

M. A. DEGREE END SEMESTER EXAMINATION - APRIL 2021**SEMESTER 4 : ECONOMICS****COURSE : 16P4ECOT16 : INTERNATIONAL FINANCIAL SYSTEM AND ECONOMIC POLICY***(For Regular - 2019 Admission & Supplementary 2018/2017/2016 Admissions)*

Time : Three Hours

Max. Marks: 75

PART A**Answer any 8 (2 marks each)**

1. What is meant by Confidence in International monetary system?
2. Did the Adjustable Peg System work as visualised?
3. What is Nixon Shock?
4. What is an American option?
5. Distinguish between long position and short position in foreign exchange market.
6. What is meant by interest Parity?
7. What is the level of risk when a person's assets and liabilities in a currency are equal?
8. Why do exchange rates overshoot?
9. What is the difference between domestic and foreign bonds
10. What is accounting balance in BOP?
11. What is beachhead effect?
12. What is a policy mix?

(2 x 8 = 16)**PART B****Answer any 7 (5 marks each)**

13. What are the advantages and disadvantages of forming an Optimum Currency Area?
14. Explain Magnifico's propensity to inflation theory of forming an OCA
15. Write detailed notes on: hedging, speculation, and arbitrage
16. Explain the working of spot and forward exchange markets.
17. What is foreign exchange market? How exchange rate is determined?
18. How is the rate of exchange determined under gold standard?
19. What is meant by interest parity? Graphically explain.
20. Discuss piece meal approach and the assignment problem.
21. Distinguish between expenditure switching and expenditure changing policies.
22. How income adjustment mechanism corrects BOP deficit

(5 x 7 = 35)**PART C****Answer any 2 (12 marks each)**

23. Explain the pattern of adjustment under the gold standard system
24. Evaluate in detail fixed and flexible exchange rates.
25. Discuss different theories of exchange rate determination.
26. Explain the Mundell- Fleming Model

(12 x 2 = 24)