

QUESTIONS FOR MASTER FINAL EXAM
INTERNATIONAL FINANCE
Academic year 2020/2021

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. The cost of capital – meaning, importance and measurement for the investment and financial decisions. Valuation methods, determinants of the company valuation, principles and procedure.
4. Models of the optimal capital structure, classification and their role in financial management of the corporate entity. Dividend policy – theory and practise. Principles, models of dividend policy and alternative instruments of dividend policy.
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. List criteria to determine residency of individuals, and present the ways to resolve dual residency of individuals (tie-breaker rules) as they are shown in the Art. 4 of the OECD Model Tax Convention.
8. International double juridical taxation – explain its reasons, consequences and list methods to eliminate it.
9. Explain how the OECD base erosion and profit shifting (BEPS) Action Plan defines/identifies tax havens and harmful preferential tax regimes.
10. Explain tax motivated thin capitalization and countervailing measures adopted by the OECD base erosion and profit shifting (BEPS) Action Plan.
11. Governments can solve negative externalities (such as pollution) using price or quantitative approach. What are these two approaches like and what are the decision factors for choosing one of them for policy creation?
12. Alternative valuation of public projects' benefits. The benefits of public projects (such as the construction of highways) are often non-monetary. In what ways can such benefits be measured in monetary units?
13. What is moral hazard and how does it occur? Why most prescription drugs are sold to patients' with supplement, and why the employer also participates in compensating for the employee's sick leave?
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. Financial system of self-government units.
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.