

**Paper / Subject Code: 86002 / Finance: International Finance**

**Duration: 2.5 Hours**

**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) Multiple Choice Questions (any 8):**

**(08)**

- (1) A \_\_\_\_\_ is a regime where the currency price is set by the forex market based on supply and demand compared with other currencies.
  - (a) Gold Standard
  - (b) Floating exchange rate
  - (c) Bretton Woods System
  - (d) Fixed exchange rate
- (2) In BOP, under \_\_\_\_\_ account exports and imports of goods, services and unilateral transfers are recorded.
  - (a) Current Account
  - (b) Capital Account
  - (c) Errors & Omissions
  - (d) Foreign Exchange Reserves
- (3) \_\_\_\_\_ comprises of all those institutions and individuals who buy and sell foreign exchange which may be defined as foreign money or any liquid claim on foreign money.
  - (a) International Monetary Fund
  - (b) IBRD
  - (c) Foreign Exchange Market
  - (d) Bretton woods system
- (4) When a firm lists its equity shares on one or more foreign stock exchange in addition to its domestic exchange, it is called as \_\_\_\_\_.
  - (a) Cross Listing of Shares
  - (b) IPO
  - (c) Yankee Offering
  - (d) Efficient Market Hypothesis
- (5) \_\_\_\_\_ is a soft, liberal & simplified law that aims at boosting foreign trade and investment more in tune with Country's new economic environment of globalization of Indian economy. Price  
  - (a) FERA
  - (b) FEMA
  - (c) SEBI Act
  - (d) Securities Contracts (Regulations) Act

- (6) The risk of loss in purchasing power because the value of investments does not keep up with inflation is called as \_\_\_\_\_
- (a) Concentration Risk
  - (b) Inflation Risk
  - (c) Liquidity Risk
  - (d) Transaction Risk
- (7) \_\_\_\_\_ is a way of trading non-U.S. stocks on the U.S. exchange.
- (a) ADR
  - (b) GDR
  - (c) IDR
  - (d) FDI
- (8) \_\_\_\_\_ is currency held on deposit outside its home market.
- (a) Eurobond
  - (b) Eurocurrency
  - (c) Euro credit
  - (d) Zero Coupon Bond
- (9) \_\_\_\_\_ is the process of assessing, in a structured way, the case for proceeding with a project or proposal, or the project's viability.
- (a) Project Appraisal
  - (b) Project Finance
  - (c) Project Measurement
  - (d) Project Performance
- (10) According to \_\_\_\_\_ technique of FOREX risk management, a company dealing in international transactions must make all its payments in its domestic currency and must have the policy of accepting only domestic currency from the debtors.
- (a) Matching
  - (b) Leading and Lagging
  - (c) Hedging
  - (d) Invoice in Home Currency

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

(07)

- 1) The Balance of Payment identity is  $CA+FA+RA = 0$
- 2) Gold standard has proved to be a "fair weather friend".
- 3) Nostro account points at "Our account with you"
- 4) Exporters sell foreign currencies for domestic currencies.
- 5) If AFM is positive, it represents premium on base currency.
- 6) The call option is the right to sell an asset at a fixed date and price.
- 7) In case of FPI, entry and exit are difficult.

- 8) Net Present Value = Present Value of Cash Inflow ÷ Present Value of Cash Outflow.
- 9) India is a tax haven country.
- 10) Dumping means selling goods at high price in international markets.

Q.2.(A) What is International Finance? Describe the emerging challenges in international finance. (08)

(B) What are the components of Balance of Payment? (07)

OR

(P) The following quote is given in Mumbai: 1USD = INR 81.2125-82.2325 (07)

- Is it a Direct Quote in India?
- Find Mid Rate, Spread and Spread%
- Calculate the inverse quote.

(Q) Identify if triangular arbitrage exists and calculate the same: (08)

USD CAD 1.1685-1.1695

USD CHF 1.3785-1.3795

CAD CHF 1.1885-1.1895

Note: Compare CAD CHF quotes for calculating Arbitrage & Assume Capital CAD 1 Million

Q.3.(A) Explain global money market instruments. (08)

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

OR

(P) Consider the following information: (08)

Spot	1 USD = SGD 1.3320	-	1.3390
1 Month Forward		120	- 220
2 Month Forward		820	- 940
3 Month Forward		1120	- 1220
6 Month Forward		1980	- 2080

Calculate 1 Month Forward, 3 Month Forward and 6 Month Forward USD-SGD Rate.

(Q) 60 Days Forward USD-CHF 0.9508 (07)

Spot USD-CHF 0.9520

Calculate 60 Days AFM and interpret the results.

Q.4.(A) What is FDI? How is it different from FPI? (08)

(B) Describe the essential qualities of a FOREX manager. (07)

OR

(P) Given: (07)

6 Month Forward EUR/CAD 1.3493

EUR Interest Rate = 1.25% p.a.

USD Interest Rate = 1.75% p.a.

Calculate Spot EUR/CAD quotation

**Paper / Subject Code: 86002 / Finance:International Finance**

- (Q) From the following data, find the best alternative for borrowing INR 20 Million for a temporary period of 6 Months. Exchange rates are against INR. (08)

	Currency	Spot Rate	6 months forward rate	Interest rate
1.	USD	80.1250	80.8890	4.00 % p.a.
2.	EUR	91.2750	91.8950	4.50 % p.a.
3.	GBP	98.3575	98.3675	5.00 % p.a.

- Q.5.(A) What are tax havens? Explain their benefits. (08)

- (B) A&N Ltd. is considering to invest in a project requiring a capital outlay of Rs. 6,00,000. Forecast for annual income after tax is as follows: (07)

Year	1	2	3	4	5
NPAT (Rs.)	3,00,000	3,00,000	2,40,000	2,40,000	1,20,000
Discount Factor @ 14% p.a.	0.8772	0.7695	0.6750	0.5921	0.5194

Depreciation is 20% on Straight Line Basis

Evaluate the project on the basis of Net Present Value and advise whether A&N Ltd. should invest in the project or not?

**OR**

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

- (P) i) Gold Standard  
 ii) Functions of FOREX market  
 iii) ADRs  
 iv) Role of FEDAI  
 v) Types of FOREX Risks