Sheth TJ Education Society's
Sheth NKTT College of Commerce & JTT College of Arts

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Class: TYBMS Sem VI

Q1] Multiple Choice Questions.

1. A floating exchange rate_____
    a. is determined by the national governments involved
    b. remains extremely stable over long periods of time
    c. is determined by the actions of central banks
    d. is allowed to vary according to market forces
2. The current system of international finance is a_____
    a. gold standard
    b. fixed exchange rate system
    c. floating exchange rate system
    d. managed float exchange rate system
3. _____ is the act of trading different currencies.
    a. Foreign exchange
    b. Arbitrage
    c. Foreign Trade
    d. Exports
4. In a floating exchange rate system, the market clears itself through a mechanism.
    a. Government
    b. Quantity
    c. Price
    d. Quality
5. In a _____ exchange rate system the government or central bankers intervene to keep the exchange rate virtually fixed (or pegged).
    a. Floating
    b. Fixed
    c. Free
    d. Semi fixed

6. The exchange-rate system that best characterizes the present international monetary arrangement used by industrialized countries is:
    a. Freely fluctuating exchange rates
    b. Adjustable pegged exchange rates
    c. Managed floating exchange rates
    d. Pegged or fixed exchange rates
7. Which exchange-rate system does not require monetary reserves for official exchange-rate intervention?
    a. Floating exchange rates
    b. Pegged exchange rates
    c. Managed floating exchange rates
    d. Dual exchange rates
8. _____is Issued locally by a domestic borrower usually denominated in the local currency.
    a. Domestic bonds
    b. Foreign bonds
    c. Eurobonds
    d. Global
9. A Japanese company issuing bonds in Yen Currency in Japan is an example of_____
    a. Domestic bonds
    b. Foreign bonds
    c. Eurobonds
    d. Global Bonds
10. _____is issued in a local market by a foreign borrower - Usually denominated in the local currency.
    a. Domestic bonds
    b. Foreign bonds
    c. Eurobonds
    d. Global Bonds
11. A Japanese company issuing US-dollar denominated bonds in the US market is example of:
    a. Domestic bonds
    b. Foreign bonds
    c. Eurobonds
    d. Global Bonds

12. Placed mainly in countries other than the one in whose currency the bond is denominated.
    a. Domestic bonds
    b. Foreign bonds
    c. Eurobonds
    d. Global Bonds
13. A Japanese company issuing Yen denominated bond in the market is example of ____
    a. Domestic bonds
    b. Foreign bonds
    c. Eurobonds
    d. Global Bonds
14. The main risk associated with domestic bonds is the risk of ___
    a. bankruptcy
    b. Obsolescence
    c. Exchange
    d. Credit
15. Straight fixed-rate Eurobonds are typically bearer bonds and pay coupon interest____
    a. Annually
    b. Half yearly
    c. quarterly
    d. Monthly
16. Which of the following are foreign bonds?
    a. Samurai bonds
    b. Bulldog bonds
    c. Yankee Bonds
    d. All of the above,
17. Which of the following are Euro bonds?
    a. Straight Eurobonds
    b. Floating rate bond notes
    c. Zero-coupon bonds
    d. All of the above.
18. 1) _____are instruments issued by registered foreign institutional investors (Fll) to overseas investors, who wish to invest in the Indian stock markets without registering themselves with the market regulator, SEBI.
    a. Participatory notes

b. Eurobonds
c. FCCB
d. FCEB

19. A _____ is the smallest unit by a currency quotations can change.
    a. Price interest point
    b. Arbitrage
    c. Capital gain
    d. Equal

20. Holgate principle states that premium on base currency is always____ whereas the discount on base currency is always_____ from the spot rate to arrive at the corresponding forward rate
    a. Added, subtracted
    b. Subtracted, Added
    c. Divided, added
    d. Subtracted divided

21. If the bid points are higher (than the ask points), the spot rate has to be made to find the forward rate.
    a. Lower
    b. Higher
    c. Greater
    d. Smaller

22. If the bid points are lower (than the ask points), the spot rate has to be made _____ to arrive at the forward bid-ask rates.
    a. High
    b. Low
    c. Small
    d. No effect

23. Bid-ask spreads of the forward rate is always_____ than the spot bid-ask spread.
    a. Greater
    b. Lower
    c. Equal to
    d. High

