

Marks: 75

Duration: 2.5 Hours

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) Fill in the blanks by choosing the right option (any 8): (08)

- (1) Reserves are held in following forms except _____. (Foreign Currency, SDR, Silver)
- (2) Under _____ there is interference of monetary authorities to decide exchange rates. (Fixed Exchange System, Flexible Exchange rate System, both)
- (3) SBI A/C with HSBC in UK is an example of _____. (LORO, NOSTRO, VOSTRO)
- (4) PPP theory _____ government intervention. (ignores, includes, requires)
- (5) The project is financially viable if NPV is _____. (positive, negative, zero)
- (6) _____ is known as secrecy jurisdiction. (Tax haven, Transfer pricing, foreign affiliate)
- (7) _____ risk is also called as "Accounting exposure". (Transaction, Economic, Translation)
- (8) _____ is a type of security listed in Luxemburg. (ADR, GDR, IDR)
- (9) An option giving the buyer of the options the right but not the obligation to buy a currency is _____. (call option, put option, forward option)
- (10) Difference between the value of merchandise exports & imports is _____. (BOP, BOT, Reserve A/C)

Q.1.(B) State whether the following statements are True or False (any 7): (07)

- (1) FDI is recorded in capital account of Balance of payments.
- (2) Under fixed exchange rate system value of currency is decided by market forces of demand & supply forces.
- (3) Spread is bid-ask.
- (4) Hedging means protecting the business from risks.
- (5) Standardized contract terms are used in Forward contract.
- (6) A Euro bond is an international bond denominated in a currency not native to the country where it is issued.
- (7) Sensex includes 30 largest & most actively traded stocks in BSE.
- (8) Entry & exit of FDI is more difficult compared to FPI.
- (9) There is lot of transparency in tax havens.
- (10) AFM stands for Arbitrageur's Forward Margin.

- Q.2.
 (A) Explain the concept of International Finance and discuss the emerging challenges in International Finance. (08)
 (B) State the difference between fixed and flexible exchange rate system. (07)

OR

- (P) Spot USD/CAD 1.1045 – 1.1095 (08)
 USD Interest rate 2.50% p.a.
 CAD Interest rate 3.25% p.a.
 Calculate 90 days forward USD/CAD quotation.
 (Q) Spot USD/INR 45.0260 - 45.0315 (07)
 1 month forward 485 - 535
 2 month forward 985 - 1060
 Calculate outright forward rate for 1 month & 2 month.
 Calculate outright forward rate for 45 days.

- Q.3.
 (A) Briefly describe the structure of Indian foreign exchange market. (08)
 (B) Explain various types of currency derivatives. (07)

OR

- (P) The following quote is given by a bank in Mumbai: (08)
 1 USD = INR 67.7550 – 67.7575
 • Is this quote “Direct” or “Indirect” in Mumbai?
 • Calculate Mid-rate, Spread and Spread %
 • Find the inverse quote.

- (Q) From the following data decide on the best alternative for investing INR 10 Million for a temporary period of 6 months on risk free basis. Ignore transaction cost. (07)

Currency	Spot	6 month forward	Interest Rate
EUR	80.2650	80.2950	4.00 %
USD	64.1225	64.1275	4.50 %
GBP	95.3550	95.3650	3.00 %

- Q.4.
 (A) Discuss any two types of Euro Bonds in detail. (08)
 (B) Describe various types of capital budgeting techniques. (07)

OR

- (P) The following quotes are given in US: (08)
 GBP/USD-1.5393-1.5403
 USD/AUD-0.9790-0.9800
 And the given quote in Australia is:
 GBP/AUD-1.5100-1.5110
 i) Derive the quote GBP/AUD from the set of quotes given in US
 ii) Compare the derived GBP/AUD quote with the quote given in Australia and find arbitrage if any on 1 Million GBP.

(Q) From the following given details calculate NPV. Required Rate 10%. (07)

Particulars	Amount in Rs.
Cost of investment	2,00,000
Expected Life (No salvage value): 5 Years	-
Cash inflow: year- 1	60,000
2	50,000
3	60,000
4	60,000
5	60,000

The present value of Re. 1 at 10% discounting rate are 0.909, 0.826, 0.751, 0.683, 0.621

Q.5.

(A) What are different types of foreign exchange risks faced by firms? (08)

(B) Describe the objectives of taxation. (07)

OR

Write Short Notes on (any three)

(15)

- 1) Arbitrage
- 2) FEDAI.
- 3) GDRs
- 4) FEMA
- 5) Tax havens