

Reg. No

Name

19P4002

M. A. DEGREE END SEMESTER EXAMINATION - MARCH/APRIL 2019

SEMESTER 4 : ECONOMICS

COURSE : 16P4ECOT16 : INTERNATIONAL FINANCIAL SYSTEM AND ECONOMIC POLICY

(For Regular - 2017 Admission and Supplementary - 2016 Admission)

Time : Three Hours

Max. Marks: 75

Section A

Answer any 8 (2 marks each)

1. What is the essence of McKinnon's open economy theory?
2. Did the Price Specie Flow Mechanism really work?
3. Why adjustment was easy under Gold Standard?
4. What is Triangular Arbitrage?
5. What are Currency Futures?
6. What are Currency Swaps?
7. What is foreign exchange risk?
8. What happens to bond prices when interest rate falls?
9. What is the main defect of monetary model of exchange rate determination?
10. What is Balance of trade?
11. What are unrequited transfers and receipts?
12. What is an accommodating transaction?

(2 x 8 = 16)

Section B

Answer any 7 (5 marks each)

13. How did the Bretton Woods System permitted one way speculation?
14. What is Triffin dilemma?
15. What is meant by currency swap? Explain.
16. What are forward contracts? What is the use of it?
17. Distinguish between hedging and speculation.
18. Explain exchange rate overshooting by using suitable diagram
19. What are the advantages of purchasing power parity theory?
20. Distinguish between equilibrium and disequilibrium in BOP
21. Analyse fiscal and monetary policy in a situation of perfect capital mobility under fixed exchange rate.
22. Why currency pass through is less than complete

(5 x 7 = 35)

Section C

Answer any 2 (12 marks each)

23. Examine gold standard and the factors which led to attempts towards reestablishing gold standard during the interwar period.
24. Explain the major features and functions of foreign exchange market
25. Explain the monetary approach to exchange rate determination
26. Explain how to combine fiscal and monetary policies to achieve a desirable level of income and interest rate

(12 x 2 = 24)