

## INTERNATIONAL FINANCE

### MULTIPLE CHOICE QUESTIONS:

1. The world's major trading currencies, which are free to float against each other, include all of the following except \_\_\_\_\_
- a) British Pound
  - b) Japanese Yen
  - c) US Dollar
  - d) Spanish Peso

**Ans – d) Spanish Peso**

2. National that have major economic expansion attract \_\_\_\_\_
- a) Imports
  - b) Exports
  - c) FDI
  - d) Privatization

**Ans – c) FDI**

3. IMF stands for \_\_\_\_\_
- a) International Monetary Fund
  - b) Indian Monetary Fund
  - c) International Monetary Finance
  - d) Indian Monetary Finance

**Ans -International Monetary Fund**

4. 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

**Ans -a) Currency Current**

5. Systematic record of economic transaction of a country during a given period of time is \_\_\_\_\_
- a) ADR
  - b) BOP
  - c) GDR
  - d) IFRS

**Ans – b) BOP**

6. Funds based services includes all of the following except \_\_\_\_\_
- a) Bill discounting
  - b) Factoring
  - c) Lease Financing
  - d) M & A Services

**Ans -d) M & A Services**

7. \_\_\_\_\_ deals with the global rules of trade between nations.
- a) WTO
  - b) IFC
  - c) IBRD
  - d) World Bank

**Ans -a) WTO**

8. Exchange rate is the \_\_\_\_\_
- a) Opportunity cost at which goods are produced domestically
  - b) Balance of trade ratio of one country to another
  - c) Price of one country's currency expressed in terms of another country's currency
  - d) Amount of currency that can be purchased with 1 ounce of gold

**Ans – C) Price of one country's currency expressed in terms of another country's currency**

9. Current account includes all of the following except \_\_\_\_\_ -
- a) Merchandise Balance
  - b) Service Balance
  - c) FDI
  - d) Unilateral Transfers

**Ans -C) FDI**

10. Reserves are held in following forms, except \_\_\_\_\_
- a) Foreign Currency
  - b) Gold
  - c) SDR
  - d) Silver

**Ans – d) Silver**

11. Statistical residue is a part of \_\_\_\_\_
- a) Errors and Omissions
  - b) Current Account
  - c) Capital Account
  - d) Reserve Account

**Ans – a) Errors and Omissions**

12. Difference between the value of merchandise exports and imports is \_\_\_\_\_
- a) BOP
  - b) BOT
  - c) Capital Account
  - d) Official Reserve Account

**Ans -b) BoT**

13. Sale or purchase of gold in BOP is covered under \_\_\_\_\_
- a) Capital Account
  - b) Current Account
  - c) Official Reserve Account
  - d) Balancing Items

**Ans -c) Official Reserve Account**

14. SDR is an international reserve asset created by \_\_\_\_\_
- a) IMF
  - b) WTO
  - c) World Bank
  - d) IBRD

**Ans -a) IMF**

15. FDI in Bop is covered under \_\_\_\_\_

- a) Capital Account
- b) Current Account
- c) Official Reserve Account
- d) Balancing items

**Ans – a) Capital Account**

16. FDI Stands for \_\_\_\_\_

- a) Foreign Direct Intermediation
- b) Foreign Domestic Investment
- c) Foreign Direct Investment
- d) Foreign direct Investment

**Ans -d) Foreign Direct Investment**

17. Bretton woods is a town in \_\_\_\_\_ in US

- a) Boston
- b) Seattle
- c) Hampshire
- d) Denver

**Ans -c) Hampshire**

18. G -10 Countries included all of the following, except \_\_\_\_\_

- a) Belgium
- b) Canada
- c) France
- d) China

**Ans -d) China**

19. Under \_\_\_\_\_ monetary unit is associated with the value of circulating gold coins.

- a) Gold Specie
- b) Gold Exchange
- c) Gold Bullion
- d) Silver

**Ans – a) Gold Specie**

20. Under \_\_\_\_\_ there is no interference of monetary authorities to decide exchange rate.

- a) Fixed
- b) Floating
- c) Both of these
- d) Fixing

**Ans -b) Floating**

21. In Smithsonian Agreement, the variation zone was increased from 1% to \_\_\_\_\_ %'

- a) 2.25
- b) 2.5
- c) 2.15
- d) 2.35

**Ans -a) 2.25%**

22. In \_\_\_\_\_ president Nixon announced that dollar would no longer be convertible into gold.

- a) 1944
- b) 1945

- c) 1970
  - d) 1971
- Ans -d) 1971**

23. During BWS, value of USD was fixed at 1-ounce gold is equal to USD\_\_\_\_\_

- a) 25
- b) 30
- c) 45
- d) 35

**Ans -d) 35**

24. Euro is official currency of \_\_\_\_\_ member states.

- a) 25
- b) 28
- c) 19
- d) 18

**Ans -c) 19**

25. In Spot market, exchange of currencies take place on \_\_\_\_\_

- a) T +1
- b) T+2
- c) T+0
- d) T+4

**Ans -b) T +2**

26. An account which is held within a domestic country by a foreign bank, in the currency of domestic country \_\_\_\_\_

- a) Loro
- b) Nostro
- c) Vostro
- d) SWIFT

**Ans -c) Vostro**

27. SBI Account with HSBC in Uk is an example of \_\_\_\_\_

- a) Loro
- b) Nostro
- c) Vostro
- d) SWIFT

**Ans -b) Nostro**

28. Spot rate is also called as \_\_\_\_\_

- a) Future Price
- b) Forward Price
- c) Swap Price
- d) Current Market Price

**Ans – d) Current Market Price**

29. Inverse quote for “1GBP = 99.1100/9900 INR is INR GBP\_\_\_\_\_

- a) 0.0101/0.0100

- b) 0.0100/0.0105
- c) 0.0105/0.0100
- d) 0.0100/0.0101

**Ans -d) 0.0100/0.0101**

30. If USD SGD 1.5423/33; SGD GBP 0.3323/33; GBP USD quotation is \_\_\_\_\_

- a) 1.9512/444
- b) 1.9441/512
- c) 1.9444/512
- d) 1.9512/441

**Ans -b) 1.9441/512**

31. Inverse quote for USD / DKK 5.7935 – 5.8085 is \_\_\_\_\_

- a) DKK /USD 0.1722-0.1726
- b) USD / DKK 0.1722-0.1726
- c) DKK / USD 0.1726-0.1722
- d) USD / DKK 0.1726-0.1722

**Ans -a) DKK /USD 0.1722-0.1726**

32. Holgate principle, if bid > Ask, Swap points for forward rate are to be \_\_\_\_\_

- a) Added
- b) Subtracted
- c) Multiplied
- d) Divided

**Ans – b) Subtracted**

33. \_\_\_\_\_ is the smallest unit by which a currency quotation can change.