24. Sum of the bid-ask spreads of the spot rate and forward points should _____ the bid-ask spread of the forward rate
    a. Equal
    b. Less than equal to

c. Greater than
d. Smaller than

25. This rate denotes the number of units of a currency a bank is willing to pay when it buys another currency is called_____

a. Bid rate
b. Ask rate
c. Mid rate
d. Spread

26. This rate denotes the number of units of a currency a bank will want to be paid when it sells a currency is called _____

a. Ask rate
b. Bid rate
c. Mid rate
d. Spread

27. Price of foreign currency in terms of national currency is ____quote.

a. Direct
b. Indirect
c. Cross currency
d. Spread

28. The risk of an exchange rate changing between the transaction date and the subsequent settlement date is called _____

a. Economic
b. Translation
c. Transaction
d. None of the above

29. When a country experiences_____ its interest rates are likely to fall.

a. Boom
b. Depression
c. Recession
d. None of the above

30. _____is a financial risk that exists when a financial transactions is denominated in a currency other than that of a base currency of the company.

a. Trade Risk
b. Foreign Exchange Risk
c. Exchange Risk
d. All of the above

31._____is where you can buy and sell a currency, at a fixed future date for a pre-determined rate.

- **a. Forward Market**
- b. Domestic Market
- c. Currency Market
- d. Options Market

32. The process through which the treasurers try to reduce/eliminate the loss that may result from an adverse movement of foreign exchange rates____

- **a. Foreign exchange risk management**
- b. Currency risk management
- c. Arbitrage
- d. None of these

33. The risk that a government may default on its debt obligation _____

- a. Political risk
- **b. Sovereign risk**
- c. Transfer risk
- d. Transaction risk

34. Trade between companies in two different countries is called as _____

- a. Domestic
- **b. International trade**
- c. Business
- d. non of the above

35. _____ Play an important role in strengthen the banking sector.

- a. Federal Bank
- b. Domestic banks
- **c. Central Banks.**
- d. Inter-banks

36. The process of recording of transactions through the utilization of processing power computer.

- a. Accounting
- b. Posting
- **c. Mining**
- d. None of the above

37. The first and the most popular virtual currency which can be stored in E-Wallet_____

- **a. Bitcoin**
- b. Altcoin

c. Ethereum
d. None of the above

38. Alternative virtual currency which is similar in functioning as Bitcoin _____
    a. Gold coin
    b. Altcoin
    c. Ritzcoin
    d. None of the above

39. The first virtual currency which was released for smooth peer to peer transaction _____
    a. Bitcoin
    b. Altcoin
    c. Ethereum
    d. None of the above

40. The crypto transactions are verified by network nodes and recorded in a public distributed ledger called as _____
    a. Mine
    b. Blockchain
    c. Cryptograph
    d. None of the above

41. The electronic payment system through which forex remittances are made is _____
    a. Chips
    b. Chaps
    c. Infinet

42. _____ is an NRI Account that can be opened by depositing foreign currency in the account.
    a. NRO
    b. NRE
    c. FCNR

43. _____is a rupee denominated NRI A/C.
    a. NRE
    b. NRO
    c. FCNR

44. _____are fixed deposit NRI A/C.
    a. NRE
    b. NRO

c. FCNR

45. Pre-shipment finance is also called as_____credit.
    a. term loan
    b. post shipment
    c. Packing

46. Assurance given by the importer's bank about the financial credibility of the borrower is called as_____
    a. Letter of credit
    b. Guarantee
    c. Letter of Intent

47. Undertaking given by the importer's bank to make payment to exporter's bank on default of the importer is called as _____
    a. L/C
    b. Guarantee
    c. letter of intent

48. A Letter of Credit that can be used for multiple transactions where the credit limit is not fixed is a_____
    a. Revolving
    b. Transferable
    c. Revocable

49. A Letter of Credit which cannot be modified unless the exporter consents is called as _____ L/C.
    a. Non revolving
    b. Non revocable
    c. Non transferable

50. Generally, the loan syndication fees ranges between _____ of the loan principal.
    a. 5% to 10%
    b. 15% to 20%
    c. 1% to 5 %
    d. None4 of the above

51. There is a_____ loan agreement in case of a syndicated loan.
    a. Single
    b. Double
    c. Multiple
    d. None of the above

