

Date
25/09/2024

Duration: 2.5 Hours

Sub - International Finance Marks: 75

Note:

- 1) All questions are compulsory subject to internal choice.
- 2) Figures to the right indicate full marks.
- 3) Use of simple calculator is allowed

Q.1.

(a)

Match the following (any 8):

(08)

"A"		"B"	
1	Managed Float	A	Challenge for International Finance
2	Mauritius	B	USD as a vehicular currency
3	NPV	C	Outliving your savings
4	Current Account "	D	International Equity Benchmark
5	FOREX Market	E	Eurocurrency market
6	Eurocredit	F	Credit Function
7	Dow Jones Global Titans 50	G	Component of BOP
8	Longevity Risk	H	Capital Budgeting Technique
9	Brettonwoods system	I	Tax Haven
10	Cold War between nations	J	Intervention of Central Bank

Q.1.(B) True or False (any 7):

(07)

- 1) International Finance is the branch of International Economics.
- 2) Investments are recorded under Capital Account of BOP.
- 3) FOREX Market offers the function of Hedging.
- 4) There are 49 sections under FEMA.
- 5) In a quotation "USD/INR 83.5555-5590", INR is a Variable Currency.
- 6) The goal of IF is to increase tariff and non-tariff barriers.
- 7) Conventional bonds offers floating coupon.
- 8) A country's political state and economic performance cannot affect its currency strength.
- 9) Options are not the rights extended to traders in forex markets.
- 10) Speculation is the simultaneous purchase and sale of currency in two different markets.

Q.2.(A) What is International Finance? Discuss the goals of International Finance.

(08)

(B) Discuss the features of Gold Standard.

(07)

OR

(P) The following quote is given in Dubai: USD/AED 3.6710-90

(08)

- 1) In which country, the quote is "Direct"?
- 2) In which country, the quote is "Indirect"?
- 3) What is the Mid Rate?
- 4) What is Spread?
- 5) What is % Spread?
- 6) Calculate the inverse quote.

(Q) Following quotes are given in USA:

(07)

EUR/USD 1.2250-75

USD/CHF 0.9550-75

Derive the quote CHF/EUR from the above two quotes.

In Germany quote is given as CHF/EUR 0.7525-75

Now, compare the quote given in Germany with the above Derived CHF/EUR quotation and Find arbitrage if any on capital EUR 1 Million

- Q.3.(A) Define the Terms: NOSTRO, VOSTRO and LORO with examples. (08)
 (B) Discuss the origin of Eurocurrency market. (07)

OR

- (P) Consider the following information: (08)
- | | | | |
|-----------------|--------|---|--------|
| Spot CHF/CAD | 1.5125 | - | 1.5190 |
| 1 Month Forward | 50 | - | 80 |
| 2 Month Forward | 200 | - | 350 |
| 3 Month Forward | 850 | - | 950 |
| 6 Month Forward | 1400 | - | 1600 |

Calculate 1 Month Forward, 2 Month Forward, 3 Month Forward and 6 Month Forward CHF/CAD Rates.

- (Q) Spot USD/INR 83.1565 (07)
 3 Month Forward USD/INR 83.5450
 Calculate 3 Months AFM and interpret the results.

- Q.4.(A) What is Foreign Portfolio Investment? What advantages does it offer? (08)
 (B) What are Tax Havens? Discuss their benefits. (07)

OR

- (P) Given: (07)
 Spot USD/SGD 1.3550
 USD Interest Rate = 0.75% p.a.
 SGD Interest Rate = 1.50% p.a.
 Calculate three month forward USD/SGD rate

- (Q) From the following data, find the best alternative for investing INR 10 Million for a temporary period of 3 Months. Exchange rates are against INR. (08)

	Currency	Spot Rate	3 months forward rate	Interest rate (% p.a.)
1.	USD	83.5150	83.5600	5
2.	EUR	91.2565	91.3155	4
3.	GBP	102.5690	102.5785	3

- Q.5.(A) What are the steps in the International Project Appraisal? (08)
 (B) SujalPraj Co. is planning to buy a machine which would generate cash flow after taxes as follows: (07)

Year	0	1	2	3	4
CFAT in USD	(2,00,000)	48,000	64,000	64,000	64,000

If discounting rate is 10%, is it worth to invest in machines.

Year	1	2	3	4
Discount Factor	0.909	0.826	0.751	0.683

OR

- Q.5. Write Short Notes on (any three) (15)

- (P)
- 1) FEDAI
 - 2) Flexible Exchange Rate System
 - 3) BOP
 - 4) Eurobonds
 - 5) GDRs