- a) PIP
- b) Bid
- c) Ask
- d) Spread

**Ans – a) PIP**

34. \_\_\_\_\_ deal in currencies to benefit from movements in currency exchange markets.

- a) Arbitrageurs
- b) Hedgers
- c) Speculators
- d) Spread

**Ans -c) Speculators**

35. Currently the largest foreign exchange market in the world is \_\_\_\_\_ -.

- a) New York
- b) Tokyo
- c) Frankfurt
- d) London

**Ans -d) London**

36. \_\_\_\_\_ is real time gross settlement funds transfer system operated by the United states Federal reserve banks.

- a) Swift
- b) Chips
- c) Chaps
- d) Fedwire

**Ans -d) Fedwire**

37. Spot used INR 60- and six-months forward is USD INR 61. AFM is \_\_\_\_\_
- a) 3.33%
  - b) 1.13%
  - c) 2.33%
  - d) 4.33%

**Ans -a) 3.33%**

38. SWIFT stands for \_\_\_\_\_
- a) System of World Interbank Financial Transportation
  - b) Society wide interest & financial telecommunications
  - c) Society for worldwide interbank Financial transportation
  - d) Society for Worldwide interbank Financial Transportation.

**Ans-c) society for worldwide interbank Financial Transportation**

39. \_\_\_\_\_ is market where foreign currencies are bought and sold.
- a) Stock Market
  - b) Forex Market
  - c) Capital Market
  - d) Debt Market

**Ans -c) Capital Market**

40. \_\_\_\_\_ theory states that the exchange rate between currencies of two countries should be equal to the ratio of the countries price levels.
- a) IRP
  - b) PPP
  - c) Fisher`s
  - d) T Bills

**Ans -b) PPP**

41. Money market instruments include all the following, except \_\_\_\_\_
- a) Commercial papers
  - b) T -Bills
  - c) Certificate of Deposit
  - d) Equity shares

**Ans -d) Equity Shares**

42. In Quote of 1\$ = Rs.61, \_\_\_\_\_ is a home country.
- a) India
  - b) US
  - c) France
  - d) Australia

**Ans -a) India**

43. If USD /CAD 1.1630, 3 months forward 1. 1675. Annualized interest rate CAD 6%, USD 4%. Arbitrage gain will be \_\_\_\_\_
- a) 0
  - b) 1078
  - c) 1087
  - d) 1870

**Ans -c) 1087**

44. PPP theory \_\_\_\_\_ government intervention.

- a) Ignores
- b) Includes
- c) Requires
- d) Fishers

**Ans -a) Ignores**

45. \_\_\_\_\_ theory states that exchange rate between two currencies is directly affected by their interest rates.

- a) IRP
- b) PPP
- c) Fisher`s
- d) Home Foreign

**Ans – c) Fishers**

46. If formula I of Fishers effect is positive, Borrow \_\_\_\_\_ , invest \_\_\_\_\_.

- a) Foreign, Home
- b) Foreign, Foreign
- c) Home, Home
- d) Home Foreign

**Ans -d) Home Foreign**

47. \_\_\_\_\_ is a standardized contract to exchange one currency for another at a special date in the future at a price (exchange rate) that is fixed on the purchase date.

- a) Futures Contract
- b) Options Contract
- c) Swaps
- d) Forward contract

**Ans -a) Future Contract**

48. The \_\_\_\_\_ requires that an upfront margin to trade on an exchange.

- a) Currency forwards
- b) Currency options
- c) Currency FTF`s
- d) Currency Futures

**Ans -d) Currency futures**

49. Which of the following is false \_\_\_\_\_

- a) Futures contracts trade on a financial exchange
- b) Futures contracts are more liquid than forward contracts
- c) Futures contracts are marked to market
- d) Futures contracts allow fewer delivery options than forward contracts

**Ans -b) Futures contracts are more liquid than forward contracts**

50. Which of the following does the most to reduce default risk for futures contracts \_\_\_\_\_

- a) High liquidity
- b) Flexible delivery arrangements
- c) Marking to market
- d) Credit checks for both buyers and sellers

**Ans -c) Marketing to market**

51. Foreign currency forward market is \_\_\_\_\_

- a) An over the counter unorganized market
- b) Organized market without trading
- c) Organized listed market

d) Unauthorized listed market

**Ans – a) An over the counter unorganized market**

52. Which of the following financial instruments is primarily used to transfer risk

- \_\_\_\_\_
- a) Bonds
  - b) Home Mortgages
  - c) Futures Contract
  - d) Stocks

**Ans -c) Futures Contract**

53. An option giving the buyer of the option the right but not the obligation to buy a currency is \_\_\_\_\_

- a) Call option
- b) Put option
- c) Forward option
- d) Future option

**Ans -a) Call option**

### **UNIT III**

54. Regulation \_\_\_\_\_ of federal Reserve Act imposed a ceiling on interest rates that could be paid on deposits by Banks in the US.

- a) P
- b) Q
- c) R
- d) M

**Ans -b) Q**

55. \_\_\_\_\_ bond is issued in a local market by a foreign borrower, denominated in local currency.