52. Loan can be provided in currencies as per the borrower's demand in case of loan syndication.
    a. One
    b. Two
    c. Multiple
    d. Domestic
53. The loan amount contributed by several lenders in a syndicated loan _____
    a. is equal
    b. is double
    c. may or may not be equal
    d. decided by RBI
54. A deal in which the lead manager underwrites the entire loan is called as _____
    a. Underwritten deal
    b. best efforts deal
    c. Club deal
    d. syndicated deal
55. _____ Stage is the first stage in the process of loan syndication.
    a. Mandate
    b. Pre- mandate
    c. Disbursement
    d. Post- disbursement
56. Under loan syndication, the participating banks typically face the _____ risk.
    a. Underwriting
    b. Liquidity
    c. Passive approval
    d. Complacency
57. LIBOR rates are used to reflect_____ term interest rates across the globe.
    a. Short
    b. Medium
    c. Long
    d. federal bank's
58. Basle norms are published by _____worldwide.
    a. BIS
    b. BCBS
    c. RBI
    d. Federal Reserve Bank

59. The different policies adopted for reducing/ eliminating BOP deficit are ____.
    a. Monetary policies
    b. Fiscal policies
    c. Trade policies
    d. All of the above
60. ____has replaced the European Monetary System.
    a. Euro
    b. Dollar
    c. Pound
61. The current system of international finance is _____
    a. gold standard
    b. fixed
    c. floating
    d. managed float
62. _____ refer to bonds issued and sold outside the home country of the currency.
    a. Dollar bonds
    b. Offshore bonds
    c. convertible bonds
    d. Euro bonds
63. SEBI has set _____as the lower limit for the IDRs to be issued by the Indian companies.
    a. Rs. 5 crore
    b. Rs. 50 crore
    c. Rs. 500 crore
    d. Rs. 5,000 crore
64. A Japanese company issuing US-dollar denominated bonds in the US market is example of _____
    a. Domestic bonds
    b. Foreign bonds
    c. Eurobonds
    d. Global Bonds
65. An act which is enacted to regulate payments and foreign exchange in India, is _____
    a. FERA
    b. FEMA

c. FEDAI
d. FIMMDA

66._____ is a financial risk that exists when a financial transactions is denominated in a currency other than that of a base currency of the company.
a. Trade Risk
b. Foreign Exchange Risk
c. Translation Risk
d. transfer risk

67.The crypto transactions are verified by network nodes and recorded in a public distributed ledger called as ____
a. Mine
b. Block chain
c. Cryptography
d. None of the above

68.Pre-shipment finance is also called as ____ credit.
a. term loan
b. post shipment
c. Packing
d. export import

69.1. If portable disk players made in China are imported into the United States, the Chinese manufacturer is paid with:
a. international monetary credits.
b. dollars.
c. yuan, the Chinese currency.
d. euros, or any other third currency.

70.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

71.Which of the following examples definitely illustrates a depreciation of the U.S. dollar?
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 exchanges for 120 yen.

d. **The dollar exchanges for 120 francs and then exchanges for 100 francs**

72. By definition, currency appreciation occurs when:

a. the value of all currencies fall relative to gold.
b. the value of all currencies rise relative to gold.
c. **the value of one currency rises relative to another currency.**
d. The value of one currency falls relative to another currency.

73. If purchasing power parity were to hold even in the short run, then:

a. real exchange rates should tend to decrease over time;
b. quoted nominal exchange rates should be stable over time.
c. real exchange rates should tend to increase over time;
d. **real exchange rates should be stable over time;**

74. A forward currency transaction:

a. a) Is always at a premium over the spot rate
b. b) Means that delivery and payment must be made within one business day (USA/Canada) or two business days after the transaction date
c. **c) Calls for exchange in the future of currencies at an agreed rate of exchange**
d. d) Sets the future date when delivery of a currency must be made at an unknown spot

75. The date of settlement for a foreign exchange transaction is referred to as:

a. Clearing date
b. Swap date
c. **Value date**
d. Transaction date

76. Hedging is used by companies to:

a. Decrease the variability of tax paid
b. Decrease the spread between spot and forward market quotes
c. Increase the variability of expected cash flows
d. **Decrease the variability of expected cash flows**

77. Which of the following is not a type of foreign exchange exposure?

a. **Tax exposure**
b. Translation exposure
c. Balance sheet exposure
d. Economic exposure

78. When an enterprise has an unhedged receivable or payable denominated in a foreign currency and settlement of the obligation has not yet taken place, that firm is said to have:
    a. Tax exposure
    b. Accounting exposure
    c. Infinite exposure
    d. Transaction exposure

