. 4.
- C. 6.

D. 7.
ANSWER: C

106. The period of time permitted for the fulfillment of the export obligation under EPCG is
A. 5 years.
B. 8 years.
C. 7 years
D. 10 years

ANSWER: B

107. What does CCIE stand for?
A. Chief Controller of Imports and Exports
B. Central Cottage Industries Exports
C. Control on Cotton Imports and Exports
D. Commissioner of Central Imports and Exports.

ANSWER: A

108. Bill of Lading is issued by the:.
A. captain of the vessel.
B. shipping company.
C. customs authorities
D. . consignor.

ANSWER: B

109. The process of acquiring technology from other country is called:.
A. . Licensing
B. Franchising.
C. Technology Transfer
D. Joint Venture.

ANSWER: A

110. Reverse Engineering method of Technology Transfer is also called as:.
A. FDI.
B. Strategic Alliance.
C. Licensing.
D. Capital Goods trade.

ANSWER: C

111. The apex body of the Export Promotion organizations is:.
A. EPC.
B. . Commodity Boards
C. FIEO.
D. IIFT.

ANSWER: D

112. The EXIM policy 2002-2007 coincides with the:.
A. 7th Five year plan.
B. 8th Five year plan.

- C. 9th Five year plan.
- D. 10th Five year plan.

ANSWER: C

113. The area where the goods are permitted to be imported and re-exported without any processing in the same form is called

- A. Export Processing Zone
- B. Free Trade Zone.
- C. Special Economic Zone.
- D. Agri Export Zone.

ANSWER: D

114. The components of Balance of Payment includes.

- A. Current and Capital Account
- B. Current account and official reserves.
- C. Capital Account and Official reserves
- D. Current account, capital account and official reserves.

ANSWER: B

115. The total value of the products and services marketed by a nation is called.

- A. Gross Domestic Product.
- B. Gross National Product
- C. National Income.
- D. Per capita income

ANSWER: D

116. The legal settlement of international trade disputes is.

- A. Negotiation.
- B. Arbitration.
- C. Litigation.
- D. Conciliation.

ANSWER: A

117. The certificate issued for the registration under Export Promotion Council is called.

- A. Registration Cum Membership Certificate.
- B. Permanent Account Number
- C. Importer Exporter Code.
- D. ITC number

ANSWER: D

118. The exports made by an exporter or manufacturer on behalf of another exporters. are called

- A. Registered Exporter.
- B. Manufacturer Exporter
- C. Merchant Exporter.
- D. Third Party Exporter.

ANSWER: A

119. What is the IMF's primary objective?

- A. The overall promotion of world trade
- B. The fixation of the value of world currencies
- C. The promotion of free trade
- D. The promotion of its policies in certain countries around the world

ANSWER: A

120. The nodal agency of the Government of India for promoting the country's external trade is.

- A. Indian Trade Promotion Organisation
- B. Indian Institute of Foreign Trade.
- C. Federation of Indian Exports
- D. Trade Development Authority of India.

ANSWER: B

121. Foreign Exchange Regulation Act was replaced with The Foreign Exchange Management Act in the year.

- A. 1973.
- B. 1994
- C. 1995.
- D. 1999.

ANSWER: A

122. The common types of Intellectual property include.

- A. Copyrights and trademarks.
- B. Patents and industrial design rights.
- C. Trade Secrets
- D. All of the above.

ANSWER: B

123. The insurance policy that covers exporters against commercial and political risk is.

- A. General insurance
- B. ECGC.
- C. Marine insurance.
- D. Fire insurance.

ANSWER: D

124. The penalty for the contravention of foreign trade rules is decided by.

- A. The Appellate authority
- B. The Adjudicating authority
- C. The Competing authority.
- D. The Regional Licensing Authority

ANSWER: B

125. Export control refers to restrictions on.

- A. domestic firms from engaging in exports.
- B. items that can be exported from the country.
- C. from firms exporting to the country.
- D. quantitative restrictions

ANSWER: C

126. The operating risk in the host country does not include the risk of.

- A. change in the government policies
- B. exchange control.
- C. price control.
- D. sanctions.

ANSWER: D

127. Which exchange commenced trading in currency in 1982

- A. Philadelphia
- B. Mexican peso
- C. Bimsetallism
- D. smithsonian

ANSWER: A

128. The major players in the foreign exchange market are .

- A. commercial banks.
- B. corporates.
- C. exchange brokers.
- D. central bank of the country and the Central Government.

ANSWER: C

129. Derivatives can be used by an exporter for managing.

- A. currency risk.
- B. cargo risk.
- C. credit risk
- D. business risk.