- a) Foreign
- b) Euro
- c) Domestic
- d) Euro Credit

**Ans -a) Foreign**

56. \_\_\_\_\_ once issued bonds with coupon rates tied to its financial performance.

- a) Electrolux
- b) Wait Disney
- c) Japan
- d) Infosys

**Ans -b) Wait Disney**

57. \_\_\_\_\_ is type of security listed on Luxembourg.

- a) ADR
- b) GDR
- c) IDR
- d) CDR

**Ans – b) GDR**

58. Level \_\_\_\_\_ ADR `s must comply with various SEC rule, including full registration and reporting requirements of SEC.

- a) I
- b) II
- c) III



d) IV

**Ans – c) III**

59. ADR`s are dominated in \_\_\_\_\_ currency.

- a) US \$
- b) Euro
- c) GBP
- d) INR

**Ans – a) US \$**

60. In ADR and GDR process, \_\_\_\_\_ issues the depository Receipts in Foreign Markets.

- a) Custodian bank
- b) Depository Bank
- c) Issuing Company
- d) Lead manager

**Ans – b) Depository bank**

61. The Dow Jones Industrial Average (DJIA) contains \_\_\_\_\_ of the largest and most influential companies

(blue chip companies) is the US \_\_\_\_\_

- a) 35
- b) 25
- c) 40
- d) 30

**Ans -d) 30**

62. Required Return from an investment = \_\_\_\_\_

- a) Risk free return + Risk premium
- b) Risk free Return – Risk Premium
- c) Risk free return x Risk premium
- d) Risk free Return / Risk Premium

**Ans- a) Risk free return + Risk Premium**

63. IPO stands for \_\_\_\_\_

- a) Indian Profit Organization
- b) Investment and Public Offering
- c) Initial Public Offering
- d) Initial Prospectus Offering

**Ans – c) Initial Prospectus Offering**

64. An unsponsored ADR, \_\_\_\_\_

- a) Complies with regulatory reporting
- b) Is listed on International stock exchanges
- c) Trades in OTC market
- d) Is issued by a bank on behalf of foreign company whose equity serves as underlying asset

**Ans – c) Trades in OTC Market**

65. \_\_\_\_\_ was introduced at a time when forex reserves of the country were low.

- a) FERA
- b) FEMA
- c) GATT
- d) IMF

**Ans- a) FERA**

66. As per FEMA, no person, other than \_\_\_\_\_ would enter in any transactions of the foreign currency.
- a) Offshore banks
  - b) Parliament
  - c) Government
  - d) Authorized Dealer

**Ans – d) Authorized dealer**

67. The monetary penalty payable under FERA was nearly \_\_\_\_\_times the amount involved.
- a) Three
  - b) Five
  - c) Two
  - d) Six

**Ans -b) Five**

68. \_\_\_\_\_ implies investment made with an intent of obtaining an ownership stake in an enterprise domiciled in a country by an enterprise situated in some other country.
- a) FDI
  - b) FPI
  - c) Two
  - d) Six

**Ans -b) Five**

69. RBI has granted license to certain established firms, hotels and other organizations permitting them to deal in foreign currency notes, coins and travelers' cheques. They are termed as \_\_\_\_\_
- a) Authorized Banks
  - b) Authorized Dealers
  - c) Authorized Money changers
  - d) Authorized shopkeeper

**Ans -c) Authorized Money changers**

70. FEDAI stands for \_\_\_\_\_
- a) Foreign Exchange dealers act of India
  - b) Foreign Exchange direct association of India
  - c) Foreign exchange dealers association Index
  - d) Foreign exchange dealers association of India

**Ans -d) Foreign exchange dealers association of India**

71. \_\_\_\_\_ can authorize a person / company to deal in foreign exchange.
- a) SEBI
  - b) RBI
  - c) IRDA
  - d) Parliament

**Ans -b) RBI**

72. \_\_\_\_\_ is the process of analyzing and ranking proposed projects to determine which ones deserving of an investment.
- a) IPO
  - b) Debt financing
  - c) Capital Budgeting
  - d) Budgeting

**Ans – c) Capital budgeting**

73. Walmart opening a new retail outlet is an example of \_\_\_\_\_ project.
- a) Expansion
  - b) Regulatory
  - c) Replacement
  - d) R & D

**Ans -a) Expansion**

74. Net amount of all cash flowing in and out of the business, from all sources is \_\_\_\_\_ cash flow.
- a) Incremental
  - b) Total
  - c) Terminal
  - d) Capital budgeting

**Ans – b) Total**

75. \_\_\_\_\_ are the initial outlays required to analyse a project that cannot be recovered even if a project is accepted.
- a) Opportunity cost
  - b) Externally
  - c) Cannibalization
  - d) Sunk cost

**Ans -d) Sunk cost**

76. \_\_\_\_\_ means transfer of corporate money from a foreign country back to its home country.
- a) Repatriation
  - b) Capital Budgeting
  - c) Withholding
  - d) Holding

**Ans- a) Repatriation**

77. Lower the better applies to \_\_\_\_\_ capital budgeting method.
- a) NPV
  - b) Payback period
  - c) IRR
  - d) Profitability Index

**Ans -b) payback period**

78. Formula of profitability index is \_\_\_\_\_
- a) PV of cash inflow / PV of cash outlay
  - b) Pv of cash inflow – PV of cash outlay
  - c) PV of cash inflow + Pv of cash outlay
  - d) PV of cash outlay / PV of cash inflow

**Ans -a) PV of cash inflow / PV of cash outlay**

79. \_\_\_\_\_ monitors the balance of payments of its member nations.
- a) World Bank
  - b) IMF
  - c) WTO
  - d) IFC

**Ans -b) IMF**

80. \_\_\_\_\_ deals with the global rules of trade between nations.

- a) WTO
- b) IFC
- c) World Bank
- d) IMF

**Ans – a) WTO**

81. \_\_\_\_\_ supporters' sustainable investments in the private sector.

- a) IFC
- b) World Bank
- c) IMF
- d) WTO

**Ans -a) IFC**

82. \_\_\_\_\_ includes risk of loss from uniform political and government issues.

