

International Finance – MCQ

UNIT- I

1. Nation that have major economic expansion attract:

- a) Import
- b) Export
- c) FDI
- d) Privatization

Ans: c) FDI

2. Mid rate of quote -CAD/NZD 62.8430/62.8480 is:

- a) 63.7455
- b) 62.8455
- c) 36.8455
- d) 42.8455

Ans: b) 62.8455

3. If USD/SEK 1.5100/1.5110 and 1 month forward points are 140/170; then calculate USD/SEK quotation for 1 month.

- a) 1.5140/1.5180
- b) 1.5240/1.5280
- c) 1.1540/1.1580
- d) 1.1640/1.1680

Ans: b) 1.5240/1.5280

4. In foreign exchange market, one country trade with other countries in:

- a) Currency
- b) Product
- c) Commodity
- d) Financial Institutions

Ans: a) Currency

5. Systematic record of economic transaction for given year is known as :

- a) BOP
- b) BOT
- c) P&L
- d) Current a/c

Ans: a) BOP

6. The monetary system in Indian is controlled by:

- a) CBI
- b) RBI
- c) GOI
- d) Finance Ministry

Ans: b) RBI

7. Mean Rate is also known as:

- a) Ask Rate
- b) Forward Rate
- c) Mid-Rate
- d) Bid Rate

Ans: c) Mid Rate

8. International trade related disputes is undertaken by:

- a) IMF
- b) WTO
- c) GATT
- d) IBRD

Ans: b) WTO

9. Funding for development activities in an economy is provided by:

- a) IMF
- b) HDFC
- c) IBRD
- d) EXIM BANK

Ans: c) IBRD

10. If portable disk players made in China are imported into the United States, the Chinese manufacturer is paid with:

- a) SDR's
- b) US Dollars
- c) Yuan
- d) Euro currency

Ans: b) US Dollars

11. Which of the following definitely illustrate the depreciation of USD:

- a) The dollar exchanges for 1 pound and then exchanges for 1.2 pounds.
- b) The dollar exchanges for 250 yen and then exchanges for 275 francs
- c) The dollar exchanges for 100 francs and then exchange for 120 Yen
- d) The dollar exchanges for 75 INR and then exchanges for 70 INR

Ans: d) the dollar exchanges for 75 INR and then exchanges for 70 INR

12. Out of the following which currency is not world major trading currency:

- a) USD
- b) JPY
- c) GBP
- d) Sweden Peso

Ans: d) Sweden Peso

13. By definition currency appreciation occur when:

- a) The value of all currency falls relative to gold.
- b) The value of all currency rises relative to gold
- c) The value of one currency rises relative to another country

d) The value of one currency falls relative to another country.

Ans: c) the value of one currency rises relative to another country.

14. The features of international business except:

- a) Political Risk
- b) Foreign Exchange Rates
- c) Involvement of various players
- d) Expansion of business within country.

Ans: d) Expansion of business within country

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

- a) the home country will appreciate if the current home inflation rate exceeds the current foreign inflation rate
- b) the home country will depreciate if the current home interest rate exceeds the current foreign inflation rate
- c) the home country will depreciate if the current home interest rate exceeds the current foreign interest rate
- d) the home country will depreciate if the current home inflation rate exceeds the current foreign inflation rate**

Ans: d) the home country will depreciate if the current home inflation rate exceeds the current foreign inflation rate

16. Gifts and Reliefs are:

- a) Merchandise Payment
- b) Transfer Payment
- c) Service Payment
- d) Trade Payment

Ans: b) Transfer Payment

17. Current account includes all of them except:

- a) FDI
- b) Merchandise
- c) Unilateral transfer
- d) BOT

Ans: a) FDI

18. Not a profit maximizing business is:

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

Ans: b) IBRD

19. Difference between the value of merchandise exports and imports is:

- a) BOP
- b) BOT
- c) BID
- d) Current account

Ans: a) BOP

20. In Balance of payment FDI is shown in:

- a) Capital Account
- b) Current Account
- c) Official Reserve Account
- d) Errors and Omissions

