PADUA COLLEGE OF COMMERCE AND MANAGEMENT
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INTERNAL EXAMINATION ANSWER SHEET

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Subject : International Trade & Finance - II   No. of additional sheets used : 2

Signature of the invigilator :   Signature of the student :

Question Numbers & Marks Table

Q.No	a	b	c	d	e	f	g	h	i	j	total
1.											
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Name and Signature of the Valuator									Grand Total		33

Start writing from here

2 International capital movement means lending and borrowing capital from international trade.
Types of International capital movements are :-
1. private and Government capital movement
2. Home and ~~public~~ foreign capital movement
3. Short term and long term capital movement
4. Direct and Indirect capital movement
5. Foreign Direct Investment (FDI)
6. Foreign Aid.

1. Private and Government capital movement

Private capital movement is lending and borrowing from private authority and private industrialization.

Government capital movement is lending and borrowing from government authority. Here the exchange rate is under the control of government. Developed countries can give loan to less developed countries and undeveloped countries.

2. Home and foreign ~~public~~ capital movement

Under this system the investment is made abroad by residence of the country. This capital movement is inflow in nature.

Under foreign capital movement the investment is made by foreigners in the country. It is outflow.

3. Short term and long term capital movement.

Short term capital movement is less than one year. It take place through demand deposit, letter of credit and foreign bills of exchange.

Long term capital movement is more than one year. It take place through credit instrument like, debentures, bonds and stocks. It take place through private and government capital movement such as ~~transport~~, world Bank, IMF and ADB

4. Direct and Indirect capital movement

Under Direct capital movement the investment is done by the investors certain ~~the~~ in the foreign direct investment. It is the form of formation of foreign trade.

Indirect capital movement is from public and private authority. It encourages stability of the economy.

5. Foreign Direct Investment (FDI)

It refers to Direct investment by the company in foreign trade market.

Following are the advantages of FDI

- FDI facilitates more successful in domestically
- It encourages more profitable and more sales.
- FDI encourages. Gold standard system
- It reduces the ~~posi~~ damaged posibility of speculation
- It is the advantages for lower wage in developing countries for labour
- Production facility and distribution network reduces cost of trade
- Employment, investment in host country ecourages foreign trade.

Disadvantages of FDI

- Transportation cost is relatively high
- There is a risk of exchange rate and Government regulation.
- Language and cultural differences.
- It creates grants ~~of~~ of loans and various government regulation.

6. Foreign Aid

Foreign Aid means foreign capital in cash or fixed grants. The advanced country may give Aid to backward countries. There are 2 types of Foreign Aid

- Tide Foreign Aid:

This Aid is given only in specified ~~period~~ purpose.

- Untide Foreign Aid.

This is Aid is mainly for the various projects and productive commodity.

Factors affecting International capital movements are :-

1. Rate of interest.

Rate of interest is different in different countries. So it is very difficult to fix rate of interest in capital movement in foreign trade. If Rate of interest is more stable then there is a development of ~~econ~~ foreign trade is possible.

2. Speculation.

Speculation means. In trading countries. People expect more profit and product innovation. Peoples thinking is more different and different they expect capital movement and exchange rate.

3. Expectation of Profit

Another factor affecting international capital movement is expection of profit. People expect more profit from their trade This will lead to inflationary in profit.

4. Cost of Production.

In International trade cost of production is relatively high. So it affect the International capital movement.

5. Bank Rates.

In Foreign country their bank rates are different than home country. Bank plays an important role in every country. Different bank rates in different country leads to International capital movement

6. Government Policy

Policy of the country are different in different countries. Some may follow monitory policy and some may follow free monitory policy. This is the main reason for affecting International capital movement.

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ADDITIONAL ANSWER SHEET No ....1.....; Reg No..1.80.1P.1....

7. Role of mnc's in Developing countries.
1. Sustaining high level of Investment
2. Filling in the technological gap.
3. Exploitation of Natural resources.
4. Undertaking initial risk
5. Creating social and economic infrastructure
6. Filling foreign exchange gap

1. Sustaining high level of Investment

In developing countries there is a gap between Savings and Investment. This gap has to be fulfilled by ~~sto~~ sustaining high level of investment. This will lead to stable economic development in a country.