- a) Political Risk
- b) International Finance
- c) Imperfect Market
- d) Foreign Exchange risk

**Ans-a) Political Risk**

83. Due to imperfection in markets \_\_\_\_\_ are restricted by a limit to invest and manage their portfolio.

- a) Investors
- b) Creditors
- c) Debtors
- d) Consumers

**Ans -a) Investors**

84. \_\_\_\_\_ to promote domestic investment and growth through capital Market.

- a) International Finance
- b) World Bank
- c) WTO
- d) IFC

**Ans –a) International Finance**

85. \_\_\_\_\_ it increases in flow of capital and investment to developing economics.

- a) Globalization
- b) Privatization
- c) Liberalization
- d) Balance of payment

**Ans -a) Globalization**

86. \_\_\_\_\_ control over the monetary system of India.

- a) RBI
- b) IFC
- c) IMF
- d) WTO

**Ans -a) RBI**

87. \_\_\_\_\_ records all international transactions that involve creation of assets and liabilities in foreign currencies.

- a) Capital Account
- b) Reserve Account

- c) Current Accountant
- d) Saving Account

**Ans- a) Capital Account**

88. \_\_\_\_\_ leads to increasingly the standard of living of developing economics.

- a) Privatization
- b) Globalization
- c) Liberalization
- d) Bank of Trade

**Ans- b) Globalization**

89. \_\_\_\_\_ also relates to international assets and liabilities for such transactions which the country's monetary authorities use to such transactions which the country's monetary authorities use to settle the deficits and surpluses.

- a) Reserve Account
- b) Capital Account
- c) Saving Account
- d) Current Account

**Ans -a) Reserve Account**

90. \_\_\_\_\_ is a statistical residence.

- a) Balance of payment
- b) Balance of Trade
- c) Omissions
- d) Errors and omissions

**Ans -d) Errors and omissions**

91. Difference between export and import of goods and services \_\_\_\_\_.

- a) Balance of Trade
- b) Balance of Payment
- c) Capital Account
- d) Profit

**Ans -a) Balance of Trade**

92. Balance of Trade = Net earnings on exports \_\_\_\_\_

- a) Net payment of Import
- b) Net payment of export
- c) Cost of Goods Sold
- d) Income Tax

**Ans -a) Net payment of Import**

93. Balance of Trade is a \_\_\_\_\_ concept.

- a) Wider
- b) Small
- c) Narrow
- d) Favorable

**Ans -c) Narrow**

94. BOP Stands for \_\_\_\_\_

- a) Balance of Profit
- b) Balance of Payment
- c) Balance of Positive impact
- d) Balance of Profit in Trade

**Ans -b) balance of Payment**

95. balance of payment = Current Account + balancing Item \_\_\_\_\_

- a) Saving Account
- b) Fixed Deposit Account
- c) Capital Account
- d) Reserve Account

**Ans -c) Capital Account**

96. Balance of payment Identity equation \_\_\_\_\_

- a)  $FA + RA + CA = 0$
- b)  $RA + CA + FA = 0$
- c)  $CA + FA + RA = 0$
- d)  $CA + FA = 0$

**Ans – c)  $CA + FA + RA = 0$**

97. Balance of payment is a statement that records all \_\_\_\_\_ transactions between a country and the rest of the world.

- a) Goods
- b) Cash
- c) Credit
- d) Monetary

**Ans -d) Monetary**

98. IIP is a subset of the national \_\_\_\_\_

- a) Statement
- b) Profit and Loan Account
- c) Balance sheet
- d) Financial Asset and Liability

**Ans -c) balance sheet**

99 . \_\_\_\_\_ was the first university implemented system for valuing currencies.

- a) Gold Exchange
- b) Gold Standard
- c) Silver Coin
- d) Bullions

**Ans – b) Gold Standard**

100. International Monetary fund which was given the task of implementing and monitoring the \_\_\_\_\_

- a) BWS
- b) IBRD
- c) Nixon Stock
- d) BSW

**Ans -a) BWS**

101. BWS came into effect in July \_\_\_\_\_

- a) 1939
- b) 1945
- c) 1944
- d) 1970

**Ans -c) 1944**

102. EURO is single currency of the European Monetary Union adopted on \_\_\_\_\_

- a) January 1, 1999
- b) January 1, 2000
- c) January 1, 1997

d) January 1 1996

**Ans -a) January 1, 1999**

**103.** \_\_\_\_\_ supports sustainable investments in the private sector in developing countries.

- a) IFC
- b) IMF
- c) World Bank
- d) RBI

**Ans - a) IFC**

**104.** Foreign Investment are recorded in the \_\_\_\_\_ of balance of payments.

- a) Current Account
- b) Saving Account
- c) Capital Account
- d) Fixed Deposit Account

**Ans- c) Capital Account**

**105.** \_\_\_\_\_ is widely used by Government for formulating policies for economy.

- a) BOP
- b) BOT
- c) FDI
- d) SDR

**Ans -a) BOP**

**106.** Under gold standard system, countries gold reserves were required to be in custody of \_\_\_\_\_

- a) Swiss Bank
- b) Central Bank
- c) Foreign Bank
- d) Reserve Bank

**Ans- b) Central Bank**

**107.** \_\_\_\_\_ is also known as price quotation.

- a) Direct Quote
- b) Indirect Quote
- c) Spot Quote
- d) Spread Quote

**Ans -a) Direct Quote**

**108.** \_\_\_\_\_ is also known as price Quantity Quote.

- a) Forward Quote
- b) Indirect Quote
- c) Spot Quote
- d) Spread Quote

**Ans- b) Indirect Quote**

**109.** \_\_\_\_\_ is today's quote.

- a) Spot Quote
- b) Forward Quote
- c) Inter Bank Quote
- d) Mid Quote

**Ans -a) Spot Quote**

**110.** \_\_\_\_\_ is also known as Bid office spread.

- a) Direct Quote
- b) Mid Quote
- c) Spread Quote
- d) Cross Currency Quote

**Ans -c) Spread Quote**

**111.** \_\_\_\_\_ is also known as reference rate.

- a) Interbank Quote
- b) Cross Currency Quote
- c) Mid Quote
- d) Bid and Ask Quote

