

Time: 2 ½ Hours

Marks: 75

Q.1. (a) Multiple Choice Questions (any 8):

(8)

1. For calculation of Cross rate, there is a need of _____ Currencies

- a) 1
- b) 2
- c) 3
- d) 4

2. Trade restriction is called as _____

- a) Trade stopper
- b) Trade barrier
- c) Trade damage
- d) Trade booster

3. IBRD is also known as _____

- a) International bank
- b) World bank
- c) Singapore bank
- d) Federal bank

4. Japanese Yen denominated bond issued in japan domestic market is _____

- a) Yankee bond
- b) Bull dog bond
- c) Samurai bond
- d) Dual bond

5. Bank of America A/C with bank of Baroda in India is an example of _____

- a) LORO
- b) NOSTRO
- c) VOSTRO
- d) ZORO

6. SDR is an international reserve asset created.

- a) WTO
- b) World Bank
- c) IMF
- d) IBRD

7. _____ is currency held on deposit outside its home market
- Eurobond
 - Eurocurrency
 - Euro Credit
 - Zero Coupon bond

8. The project is financially viable if NPV is _____
- Positive
 - Negative
 - Zero
 - Infinite

9. Reserves are held in the following forms except _____
- Foreign currency
 - Gold
 - SDR
 - Silver

10. Bond issued simultaneously in several global financial Centre is _____
- Domestic bond
 - Foreign bond
 - Global bond
 - Euro bond

(B) State whether the following statement are true or false (any 7):

(7)

- The foreign exchange market is the largest financial market in the world.
- A country's balance of payments always balances because every transaction is offset by another.
- Purchasing Power Parity (PPP) states that identical goods should cost the same in different countries when expressed in a common currency.
- Exchange rate risk only affects multinational corporations, not individual investors.
- A strong domestic currency benefits exporters.
- Interest Rate Parity theory explains the relationship between interest rates and forward exchange rates.
- The International Monetary Fund (IMF) was created to provide long-term development financing to countries.
- A trade surplus occurs when a country imports more than it exports.
- Foreign direct investment (FDI) involves ownership or control of a business in another country.

10. Currency appreciation means that a currency has decreased in value relative to another currency.

Q.2.(A) Explain the Importance of International Finance (08)

(B) Explain the components of Balance of Payments. (07)

OR

(P) The following quote is given in Gujrat (08)

1USD = Rs. 44.7250 – Rs. 44.7300

Is this quote “Direct” or “Indirect” in Mumbai?

Calculate Mid-rate, Spread and Spread %

Find the inverse quote.

(Q) The following quotations are available in New York: (07)

1 USD = GBP 0.5880-0.5890

1 USD = CAD 1.1003-1.1013

The following quotation is available in Toronto:

1 GBP = CAD 1.8685-1.8695

Calculate the cross-currency quotation for 1GBP in terms of CAD.

Compare the derived GBP/CAD quote with the quote given in Toronto and find the arbitrage gain if any on GBP 1 Million.

Q.3. (A) What are currency options? Explain its types? (08)

(B) What is Euro Bank? What are its competitive advantages? (07)

OR

(P) Following is the GBP/ USD spot rate: 1.3192/1.3290 (08)

1 month forward points are: 100/150

3 month forward points are: 300/500

6 months forward points are: 500/800

Calculate 1, 3 and 6 months outright forward quote

(Q) Spot USD/MXN 12.3325 (07)

6 month AFM = 3.25%

Calculate 6 Month forward USD/MXN rate.

Q.4.(A) Discuss the elements of International Equity Market. (08)

(B) Describe the features of FEMA (07)

OR

(P) Given (07)

Spot 1 EUR= USD 2.445

EUR Interest rate = 2.40% p.a.

USD Interest rate = 0.75% p.a.

(Q) The following data is available to decide on the best alternative for borrowing INR 12 Million for a temporary period of three months on a risk free basis. Exchange rates are against INR. (08)

Currency	Spot Rate	3 months forward rate	Interest rate
USD	41.1245	41.2765	4.00 % p.a.
EUR	56.1650	56.2000	4.50 % p.a.
GBP	70.0650	70.0350	5.00 % p.a.

Q.5.(A) Explain the benefits of doing business internationally. (07)

(B) Dani Ltd. is considering investing in a project requiring a capital outlay of Rs. 12,00,000. Forecast for annual income after tax is as follows: (08)

Year	1	2	3	4	5
Profit After Tax	4,00,000	4,00,000	3,20,000	1,60,000	1,60,000

Depreciation is 20% on Straight Line basis. Evaluate the project on the basis of NPV taking 14% discounting factor and advise whether Adani Ltd. should invest in the project or not. The present value of Re. 1 at 14% discounting rate are 0.8772, 0.7695, 0.6750, 0.5921 and 0.5194.

OR

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

- 1) Role of FEDAI
- 2) Participants of Foreign Exchange
- 3) Fixed Vs. Flexible Exchange Rate System
- 4) Autonomous transaction
- 5) Global Money market instrument