79. Foreign currency forward market is
    a. An over the counter unorganized market
    b. Organized market without trading
    c. Organized listed market
    d. Unorganized listed market

80. Forward premium / differential depends upon
    a. Currencies fluctuation
    b. Interest rate differential between two countries
    c. Demand & supply of two currencies
    d. Stock market returns

81. If transaction exposure are 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. None of the above

82. 29. An arbitrageur in foreign exchange is a person who:
    a. earns illegal profit by manipulating foreign exchange
    b. causes differences in exchange rates in different geographic markets
    c. simultaneously buys large amounts of a currency in one market and sell it in another market
    d. None of the above

83. 34) Under a gold standard:
    a. a nation's currency can be traded for gold at a fixed rate
    b. a nation's central bank or monetary authority has absolute control over its money supply
    c. new discoveries of gold have no effect on money supply or prices

84. A floating exchange rate:
    a. is determined by the national governments involved
    b. remains extremely stable over long periods of time
    c. is determined by the actions of central banks

d. is allowed to vary according to market forces

85. The current system of international finance is a:

a. gold standard

b. fixed exchange rate system

c. floating exchange rate system

d. managed float exchange rate system

86. A simultaneous purchase and sale of foreign exchange for two different dates is called**:**

a. currency devalue

b. currency swap

c. currency valuation

d. currency exchange

87. In a quote exchange rate, the currency that is to be purchase with another currency is called the ___

a. liquid currency

b. foreign currency

c. local currency

d. base currency

88. The Purchasing Power Parity should hold:

a. Under a fixed exchange rate regime

b. Under a flexible exchange rate regime

c. Under a dirty exchange rate regime

d. Always

89. More instability in currency is called as

a. country risk

b. financial risk

c. currency risk

d. liquidity risk

90. Foreign bonds issued in Japan are known

a. bulldog bonds

b. dragon bonds

c. Yankee bonds

d. samurai bonds

91. Largest number of buyers and sellers, greater the

a. Liquidity

b. speculation

c. Hedging

d. forward rate

92. Differences in nominal interest rates are removed in exchange rate is:

a. **fisher effect**

b. Leontief paradox.

c. Combined equilibrium theory.

d. purchasing power parity

93.in 1944 international accord is recognized as:

a. Breton Wood Agreement

b. Exchange Agreement

c. International Trade

d. Fisher Effect

94.Q. 15. International Money Market is for about

a. 2 years

b. **1 year**

c. 3 year

95.Q. 17. Gold standard introduced in:

a. 1913

b. 1990

c. **1876**

d. 1944

96. Market in which currencies buy and sell and their prices settle on is called the_____

a. Eurocurrency market

b. international capital market

c. international bond market

d. **foreign exchange market**

97. International capital market:

a. innovative financial instruments

b. information technology

c. **foreign exchange rates**

98.A simultaneous purchase and sale of foreign exchange for two different dates _____

a. currency devalue

b. **currency swap**

c. currency valuation

d. currency exchange

99. It helps countries to meet deficit in balance of payments:

- **a. IMF**
- b. WTO
- **c.** IRDA
- **d.** UNO

100. _____ play a key role in development of an economy by supplementing its domestic savings and investment.

- **a. FDI**
- **b.** FPI
- **c.** FFI

101. _____ helps keep international issues in a disciplined state.

- **a. International Finance**
- b. Forex Market
- c. Central Bank
- d. IMF

102. _____ of a country is a systematic account, in the form of summarized record.

- **a. BOP**
- b. Current account
- c. Capital Account
- d. Reserve and surplus account

103. The value of USD was fixed at 1 ounce gold equal to USD _____

- **a. 35**
- b. 38
- c. 36

104. What is currency of Japan:

- a. Yen
- b. Pounds
- c. Dollars
- d. Yuan

105. Bonds have ____ maturity.

- a. Short
- **b. Long**
- c. Middle
- d. Either short/ long

106. Problem of hot money is created by _____.

- a. FDI

b. FFI
c. FPI

107. Systematic risk is also known as ____
a. Market Risk
b. Currency risk
c. Diversified risk

108. Conventional bonds are also known as _____
a. Straight bond
b. Zero coupon bond
c. Convertible bond

109. _____ are debt instruments with a coupon that changes periodically according to some predetermined interest rate benchmark
a. FCCB
b. FCEB
c. FRN
d. ADR

110. _____ can authorize a person/ company to deal in foreign currencies
a. RBI
b. SEBI
c. FEDAI