**Ans- c) Mid Quote**

**112.** Price of \_\_\_\_\_ -- currency in terms of national currency.

- a) Home
- b) Foreign
- c) National
- d) Direct Rate

**Ans -b) Foreign**

**113.** US Dollar serves as a \_\_\_\_\_ Currency.

- a) Vehicle
- b) Foreign
- c) National
- d) Forex Market

**Ans -a) Vehicle**

**114.** Bid rate is lesser than \_\_\_\_\_ rate.

- a) Inverse
- b) Ask
- c) Cross
- d) Foreign

**Ans -b) Ask**

**115.** If two banks are quoting the following GBP rates: Bank A: Rs.78.9810-79.1110 and Bank B: Rs.79.0110-19.2350. The arbitrage opportunity will be \_\_\_\_\_

- a) 100
- b) 0
- c) 124
- d) 142

**Ans -b) 0**

**116.** If Quote of Bank ABC is EUR INR 68.00 /30 and Quote of Bank PQR is INR EUR 1.4550/1.4600, arbitrage opportunity will be \_\_\_\_\_ -

- a) 2828
- b) 0
- c) 2882
- d) 2288

**Ans -a) 2828**

**117.** Effect of falling domestic exchange rate \_\_\_\_\_



- a) Reduces Profitability for importers
- b) Increases Profitability for importers
- c) Exposure
- d) Economic

**Ans -a) reduces profitability for importers**

118. \_\_\_\_\_ refers to the size or scope of potential loss.

- a) Risk
- b) Uncertainty
- c) Exposure
- d) Transaction

**Ans – c) Exposure**

119. \_\_\_\_\_ risk is also called as “According Exposure”.

- a) Transaction
- b) Economic
- c) Translation
- d) Exposure

**Ans -c) Translation**

120. Internal techniques of managing forex risk includes all of the following, except

- 
- a) Leading and Lagging
  - b) Matching
  - c) Split Currency invoicing
  - d) Forward and Future contracts

**Ans -d) Forward and Future Contracts**

121. When a company has receipts and payments in the same foreign currency due at the same time, it can use \_\_\_\_\_ technique of managing forex risk.

- a) Risk Sharing Agreement
- b) Lagging
- c) Leading
- d) Matching

**Ans -d) matching**

122. \_\_\_\_\_ is a tax levied on passive income earned by an individual; or corporation of one country within the tax jurisdiction of another country.

- a) Income Tax
- b) Withholding Tax
- c) Value added tax
- d) Poll Tax

**Ans -b) Withholding Tax**

123. \_\_\_\_\_ is also known as secrecy jurisdiction.

- a) Tax haven
- b) Transfer Pricing
- c) Foreign affiliate
- d) Tax

**Ans -a) Tax haven**

124. A strategy used to reduce tax liabilities by pricing goods and services within a group structure in way that it does not reflect the arm’s length transaction\_\_\_\_\_.

- a) Thin Capitalization
- b) Repatriating Profits
- c) Transfer Pricing
- d) Tax haven

**Ans -c) Transfer Pricing**

125. \_\_\_\_\_ is a Tax avoidance technique whereby multinational subsidiaries are financed primarily by debt from the parent company instead of equity capital.

- a) Thin Capitalization
- b) Repatriating Profits
- c) Transfer Pricing
- d) Tax haven

**Ans -a) Thin Capitalization**

126. International Finance is an important tool



- a. To find the exchange rate
- b. Compare Inflation Rates
- c. Get an idea about international investment
- d. All of the above

127. IFRS stands for

- a. International Financial Recognition Standards
- b. International Foreign Reporting Standards
- c. International Financial Reporting Solutions
- d. International Financial Reporting Standards

128. Scope of International Finance includes

- a. International Financial Economics
- b. International Financial Management
- c. International Financial Markets
- d. All the above



129. ----- is the economic position of the country compared with rest of the World

- a. Balance of Payment
- b. Balance of Trade
- c. Autonomous Transaction
- d. Visible Account

130. ----- records Import & Export of goods

- a. Balance of Payment
- b. Balance of Trade

- c. Autonomous Transaction
- d. Visible Account



131. ----- records Import & Export of services

- a. Balance of Payment
- b. Visible Account
- c. Invisible Account
- d. Unilateral Accounts

132. Gifts & donations are example of -----

- a. Balance of Payment
- b. Visible Account
- c. Invisible Account
- d. Unilateral Accounts



133. Conversion of monetary gold into commodity gold

- a. Monetization
- b. De-monetization
- c. Reserve account
- d. Balance of Payment

134. ----- records FDI & FPI transactions

- a. Current Account
- b. Capital Account
- c. Savings Account
- d. Reserve Account



135. ----- always balances

- a. Monetization
- b. De-monetization
- c. Reserve account
- d. Balance of Payment



136. ----- is the oldest system of exchange rate

- a. Currency Basket system
- b. Currency Board system
- c. Gold Standard
- d. Bretton woods

137.