Ans: a) Capital Account

21. Foreign exchange reserve is shown in:

- a) Current Account
- b) Capital account
- c) Official Reserve Account
- d) Errors and Omissions

Ans: c) Official Reserve Account

22. USDCAD is 1.1620; calculate CADUSD?

- a) 0.9000
- b) 0.8606
- c) 0.8061
- d) 0.8608

Ans: b) 0.8606

23. Which among the following is negative impact of globalization?

- a. Increase In World Trade
- b. Increase in standard of Living
- c. Increase in FDI
- d. Environmental effects

Ans: d) Environmental effects

24. Smithsonian agreement was applicable during:

- a. 1947-50
- b. 1962-65
- c. 1971-73
- d. 1980-82

Ans; c) **1971-73**

UNIT - II

25. The need for foreign exchange market was:

- a. Increase in personal wealth
- b. Protection of Currency
- c. Trading in forex
- d. Increase in exports

Ans: b) **Protection of Currency**

26. Which is not the characteristics of foreign exchange market:

- a. Market size
- b. Geographical extent
- c. Boom
- d. Lower trading costs

Ans: c) **Boom**

27. Which of the following is not the participant of foreign exchange market?

- a. Retailers
- b. FDI
- c. Commercial Banks
- d. FIIs

Ans b) **FDI**

28. Choose the correct function of Forex market:

- a. Nontransferable purchasing power
- b. Reduce international trade activities
- c. Establish currency price
- d. Increase Prices

Ans: c) **Establish currency price**

29. Which of the following is not included in structure of forex market?

- a. GDP
- b. Retail market
- c. Interbank market
- d. Commercial market

Ans: a) **GDP**

30. Settlement period for spot market is:

- a. T+0
- b. T+1
- c. T+2
- d. T+5

Ans: c) **T+2**

31. All are the types of arbitrage except:

- a. Locational
- b. Triangular
- c. Covered interest
- d. Umbrella arbitrage

Ans: d) **Umbrella arbitrage**

32. Spot USDINR 60- and six-months forward is USDINR 61. AFM is:

- a. 3.33%
- b. 1.33%
- c. 4%
- d. 2%

Ans: a) **3.33%**

33. The smallest unit by which a currency quotation can change:

- a. Bid
- b. Ask
- c. Spread
- d. Pip

Ans: d) **Pip**

34. In fisher parity $F/S =$

- a. HI
- b. FI
- c. FI/HI
- d. HI/FI

Ans; d) **HI/FI**

35. Among the following choose the money market instrument:

- a. Debentures
- b. Equity Shares
- c. Monetary policy
- d. T-bills

Ans: d) **T-bills**

36. If formula I of Fisher's effect is negative, then company should:

- a. Borrow Foreign, Invest Home
- b. Borrow Home, Invest Home
- c. Borrow Foreign, Invest Foreign
- d. Borrow Home, Invest Foreign

Ans: **a) Borrow Foreign, Invest Home**

37. Mention the features of forward contract:

- a. Customized
- b. Standardized
- c. Organized Exchange
- d. Margins

Ans: **a) Customized**

38. In ITM call option cash flow is:

- a. Zero
- b. Negative
- c. Positive
- d. Neutral

Ans: **c) Positive**

39. In OTM put option:

- a. $S > X$
- b. $S = X$
- c. $S < X$
- d. Forward premium

Ans: **a) $S > X$**

40. Who has the right to buy if currency option exercised?

- a. Option Buyer
- b. Option writer
- c. Exchange
- d. FIIs

Ans: **a) Option Buyer**

41. Which option can be exercised on any date up to expiry:

- a. ITM
- b. OTM
- c. American
- d. European

Ans: **c) American**

42. Application of Currency Futures includes except:

- a. Hedging
- b. Arbitrage
- c. Speculation
- d. Insurance

Ans: **d) Insurance**

43. The primary use of futures contract is:

- a. To generate profit
- b. To do trading activities
- c. To transfer risk
- d. To avoid profit

