

MBA II Sem III

MCQs: [305] – [International Finance]

UNIT-I

Sr. No.	Question	Answer
1	Which of the following is <i>not</i> seen as an advantage of the gold standard? (A) For a given stock of gold, a rise in real money supply can only occur if the price level declines. (B) Inflation is unlikely to emerge as a significant problem. (C) No country needs to serve at the centre of this fixed exchange rate system. (D) The monetary mechanism has credibility.	A
2	The Bretton Woods System is referred to as the "gold exchange standard" because... (A) ...it replaced sterling which had been the silver exchange standard. (B) ..gold was the fundamental standard of value based on the ability of the US to maintain the parity of \$35 per ounce. (C) ...all central banks exchanged their foreign exchange reserves for gold to become members of the system. (D) ...gold could be exchanged between countries, all other capital was controlled.	B
3	The functions of the International Monetary Fund include all of the following <i>except</i> ... (A) ...to provide emergency loans to countries facing balance of payments problems. (B) ...to monitor macroeconomic developments continuously in member countries. (C) ...to serve as the world central bank. (D) ...to provide a line of credit for each member country.	C
4	The following three aspects of a monetary system are jointly incompatible: monetary policy independence; (A) _____ exchange rates; and (B) _____ .  (A) (A) floating; (B) capital controls (B) (A) floating; (B) free capital mobility (C) (A) fixed; (B) capital controls (D) (A) fixed; (B) free capital mobility	D
5	Which of the following would likely have the least direct influence on a country's current account? (A) Inflation. (B) National Income. (C) Exchange Rates. (D) Tariffs. (E) A tax on income earned from foreign stocks, products and services	E
6	If your local currency is in variable form and foreign currency is in fixed form quotation will be: (A) Indirect (B) Direct	B

	(C) Local form (D) Foreign form	
7	...More instability in currency called as ..... (A) Country Risk (B) finance Risk (C) <b>Currency Risk</b> (D) liquidity Risk	C
8	Hedging is used by companies to: (A) Decrease the variability of tax paid (B) Decrease the spread between spot and forward market quotes (C) Increase the variability of expected cash flows (D) <b>Decrease the variability of expected cash flows</b>	D
9	The current system of international finance is a (A) Gold standard (B) Fixed exchange rate system (C) <b>Managed float exchange rate system</b> (D) Floating exchange rate system	C
10	By definition, currency depreciation occurs when the value of (A) <b>One currency falls relative to another currency.</b> (B) One currency rises relative to another currency. (C) C all currencies fall relative to gold. (D) D gold falls relative to the value of currencies.	A
11	What is the main role of the IMF? (A) To ensure a stable exchange rate regime and provide emergency assistance to countries facing crises in balance of payments. (B) To be a forum for trade and liberalization. (C) To assist countries in development. (D) To facilitate private investment around the world.	A
12	<b>Which of the following statement is correct?</b> (A) Every member country of the IMF automatically becomes the member of the World Bank (B) The World Bank has 45 founder members (C) India is not the founding member of the World Bank (D) risk process involved	A
13	<b>Which of the following is not the function of the World Bank?</b> (A) To provide long term loan to the member countries (B) To provide loan to private investors belonging to member countries on its own guarantee (C) To ensure exchange rate stability (D) To provides loan mainly for productive activities	C
14	Foreign bonds issued in Japan are known as. (A) Bulldog bonds (B) B. dragon bonds (C) C. Yankee bonds (D) <b>D. samurai bonds</b>	D

15	<p>Eurobonds are admired because</p> <p>(A) Supplier (B) Retailer (C) Competition (D) Government bureau</p>	B
16	<p>Simplicity with which bondholders and shareholders can change their investments into cash is known..... countries</p> <p>(A) They are less risky than traditional bonds (B) European companies are considered very stable (C) Of absence of government regulation (D) They are always denominated in euro</p>	C
17	<p>Consider the following</p> <ol style="list-style-type: none"> <li>1. Trade and earn revenue</li> <li>2. Become the sole controller of food grain supply</li> <li>3. Prevent Black marketing</li> </ol> <p>Which among the following are the primary objectives of the government to buy food grains directly from the farmers?</p> <p>(A) 1 and 2 (B) Only 1 (C) Only 3 (D) 1,2 and 3</p>	C
18	<p>Which among the following in India can use 'Repo Bonds' to raise short term money from markets?</p> <p>1. Commercial Bank 2. Regional Bank 3. Corporate 4. Governments Select the above correct statements. a) Only 3 b) Only 1 c) 1 and 3 d) 2 and 4</p> <p>(A) Only 3 (B) Only 1 (C) 1 and 3 (D) 2 and 4</p>	C
19	<p>A Company making a public of securities has to file a Draft Red Herring Prospects with SEBI through an eligible merchant banker prior to filling a prospects with the registrar of Companies. What information does this Draft Red Herring Prospects provide?</p> <ol style="list-style-type: none"> <li>1. Financial details about the company</li> <li>2. Price and size of offerings</li> <li>3. Products details</li> <li>4. Objects of raising money the three levels of innovation?</li> </ol> <p>(A) 1 and 2 (B) 2 and 3 (C) 3 and 4 (D) 1 and 4</p>	D
20	<p>Consider the following statements about Infrastructure Debt Fund (IDF) in India:</p> <ol style="list-style-type: none"> <li>1. Infrastructure debt fund are regulated by Planning commission</li> <li>2. Infrastructure debt fund can be established as a trust in India, but not in company</li> </ol> <p>Select the above correct statements. a) Only 1 b) Only 2 c) 1 and 2 d) Neither 1 nor 2</p> <p>(A) Only 1 (B) Only 2 (C) 1 and 2 (D) Neither 1 nor 2</p>	D