Gold Standard Originated in \_\_\_\_\_

- a. USA
- b. Smithsonian
- c. Bank of England
- d. New Hemisphere

138. Mechanism of calculating exchange rate under Gold Standard

- a. Currency Basket system
- b. Currency Board System
- c. Mint Par of exchange
- d. Par value mechanism



139. Bretton wood system

originated in A. 1944

- B. 1948
- C. 1973
- D. 1964

140. Under Bretton wood system one ounce of gold is equal to -----

- a. 35 USD
- b. 38 USD
- c. 36 USD
- d. 42 USD



141. Bretton wood system is also known as

- a. Fixed exchange system
- b. Adjustable Peg system
- c. Crawling Peg system
- d. Concerted Intervention

142. ----- predicted the failure of Bretton wood system

- a. Nixon
- b. Smith Sonian
- c. Triffin
- d. Trump



143. ----- is the variation zone in Bretton wood system

- A. + or - 1 %
- B. + or - 2.25 %
- C. + or - 10%
- D. + or - 1.5%

144. Mechanism of calculating exchange rate under Bretton wood system is called  
-----

- a. Currency Basket system
- b. Currency Board System
- c. Mint Par of exchange
- d. Par value mechanism



145. ----- Under system exchange rates are determined by Central Bank

- a. Bretton Wood system
- b. Fixed exchange system
- c. Adjustable Peg system
- d. Crawling Peg system

146. ----- Under system exchange rates are determined by market forces

- a. Flexible exchange rate system
- b. Fixed exchange system
- c. Adjustable Peg system
- d. Crawling Peg system



147. In India RBI follows \_\_\_ system of Exchange rate

- a. Clean Float
- b. Managed Float
- c. Hard peg
- d. Currency basket


148. Under \_\_\_ system of exchange rate, it is influenced by inflation rates.

- a. Flexible exchange rate system
- b. Fixed exchange system
- c. Adjustable Peg system
- d. Crawling Peg system

149. Reserves are held in following forms except \_\_\_\_\_

- a. Foreign Currency
- b. SDR
- c. Silver
- d. Gold


150. Artificial currency created by IMF

- a. USD
  - b. GBP
  - c. EURO
  - d. SDR
- 


151. \_\_\_\_\_ is known as paper gold

- a. USD
- b. GBP
- c. EURO
- d. SDR

152. Under \_\_\_\_\_ there is central bank intervention to decide the exchange rate

- a. Clean float
  - b. Dirty Float
  - c. Currency Basket
  - d. Currency Board
- 

153. SBI A/C with HSBC in UK is an example of

- a. Nostro
  - b. Vostro
  - c. Loro
  - d. Mirror Account
- 

154. Latin word \_\_\_\_\_ means our Account with you

- a. Nostro
- b. Vostro
- c. Loro
- d. Mirror Account



155. Latin word \_\_\_\_\_ means your account with us

- a. Nostro
- b. Vostro
- c. Loro
- d. Mirror Account



156. Latin word \_\_\_\_\_ speaks about a 3<sup>rd</sup> party foreign currency account

- a. Nostro
- b. Vostro
- c. Loro
- d. Mirror Account



157. USD/INR=68.1610/68.1615, which country it is Direct Quote

- a. India
- b. USA
- c. UK
- d. Both USA and India

158. .1USD =CAD 1.1630/1.1650, which is the variable currency in this quote


- A. US DOLLAR
- B. CANADIAN DOLLAR
- C. CHINESE YUAN
- D. DIRHAM



159. 1GBP=USD 1.7412/1.7418, which is the Base currency in this quote

- a. POUND STERLING
- b. USD DOLLAR
- c. GUYANAESE DOLLAR


d. GAMBIAN DALASI

160. AED/INR 16.4231/16.4240, what is the bid rate A. 

- A. 16.4231
- B. 16.4240
- C. 32.8471
- D. 0.00099

161. 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

162. is the 4<sup>th</sup> decimal place in a Forex quote 

- A. Points
- B. Pips
- C. PPP
- D. IRP

163. is the 5<sup>th</sup> decimal place in a Foreign exchange quote

- E. Points
- F. Pips
- G. PPP
- H. IRP

164. Ask rate is determined by the following formula 

- A. Midrate - (spread/2)
- B. Midrate + (spread/2)
- C. Midrate \* (spread/2)
- D. Midrate / (spread/2)

165. Bid rate is determined by the following formula

- E. Midrate - (spread/2)
- F. Midrate + (spread/2)
- G. Midrate \* (spread/2)
- H. Midrate / (spread/2)



166. The difference between Ask rate & Bid rate is called

- I. Pips
- J. Points
- K. Cross Rate
- L. Spread



167. As per the concept of snake the variation zone widened to

- A. + or - 1 %
- B. + or - 2.25 %
- C. + or - 10%
- D. + or - 1.5%

168. A Foreign exchange market in which delivery takes place within two days of the execution of the contract



- M. Cash Market
- N. Spot Market
- O. Tom Market
- P. Forward Market

169. Re. 1 = SW.KR 0.2055 is a direct quote in

- A. India
- B. Switzerland
- C. Sweden
- D. Singapore

170. CHF is the currency of -----

- A. India
- B. Switzerland
- C. Sweden
- D. Singapore



171. AED/INR 16.4231/16.4240, what is the

- mid-rate A. 16.4231
- B. 16.4240
- C. 16.4236
- D. 16.4271

172. EUR/INR 82.5125/82.5135, its spread is equal to

- A. 0.001
- B. 0.0001
- C. 0.0010
- D. 0.1010



173. USD/CAD = 1.1630/1.1650, what is the inverse

- quote A. USD/CAD = 0.8584/0.8598
- B. CAD/USD = 0.8584/0.8598
- C. USD/CAD = 0.8598/0.8584
- D. CAD/USD = 0.8598/0.8584

174. GBP/SEK mid-rate = 2.3477, spread = 0.0018, %

- spread = A. 0.0766%
- B. 1.3042%
- C. 0.0018%
- D. 0.2344%

175. Closing of gold convertibility window without consulting member countries of Bretton Woods

- Q. Triffin Paradox
- R. Smithsonian agreement
- S. Nixon Shock
- T. SDR

176. \_\_\_ is the market for exchanging one currency for another

- A. Debt Market
- B. Equity Market
- C. Forex Market
- D. Commodity Market

177. \_\_\_ is the market for foreign currencies

- A. Debt Market
- B. Equity Market
- C. Forex Market
- D. Commodity Market



178. \_\_\_ is viewed as money only in the country of issue, all other countries it is viewed as commodity