2. Filling in the technological gap.

In developing countries there is a technological backwardness in a country. This technological gap. has to be filled by encouragement of capital and technology.

3. Exploitation of Natural resources

In developing countries there is a plenty of natural resources they are unutilized or underutilized by the multi national company. It exploits natural resources in the country.

4. Undertaking Initial risk.

In developing economies mnc's undertake initial risk by technology and research and development. This will go a long way to promote International trade.

5. Creating social an economic infrastructure

In less developed countries there is a scarcity of social and economic infrastructure they are health, education, transport, power, communication etc.

6. Filling foreign exchange gap.
In developing economies there is a gap between foreign exchange expenditure. This will lead to reiterate the plan in developing countries. Here developed countries helps developing countries. Thus multinational companies concentrate on developing countries because they hold good future in business because of 3 reasons
1. Increase in population.
2. Increase in income
3. Growing dominence concept and individual freedom.

5. Meaning and growth of multinational company.
Multinational companies are large companies they conduct their business in several countries. According to International labour organization the essential nature of enterprises lies in the fact that its managerial ~~activity~~ headquarter is located in one country and while enterprise carry out its operation in no. of other countries.
The Essential features of MNC's are.
- MNC's are lies in the fact that its managerial headquater is located in one country and carry out its operation in different countries.
- It is large in size and economic dominence of the country
- It control production activities by foreign direct investment
- It is oligopolistic in nature
- It control bulk of global foreign trade.
- It is in the category of foreign Direct Investment
- MNC's are motivated by profit

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origin and Growth of mnc's.

Gradually International trade conduct their business in Greet and mesapotomia. But after europe and middle east country entered into a International trade. After Barter System is replaced by money economic system. the development of banks contributed on multi national companies. During 19th and 18th century the mnc's are entered into a European country. During 19th century most of the foreign Investment followed by western Europe underdevelopement of asian countries During 20th century the mnc's are mainly concentring on mining and petroleum industries.

Under mnc's there are 3 stages.

1st stage was captured most of the European countries.

2nd was in companies in U.S.A. they are for example Ford motors etc.

3rd stage was developing countries like India, Japan China are concentrating on mnc's because of transport, power and communication.

6. Causes of Fluctuation in Exchange Rate

1. Trade movement
2. Capital movement
3. Stock Exchange operation.
4. Bank operation
5. monitory policy
6. Political condition.

1. Trade movement

The import and export change cause exchange Rate. If the import is more than export the the rate of exchange rises If the export is more than import the demand for domestic country rises and exchange rate becomes decline in the country.

2. Capital movement:

Capital movement of the international trade is fluctuate by country to country. A changes in capital movement brings a exchange rate in a country.

3. Stock Exchange operation

Stock exchange operations like grants, purchase and sale of securities which influence foreign funds. If the home country gives loan to foreign country then the income of foreign country rises and it becomes unfavourable to home country. If the foreign country repay the loan then the supply of exchange rate becomes favourable to home country.

4. Bank operation

Banks are the main dealer in foreign exchange market. If Bank rate increases the exchange rate rises if there is decline in bank rate leads to rise in exchange rate.

5. Monitory Policy

monitoly policy is central bank of the government if it is free monitoly policy then it is inflationery impact if it is tight monitoly policy then it is deflationary impact which creates differences in value of the money.

6. Political Condition

Political stability of the country leads to huge financial exchange rate. ~~MNC's invited~~ Developing countries invite political conditions to the country.

6. ~~Fixed Excha~~

ADDITIONAL ANSWER SHEET No ...3...; Reg No. 180141...

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Fixed Exchange Rate

Under this system countrys fix their currency in fixed rate. Fixed and stable exchange rate are also known as pegged exchange rate. Government impose some kind of exchange control.

Advantages of Fixed Exchange Rate

- Fixed exchange rate maintain consistency and confidence among international trade. Foreigners know how much they will pay and how much they will receive.
- Fixed exchange rate provides gold standard system

Disadvantages

- It is consist of speculation
- It is not permanently fixed for International Investment
- It has not provided. Historical trend.

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