July 2013

Bachelor of Business Administration (BBA) Examination

VI Semester

International Finance

Time 3 Hours] [Max. Marks 80

Note : Attempt any four questions (out of seven questions) from Section A. Each question of Section A carries 15 marks. Section B is compulsory and carries 20 marks.

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Section A

1. Explain the Theory of Comparative Advantage and its implications for production and trade. Also explain the difference between Classical Theory and Hecksher-Ohlin Theory.
2. (a) What do you understand by Balance of Payments ? What are the components of the Balance of Payments
   (b) What do you mean by disequilibrium in BOP ? What are the methods of correcting disequilibrium ?
3. (a) Explain the characteristics of Foreign Exchange Market. Who are the participants in the Foreign Exchange Market ?
   (b) Explain the differences between the Forward Rate and Spot Rate.
4. (a) What are the Tariff and Npn-Tariff Barriers to the Foreign Trade?
   (b) What is the difference between Fluctuating and Fixed Exchange Rate of Foreign Exchange?
5. (a) Briefly explain the Purchasing Power Parity Theory.
   (b) Briefly explain the Cross Rate with help of suitable example.
6. What is Traditional Gold Standard ? How does it different from our current monetary system and how does it work to resolve trade imbalances ? Give an example. What are the advantages to being on a gold standard and what are the drawbacks ?
7. Write short notes on any two of the following :
   (a) ADR and GDR
   (b) International Commercial Papers.
   (c) IMF - Importance and Functions.
   (d) Exchange Control.

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Section B

8. A French Company has shipped goods to an American Importer. under a letter of credit arrangement, which calls for payment at the end of 90 days. The invoice is for \$ 1,24,900 Presently, the exchange rate is FF 5.70. If the French Francs (FF) were to be strengthen by 5% by the end of 90 days, what would be the transaction gain or loss in French Francs? If it were to weaken by 5%, what would happen ? Make calculations in Francs per \$.

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