- A. Foreign Currency

- B. Bonds
- C. GDR
- D. Promissory Note

179. Controller of Foreign Exchange Market



- A. SEBI
- B. PFRDA
- C. IRDAI
- D. RBI

180. \_\_\_\_\_ is the Association of Authorized Dealers

- A. FERA
- B. FEMA
- C. FEDAI
- D. AMFI

181. In Holgate Principal if bid < ask, swap points for forward rates would be

- A. Added
- B. Subtracted
- C. Multiplied
- D. Divided

182. In Holgate Principal if bid > ask, swap points for forward rates would be

- A. Added
- B. Subtracted
- C. Multiplied
- D. Divided



183. ---- deal in currencies to benefit from movements in currency exchange market

- A. Arbitrageurs
- B. Hedgers
- C. Speculators
- D. None of the above

184. ---- is the smallest unit by which a currency quotation can change

- A. Pip
- B. Bid
- C. Ask
- D. Spread

185. Currently the largest exchange market in the world

- A. New York
- B. Tokyo
- C. Frankfurt
- D. London



186. ----- is the RTGS fund transfer system of United States Federal Reserve Bank

- A. SWIFT
- B. CHIPS
- C. CHAPS
- D. FEDWIRE

187. ----- theory states that the exchange rate between currencies of two countries should be equal to the ratio of countries price levels

- A. IRP
- B. PPP
- C. FISHER
- D. None of the above



188. Money market instrument include all the following except -----

- A. Commercial Paper
- B. Treasury Bills
- C. Certificate of deposit
- D. Equity Share

189. -----In quote of 1 \$ = 73 rupee, is the home country

- A. India
- B. USA
- C. France
- D. Canada



190. ---- theory states that the % change in spot exchange rate over time is governed by the difference between the nominal interest rate for the two currencies

- A. IRP
- B. PPP
- C. FISHER
- D. None of the above

191. If premium < interest borrow -----, invest -----

- A. Foreign, home
- B. Foreign, foreign
- C. Home. Home
- D. Home, Foreign



192. If premium > interest borrow -----, invest -----

- A. Foreign, home
- B. Foreign, foreign
- C. Home, home
- D. Home, foreign


193. The option contract for buying is called ----- 

- A. Call option
- B. Put option
- C. Double option
- D. Swaption

194. The option contract for selling is called -----

- A. Call option
- B. Put option
- C. Double option
- D. Swaption

195. The option contract for both buying and selling is called

- A. Call option
- B. Put option
- C. Double option
- D. Swaption 

196. Standardised forwards are called \_\_\_\_\_

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

197. \_\_\_\_\_ is the founder of PPP theory

- A. Gustav Cassel.
- B. Sharpe
- C. William Treynor
- D. Fisher Irvis 

198. \_\_\_\_\_ is not Authorised person

- A. Authorised Dealers
- B. Authorised Money Changers
- C. Offshore Banking Units
- D. Public

199 of Federal Reserve Act imposed a ceiling on interest rates that could be paid on deposits by banks in the US

- a. Regulation P
- b. Regulation Q
- c. Regulation R
- d. Regulation M

200 bond is issued in local market by a Foreign borrower denominated in local currency

- a. Foreign
- b. Euro
- c. Domestic
- d. Euro Credit

201 High risk bonds are called -----

- A. Zero coupon bonds
- B. Convertible bonds
- C. Deep discount bonds
- D. Junk bonds

202 \_\_\_\_\_ bonds are issued locally by a domestic borrower, usually denominated in local currency

- E. Foreign
- F. Euro
- G. Domestic
- H. Euro Credit

203 \_\_\_\_\_ was introduced at a time when forex reserves of the country were low

- I. FERA
- J. FEMA
- K. GATT
- L. None of the above.

204 \_\_\_\_\_ As per FEMA, no person, other than  
would enter in any transactions of the  
foreign currency.

- M. Offshore banks
- N. Parliament
- O. Government
- P. Authorized Dealers

205 \_\_\_\_\_ The monetary  
penalty payable under FERA, was nearly \_\_\_\_\_ times the amount  
involved

- Q. Three
- R. Five
- S. Two
- T. Six



206 \_\_\_\_\_ implies an investment made with an intent of obtaining an ownership  
stake in an enterprise domiciled in a country by an enterprise situated in some  
other country.

- U. FDI
- V. FPI
- W. Both
- X. None



207 RBI has granted licenses to certain established firms, hotels and other  
organisations permitting them to deal in foreign currency notes, coins and  
travellers cheques. They are called

- Y. Authorised Dealers
- Z. Authorised Persons
- AA. Authorised Money changers
- BB. None of the above

208 FEDAI stands for

- CC. Foreign Exchange Dealers Act of India
- DD. Foreign Exchange Dealers Association of India
- EE. Foreign Exchange Dealers Association Index
- FF. Foreign Exchange Direct Association of India



209 \_\_\_\_\_ authorize a person/company to deal in foreign exchange.

- GG. SEBI

HH. RBI  
II. IRDAI  
JJ. Parliament



210 Forex includes all of the following except

KK. Student studying abroad  
LL. Tourist  
MM. Employee working in a foreign company  
NN. None of these



211 \_\_\_\_\_ is a type of security listed on Luxemburg

OO. ADR  
PP. GDR  
QQ. IDR  
RR. All of these

212 Level\_ADR's must comply with various SEC rule, including full registration and reporting requirements of SEC

SS. One  
TT. Two  
UU. Three  
VV. Restricted

213 ADR's are denominated in



WW. USD  
XX. Euro  
YY. GBP  
ZZ. INR

214 In ADR/GDR process, \_\_\_\_\_ issues the Depository Receipts in foreign Markets

AAA. Custodian Bank  
BBB. Depository Bank  
CCC. Issuing Company  
DDD. Lead Manager



215 IDR needs to be registered with

- EEE. RBI
- FFF. SEBI
- GGG. IRDAI
- HHH. Parliament



216 IDR is denominated in

III. USD

- JJJ. Euro
- KKK. GBP
- LLL. INR

217 \_\_\_\_\_ refers to simple deposit and lending function of a third country currency in Euro Bank.