ANSWER: C

130. Derivatives are so called because

- A. they are subsidiary products in the market.
- B. they are derived from combination of different assets
- C. their value is dependent on the value of some other fundamental variable.
- D. they are traded on derivative exchanges

ANSWER: B

131. The forward market is especially well-suited to offer hedging protection against.

- A. translation risk exposure
- B. transactions risk exposure
- C. political risk exposure.
- D. taxation.

ANSWER: B

132. The euro is the name for

- A. a currency deposited outside its country of origin.
- B. a bond sold internationally outside of the country in whose currency the bond is denominated
- C. a common European currency
- D. foreign currencies deposited in home country.

ANSWER: C

133. What basis the exchange rates are determined

- A. supply
- B. Demand
- C. Demand and supply
- D. Forex

ANSWER: C

134. The balance of payments always has a zero balance. This is caused by.

- A. the working of the foreign exchange market
- B. by including errors and omissions
- C. the system of double entry bookkeeping.
- D. by including reserves and related items

ANSWER: C

135. Markets in which funds are transferred from those who have excess funds available to those who have a shortage of available funds are called.

- A. commodity markets.
- B. fund-available markets
- C. derivative exchange markets.
- D. financial markets.

ANSWER: D

136. The bond markets are important because.

- A. they are easily the most widely followed financial markets in the United States.
- B. they are the markets where foreign exchange rates are determined.
- C. they are the markets where interest rates are determined.
- D. they are the markets without risk

ANSWER: C

137. Markets in which funds are transferred from those who have excess funds available to those who have a shortage of available funds are called.

- A. commodity markets.
- B. fund-available markets
- C. derivative exchange markets.
- D. . financial markets.

ANSWER: D

138. Increasing interest rates.

- A. discourage corporate investments
- B. discourage individuals from saving
- C. encourage corporate expansion
- D. encourage corporate borrowing.

ANSWER: A

139. The exchange rate is the.

- A. total yearly amount of money changed. from one countrys currency to another countrys

currency.

- B. total monetary value of exports minus imports.
- C. Exchange value of one country currency in terms of another country currency
- D. Price of one country currency in terms of another country currency

ANSWER: D

140. Net exports refers to.

- A. total exports minus total imports
- B. total imports minus total exports
- C. exports of merchandise minus imports of merchandised.
- D. total exports of capital minus depreciation

ANSWER: A

141. Which of the following is not considered a unilateral transfer?

- A. foreign aid from one government to another
- B. income earned from foreign investments.
- C. personal gifts to friends in foreign countries
- D. donations to foreign countries from non-government.

ANSWER: B

142. The primary component of the current account is the.

- A. balance of trade.
- B. balance of money market flows.
- C. balance of capital market flows
- D. unilateral transfers

ANSWER: A

143. _____ is (are) income received by investors on foreign investments in financial assets securities

- A. Portfolio income.
- B. Direct foreign income.
- C. Unilateral transfers.
- D. Factor income.

ANSWER: D

144. LIBOR refers

- A. London Inter Bank Offered Rate
- B. London International Bank Offered Rate
- C. London interest for Bank offering Rate
- D. London Interest Bond off shore Rate

ANSWER: A

145. European currency options can be exercised _____; American currency options can be exercised _____.

- A. any time up to the expiration date; any time up to the expiration date.
- B. any time up to the expiration date; only on the expiration date.
- C. only on the expiration date; only on the expiration date.
- D. only on the expiration date; any time up to the expiration date.

ANSWER: D

146. Conditional currency options are

- A. options that do not require premiums
- B. options where the premiums are canceled if a trigger level is reached.
- C. options that allow the buyer to decide what currency the option will be settled in.
- D. options with discount.

ANSWER: B

147. International Monetary Fund formal existence came into being in

- A. 12 May 1944
- B. 27 July 1944
- C. 27 December 1945
- D. 27 September 1945

ANSWER: C

148. Based on interest rate parity, the larger the degree by which the foreign interest rate exceeds the UK interest rate, the.

- A. larger will be the forward discount of the foreign currency.
- B. larger will be the forward premium of the foreign currency.
- C. smaller will be the forward premium of the foreign currency.
- D. smaller will be the forward discount of the foreign currency.

ANSWER: A

149. Which year the Bretton Wood agreement failed?

- A. 1983
- B. 1971
- C. 1963
- D. 1989

ANSWER: B

150. A banker's acceptance is a draft drawn on and accepted by an_____.

- A. bank.
- B. importer.
- C. exporter.
- D. Agent.

ANSWER: A

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