

This question paper contains 3 printed pages]

Your Roll No. ....

4105

M.Com. Semester-IV (NC)

G

Paper MJ-403

INTERNATIONAL FINANCIAL SYSTEM

Time : 3 Hours

Maximum Marks : 100

(Write your Roll No. on the top immediately on receipt of this question paper.)

Attempt All questions.

All questions carry equal marks.

Read the questions carefully and write specific  
and precise answers.

1. Attempt any *four* of the following : 5×4=20
- (a) What is the meaning of accommodating transactions in the balance of payments ? If the size of accommodating transactions increases substantially, what are its likely implications ?
- (b) What is a crawling peg ? Why do countries opt for it ?
- (c) Compare the fixed and floating exchange rate systems in terms of their ability to withstand external shocks.

P.T.O.

- (d) What is the meaning and relevance of cross rates.
- (e) Differentiate between sterilized and unsterilized intervention.
- (f) Explain carry trade and the risks associated with it.
2. What is meant by the J curve effect ? Will it always hold true ? Why or why not ? Explain. Also, give a real life example to supplement your answer. 20

*Or*

- What are the rules to which each country must adhere for the classical gold standard to function ? Explain. Also comment on the factors responsible for the demise of the Bretton Woods system. 20
3. Comment briefly on different methods used to forecast exchange rates. Which method is most relevant in today's scenario in your opinion ? Explain. 20

*Or*

- The law of one price lies at the base of both interest rate parity and purchasing power parity (PPP). Explain. On what grounds is PPP criticized ? 20

4. In your opinion is Basel III an improvement over Basel II ? Explain. Also explain why deposit insurance is absent in international banking. 20

*Or*

Explain the factors that affect the spread on currency quotations. Also differentiate between Eurobond and Foreign bonds. Which of the two is more popular ? Why ? 20

5. Explain the reasons for the 'lost decade' in Latin American countries. Also comment on the role of 'original sin' in these crises. 20

*Or*

What are the reasons behind the formation of the New Development Bank or the so called BRICS bank ? Do you think that this bank will be successful ? Why or why not ? Explain. 20