- MMM. Euro bonds
- NNN. Euro Credits
- OOO. Euro Commercial Paper
- PPP. Euro Certificate of Deposit

218. An Indian Corporate house floating bond denominated in terms of YEN in London.

- A. Euro bonds
- B. Euro Credits
- C. Euro Commercial Paper
- D. Euro Certificate of Deposit



219. \_\_\_\_\_ of the Federal Reserve Act which stipulated reserves to be maintained against deposits by banks in the US


- a. Regulation P
- b. Regulation Q
- c. Regulation R
- d. Regulation M



220. A loan whose denominated currency is not the lending bank's national currency.

- a. Euro bonds
- b. Euro Credits
- c. Euro Commercial Paper
- d. Euro Certificate of Deposit


221. \_\_\_\_\_ are time deposits denominated in US Dollars at banks outside the US, and thus are not under the jurisdiction of the Federal Reserve.

- a. Euro bonds 
- b. Euro Dollars
- c. Euro Commercial Paper
- d. Euro Certificate of Deposit

222. \_\_\_\_\_ are Euro bonds with Fixed Coupon Rate

- a. FRN
- b. Straight Bonds
- c. Deep Discount
- d. Sinking Fund


223. \_\_\_\_\_ bonds do not have interest payments. The investor may looking for some tax advantage.

- a. Zero Coupon bonds 
- b. Deep Discount bonds
- c. Straight bonds
- d. Floating bonds

224. \_\_\_\_\_ is a bond with variable interest rate.

- a. FRN
- b. Straight Bonds
- c. Deep Discount
- d. Sinking Fund

225. \_\_\_\_\_ is a negotiable financial instrument issued by a bank to represent a foreign company's publicly traded securities.

- a. Depository Receipts
- b. Shares
- c. Bonds
- d. Debentures 


226. \_\_\_\_\_ refers to the investment made by the foreign investors to obtain a substantial interest in the enterprise located in a different country.

- a. FERA
- b. FEMA
- c. FDI
- d. FPI

227. \_\_\_\_\_ investment made by an international investor, in the passive holdings of an enterprise of another country.

- a. FERA
- b. FEMA
- c. FDI
- d. FPI


228. \_\_\_\_\_ is a negotiable instrument issued by the international depository bank, representing foreign company's stock trading globally.

- a. GDR
  - b. ADR
  - c. IDR
  - d. EDR
- 

229. ADR/GDR allows the investors to hold share in foreign companies without bothering about their accounting practice, laws or any other rules.

- A. GDR
- B. ADR
- C. BOTH GDR and ADR
- D. None of the above

230. \_\_\_\_\_ allow foreign companies to mobilise funds from Indian Markets

- A. GDR
  - B. ADR
  - C. EDR
  - D. IDR
- 

231. SEBI has set \_\_\_\_\_ as lower limit for the IDRs to be issued by the Indian Companies.

- A. 5 Crore
- B. 50 Crore
- C. 500 crore
- D. 5000 Crore

232. The minimum investment required in the IDR issue by the Investors has been fixed at \_\_\_\_\_ by SEBI

- A. Rs. 2 Lakhs
- B. Rs. 5 Lakhs
- C. Rs. 20 Lakhs
- D. Rs. 50 Lakhs



233. \_\_\_ does not impose any limit to the buyer and thus one is privileged to buy as many stocks of any foreign company.

- A. GDR
- B. ADR
- C. Both A and B
- D. None of the above

234. \_\_\_ bonds issued locally by a domestic borrower usually denominated in the local currency.

- A. Domestic Bonds
- B. Foreign Bonds
- C. Euro Bonds
- D. Government Bonds

235. \_\_\_ are bonds issued in a local market by a foreign borrower usually denominated in local currency.



- A. Domestic Bonds
- B. Foreign Bonds
- C. Euro Bonds
- D. Government Bonds

236. \_\_\_ bonds are placed mainly in countries other than the one in whose currency the bond is denominated.

- A. Domestic Bonds
- B. Foreign Bonds
- C. Euro Bonds
- D. Government Bonds



237. \_\_\_ bond is a mix between a debt and equity instrument.

- E. Convertible Bonds
- F. Foreign Bonds
- G. Euro bonds
- H. Domestic Bonds

238. A Japanese company issuing bonds in Yen currency in Japan is an example of \_\_\_

- A. Domestic Bonds
- B. Foreign Bonds
- C. Euro Bonds
- D. Government Bonds



239. A Japanese company issuing USD denominated bonds in the US market is an example of

- A. Domestic Bonds
- B. Foreign Bonds
- C. Euro Bonds
- D. Government Bonds



240. A Japanese company issuing yen denominated bonds in the US market is an example of

- A. Domestic Bonds
- B. Foreign Bonds
- C. Euro Bonds
- D. Government Bonds

241. The main risk associated with the domestic bond is

- I. Bankruptcy
- J. Obsolescence
- K. Exchange
- L. Credit



242. Which of the following is a foreign bond

- M. Straight bond
- N. Zero coupon bond
- O. Samurai Bond
- P. Junk bond

243. Which of the following is euro bond.

- Q. FRN
- R. Maple bonds
- S. Bulldog bonds
- T. Samurai bonds.

244. \_\_\_ are instruments issued by registered FIIs to overseas investors, who wish to invest in Indian markets without registering with SEBI.

- A. Participatory Notes
- B. Euro bonds
- C. FCCB
- D. FCEB

245. \_\_\_ are issued by a company to non-residents giving them the choice to convert them into shares of the same company at a fixed price.

- A. Participatory Notes
- B. Euro bonds
- C. FCCB
- D. FCEB

246. In the case of \_\_\_ the bonds are convertible into shares not of the issuer company, but that of another company forming part of its group.

- A. Participatory Notes
- B. Euro bonds
- C. FCCB
- D. FCEB

247. \_\_\_ are issued by a company to non-residents giving them the choice to convert them into shares of the same company at a fixed price.

- A. Participatory Notes
- B. Euro bonds
- C. FCCB
- D. FCEB

