Name: **Enrolment No:**	

UPES

End Semester Examination, December 2023

Course: International Trade II **Semester: V**
Program: BA ECO **Time : 03 hrs.**
Course Code: INTB3009 **Max. Marks: 100**

Instructions: *Answer all the questions.*

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Which of the following is false?- (a) A credit transaction leads to a payment from foreigners. (b) A debit transaction leads to a payment to foreigners. (c) A credit transaction is entered with a negative sign. (d) Double-entry bookkeeping refers to each transaction entered twice.	**2**	**CO1**
Q 2	When an Indian firm imports a good from US and pays for it by drawing on its $ balances in a New York Bank, India debits its current account and credits its- (a) official reserve account. (b) unilateral transfers account. (c) services in its current account. (d) financial account.	**2**	**CO1**
Q 3	An effective exchange rate is a- (a) spot rate. (b) forward rate. (c) flexible exchange rates. (d) weighted average of the exchange rates between the domestic currency and the nation's most important trade partners.	**2**	**CO1**
Q 4	If the three-month FR=$1/€1, and a speculator anticipates that SR=$1.02/€1 in three months, he can earn a profit by - (a) selling euros forward. (b) purchasing euros forward. (c) selling dollars forward. (d) purchasing dollars forward.	**2**	**CO1**
Q 5	If the increase in a nation's money supply grows less rapidly than its GNP, the nation will face - (a) once-and-for-all balance of payments deficit. (b) once-and-for-all balance of payments surplus.	**2**	**CO1**

	(c) continuous balance of payments deficit. (d) continuous balance of payments surplus.		
Q 6	According to the portfolio balance approach, an increase in the expected appreciation of the foreign currency leads domestic residents to increase - (a) the demand for domestic money. (b) the demand for the domestic bond. (c) the demand for the foreign bond. (d) the risk premium.	**2**	**CO1**
Q 7	Which is not a function of the foreign exchange market?- (a) to transfer funds from one nation to another. (b) to finance trade. (c) to diversify risks. (d) to provide the facilities for hedging.	**2**	**CO1**
Q 8	The current account includes- (a) the value of trade in merchandise. (b) unilateral transfers. (c) services. (d) all of the above.	**2**	**CO1**
Q 9	Which of the following institution shall help a country if the balance of payment of that country is in adverse condition- (a) International Monetary Fund. (b) World Bank. (c) World Trade Organization. (d) None of these.	**2**	**CO1**
Q 10	The International Monetary Fund was initially established to manage- (a) the Gold Standard. (b) the Gold-Exchange Standard. (c) the euro-dollar exchange rate. (d) the Dollarization initiative.	**2**	**CO1**
	SECTION B **4Qx5M= 20 Marks**		
Q 11	If, for every debit or credit in the balance of payments, an offsetting credit or debit, respectively, of an equal amount is entered, how can a nation have a deficit or a surplus in the balance of payments?	**5**	**CO2**
Q 12	What is arbitrage and how does it impact the exchange rate across foreign exchange markets?	**5**	**CO2**
Q 13	Can a nation reach both internal and external balance under fixed exchange rates using only monetary policy? Explain.	**5**	**CO2**
Q 14	Explain absolute and relative purchasing power parity (PPP).	**5**	**CO2**

SECTION-C **3Qx10M=30 Marks**			
Q 15	Indicate how each of the following international transactions is entered into the U.S. balance of payments with double-entry bookkeeping- (a) The U.S. government gives a $100 cash balance in a U.S. bank to a developing nation as part of the U.S. foreign aid program. (b) The developing nation uses the $100 bank balance to import $100 worth of food from the United States.	**10**	**CO4**
Q 16	What is meant by the asset market or portfolio balance approach? In what ways does it differ from the monetary approach?	**10**	**CO3**
Q 17	Explain the role of International Monetary Fund to promote trade among developing economies.	**10**	**CO3**
SECTION-D **2Qx15M= 30 Marks**			
Q 18	Your country is in recession. You feel that a policy of exchange rate depreciations will stimulate aggregate demand and bring the country out of the recession. (a) What can be done to trigger this depreciation? (b) How might other countries react? (c) When would this be beggar-thy-neighbour policy?	**15**	**CO4**
Q 19	What is the role of expectations and the risk premium in the asset market or portfolio balance approach? Why was there no risk premium in the monetary approach?	**15**	**CO3**