Ans: c) **To Transfer Risk**

UNIT - III

44. Regulation 'Q' was introduced by which central bank:

- a. RBI
- b. Bank of England
- c. Federal Reserve
- d. Bank of Japan

Ans: c) **Federal Reserve**

45. Which are the factors responsible for growth of Euro Currency Markets:

- a. Regulation 'M'
- b. RBI
- c. Bank of England
- d. Zero Capital account convertibility

Ans: a) **Regulation 'M'**

46. In currency market CDs stands for:

- a. Commodity derivatives
- b. Commercial Deposits
- c. Certificate of deposit
- d. Cumulative Dividend

Ans: c) **Certificate of deposit**

47. Which among the following is not a bond market?

- a. Domestic Bonds
- b. Foreign Bonds
- c. Euro Bonds
- d. BSE

Ans: d) **BSE**

48. Straight Euro Bonds means:

- a. No interest payment
- b. Only interest payment
- c. Interest and principal paid at end
- d. Irredeemable Bond

Ans: c) **Interest and Principal paid at end**

49. Risk tolerance and risk trade – off are:

- a. Similar
- b. Some what similar
- c. Totally different
- d. not used in financial terms

Ans: c) **Totally different**

50. The primary reason why developing countries lack foreign investment:

- a. Political Risk
- b. Credit Risk
- c. Exchange Rate Risk
- d. Interest Rate Risk

Ans: a) **Political Risk**

51. International equity market does not consist of:

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

Ans: d) **Debt**

52. Which among the following is not ADR levels?

- a. Level I
- b. Level II
- c. Level III
- d. Level X

Ans: d) **Level X**

53. GDR in international finance stands for:

- a. Gross Domestic Report
- b. Gross Domestic receipts
- c. Global Depository receipts
- d. Global Demand Report

Ans: c) **Global depository receipts**

54. In which year FEMA was passed:

- a. 1974
- b. 1975
- c. 1993
- d. 2013

Ans: c) **1993**

55. Which among the following has the features of high degree of control?

- a. FPI
- b. FII
- c. FDI

d. HDI
Ans: c) **FDI**

56. Who can authorize a person/company to deal in foreign exchange.

- a. SEBI
- b. NABARD
- c. RBI
- d. IRDA

Ans: c) **RBI**

57. The impact of Foreign exchange rate on firm is called as

a. Operating Exposure

- b. Transaction exposure
- c. Translation exposure
- d. Business risk

Ans: a) **Operating Exposure**

58. Which is not the part of Capital Budgeting decisions;

- a. Planning
- b. Evaluation
- c. Staffing
- d. Implementation

Ans: c) **Staffing**

59. Term used for the initial outlays required to analyze a project that cannot be recovered even if project is accepted:

- a. Opportunity Cost
- b. Debt
- c. Sunk Cost
- d. Total cost

Ans: c) **Sunk Cost**

60. Type of externality where the new project takes sales from the existing product is known as:

- a. Opportunity Cost
- b. Trade Off
- c. Cannibalization
- d. Product depth

Ans: c) **Cannibalization**

61. Incremental Cash Flows is equal to:

- a. Tax (–) Cash Inflow(–) Cash Outflow
- b. Cash inflow (–) cash outflow (–) taxes
- c. Cash outflow (+) taxes (–) cash inflow
- d. Cash outflow (–) taxes (+) Cash Inflows

Ans: b) **Cash inflow (-) cash outflow (-) taxes**

62. If transaction exposure is in same dates, then it can be hedged

- a. By purchasing single forward contract
- b. By purchasing multiple forward contract
- c. Cannot be hedged by forward contracts
- d. Can be hedged in OTC

