

QUESTIONS FOR MASTER FINAL EXAM
INTERNATIONAL FINANCE
Academic year 2017/2018

1. Theory of portfolio risk. Diversification of risk by portfolio approach. Models of optimal financial portfolio, Markowitz, Sharpe, CAPM model and their comparison.
2. Approaches to measuring market and credit risk. Theoretical basis and assumptions used in credit risk models and assumptions used. The regulatory framework of the financial risks.
3. Financial and capital structure and conditions for maintaining equity and financial stability of the business entity. Model approach to determine the optimal capital structure and their implications for the financial management of the business entity.
4. Financial analysis of the business entity. Costs of foreign capital. Capital costs and their dependence on the operational and financial risks. The average cost of capital and their relevance for the investment and financial decisions.
5. Financial control in the public sector. Internal audit and its role in the financial management. Objectives and tasks of government audit.
6. Characterize the nature of the main principles and essence of PIFC (Public Internal Financial Control) within the context of the financial management of public revenues and expenditures.
7. Causes of international double international juridical taxation and methods of its elimination. Criteria to determine resident and permanent establishment. Bilateral tax treaties – their aim, content, and structure.
8. Explain the tax implications of the misuse of the transfer prices, the meaning of the arm's length principle and application of the transfer pricing methods.
9. Explain the tax-motivated abuse of hybrid financial instruments. State government countermeasures coordinated at OECD and EU levels and their implementation in the legal order of the Slovak Republic.
10. Explain tax-driven cross-border transfer of a resident, permanent establishment or property. Characterize the exit tax - its subject matter and tax liability.
11. Microeconomic foundations for public goods provision and their behavioral implications for governmental paternalism (use of cognitive distortions).
12. Fiscal policy and sustainability of public finances in the long run, fiscal deficits and financial crises. The possibilities of financing the budgetary imbalance and their consequences.
13. Theoretical approaches to public financial management. Public financial management reform in Slovakia and Slovakia's entry into the European Monetary Union. Liquidity management and public debt.
14. Theoretical basics of Income taxes and taxes on consumption. Application of various approaches in tax systems.
15. Balance of payment. Balance of payment under the balancing of external economic relationship, its structure, basic types, cumulative balances and their interpretation. Unification and standardization of balance of payment by International Monetary Fund. Balance of payment smoothing-out process.

16. Theoretical and practical questions of foreign exchange rates. Present theories of foreign exchange rates. Systems of foreign exchange rates and their international classification. Theoretical basis of model approaches for the analysis and forecast of the exchange rate. Design and test procedure of each model.
17. Independence of central bank in present monetary policy. Goals and tools of single monetary policy of Eurosystem. Strategy of Eurosystem's monetary policy based on two pillars.
18. Present development of monetary policy in US, Europe and in Japan. Comparison of position of central banks, impact of key interest rates of central banks on monetary development and fulfillment of monetary policy goals.
19. Interrelationship between monetary and budget policy. State budget deficit and government debt from monetary view of point. Construction and testing procedures in Hall-Taylor econometric model. Explain its use for explanation of the impact of fiscal and monetary policy on different markets.
20. Financial crises – definition of different model generations. Indicators of financial crises and early warning system. Present debt crisis and European Stabilisation Mechanism.
21. Strategy (transmission mechanism) of monetary policy. Credit and foreign Exchange transmission mechanism and their modification by substitution of operational and intermediate criterion. Rules of monetary policy.
22. Monetary transmission mechanism. Complex analysis of money stock. Factors influencing monetary base and money stock. Sources and usage of monetary base. Impact on liquidity of banking system.
23. Definition of derivatives and different forms of derivatives. Forwards and their usage with different underlying assets. Particularity of futures contracts. Usage of monetary and interest rates derivatives. Options and their usage in reinsurance and speculation.
24. Commercial bank as a business entity, the basic types of operations of commercial banks. The regulation of commercial banks, deposit protection, retail and corporate banking.
25. Models for financial assets valuation: share valuation models - dividend discount model, CAPM /Capital Asset Pricing Model/ and SML. Pricing models for bonds: bond valuation risks, the relationship between interest rates and bonds.