Ans: **a) By purchasing single forward contract**

63. The process of converting a foreign currency into the currency of one's own country is known as:

- a. Exchange
- b. Submission
- c. Repatriation
- d. None of the above

Ans: **c) Repatriation**

64. All project with $PI > 1.0$ is:

- a. Rejected
- b. Kept Hold
- c. Accepted
- d. Transferred

Ans: **c) Accepted**

65. Factors not affecting changes in exchange rates:

- a. Cap movement
- b. Inflation
- c. Interest rate
- d. GST

Ans: **d) GST**

UNIT -IV

66. The risk occurs when company trades, borrows or lends in a foreign currency is:

- a. Translation Risk
- b. Transaction Risk
- c. Political Risk
- d. Economic Risk

Ans: **a) Transaction Risk**

67. Following techniques are used for managing foreign exchange risk except:

- a. Matching
- b. Leading and lagging
- c. Invoicing in domestic currency
- d. Unilateral Risk Sharing

Ans: d) Unilateral risk sharing

68. Following are the external techniques for managing foreign exchange risk except :

- a. Forward contract
- b. Futures contract
- c. Options contract
- d. Price adjustment

Ans: d) Price Adjustment

69. An investor looking at reducing his risk is known as:

- a. Speculator
- b. Hedger
- c. Arbitrageur
- d. Trader

Ans: b) Hedger

70. If two banks are quoting the following GBP INR rates; Bank A 78.9810-79.1110. Bank B 79.0110-79.2350 . the arbitrage opportunity will be :

- a. 100
- b. Zero
- c. 124
- d. 142

Ans: b) Zero

71. Interest rate swaps are usually possible because international financial markets in different countries are

- a. Efficient
- b. Perfect
- c. **Imperfect**
- d. Both a & b

72. Subtraction method is frequently followed for _____ taxation system.

- a. Income Tax
- b. Withholding tax
- c. Direct tax
- d. VAT

Ans: d) VAT

73. Tax havens include all of the following, except_____

- a. Switzerland
- b. Bahamas

- c. India
- d. Hong Kong

Ans: c) **India**

74. The project is financially viable, if the NPV is _____

- a. Positive
- b. Negative
- c. Zero
- d. 1

Ans: a) **Positive**

75. USD/GBP 1.4203/1.4320; GBP/USD 0.7066/0.7075. Calculate arbitrage :

- a) 3584GBP
- b) 3854GBP
- c) No Arbitrage
- d) 3900GBP

Ans: a) **3584GBP**

76. Bank A USD INR 47.7530/47.7610; Bank B USD INR 47.7650/47.7730. Arbitrage if any

- a) 83.7503INR
- b) 84.000INR
- c) 83.8500INR
- d) 82.0120 INR

Ans: a) **83.7503 INR**

77. An investor reducing his risk is known as:

- a) Speculator
- b) Hedger
- c) Trader
- d) Arbitrageur

Ans: b) **Hedger**

78. Geographical arbitrage is taken place between:

- a) Two currency
- b) Four currency
- c) Three currency
- d) Single

Ans: a) **Two Currency**

79. 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) Corporate Tax
- c) Withholding Tax
- d) Poll Tax

Ans: c) Withholding tax

80. Secrecy jurisdiction is also used for:

- a) Tax haven
- b) Transfer pricing
- c) Foreign affiliate
- d) Tax exemption

Ans: a) Tax Haven

81. NPV is :

- a) Net Profit Value
- b) Notional Profit Value
- c) Net Present Value
- d) Net Proper Value

Ans: c) Net Present Value

82. The project is financial viable, if the NPV is:

- a) Positive
- b) Negative
- c) Zero
- d) 1

Ans: a) Positive

83. In which method , the revenues and costs of a project are estimated and then are discounted and compared with the initial investment

- a) PBP
- b) NPV
- c) IRR
- d) PPP

Ans: c) NPV

84. The analysis which implies the study of confirming the adequacy of proposed plant and

equipment:

- a) Financial
- b) Technical
- c) Market
- d) Environment

Ans: b) Technical

85. Project investments are irreversible as there is always a certain unrecoverable

- a. Sunk cost
- b. Investment
- c. Depreciation
- d. Sales

Ans: a) Sunk cost

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