Paper / Subject Code: 86002 / Elective : 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.   (08)
(a)   **Multiple Choice Questions (any 8):**

(1)   _____ is the branch of economics that studies the dynamics of exchange rates, foreign investments, and how these affect international trade.
(a) International Finance
(b) International Marketing
(c) International Economics
(d) International Monetary System

(2)   The asset price at which the investor can exercise an option is called _____ price.
(a) Strike
(b) Spot
(c) Future
(d) Forward

(3)   Currency that is used as a unit of account, medium of exchange and store of value not only for transactions within the country, but also for international public and private transactions, is called as _____ currency.
(a) Vehicular
(b) Home
(c) Variable
(d) Foreign

(4)   BBC Global 30, S&P Global 100, S&P Global 1200 are examples of _____
(a) International Equity Benchmarks
(b) Yankee Stock Offering
(c) Cross Listing of Shares
(d) ADRs

(5)   _____ is the risk of exchange rate that creates an impact on the market value of a company.
(a) Economic Risk
(b) Transaction Risk
(c) Translation Risk
(d) Liquidity Risk

(6)   FOREX market facilitate the conversion of one currency into another i.e. payment between exporters & importers. This function of FOREX Market can be referred as ___
(a) Transfer of Purchasing Power
(b) Credit Function
(c) Hedging Function
(d) Risk Management Function

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(7) _____ 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 Management
(c) Risk Mitigation
(d) Risk Management

(8) _____ offers foreign individuals and businesses little or no tax liability in a politically and economically static environment.
(a) Tax Haven
(b) Offshore Banking Unit
(c) FOREX Market
(d) Tax Neutrals

(9) _____ involves the simultaneous buying and selling of an asset in order to profit from small differences in price.
(a) Hedging
(b) Speculation
(c) Arbitrage
(d) Investing

(10) _____ Exchange Rate is a system where the currency price is set by the forces of forex market i.e. demand and supply of currencies.
(a) Flexible
(b) Fixed
(c) Managed Float
(d) Gold

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

1) Unilateral Transfers are recorded under Capital Account of BOP.

2) FEMA was replaced by FERA.

3) NPV is a non-discounted technique of Capital Budgeting.

4) If the Quote is given as USD-INR 83.1550-75; This quote is called as "Direct Quote" in New York.

5) India is a Tax Haven nation.

6) There is easy entry and exit in FPI.

7) To be cross-listed, a company must comply with the requirements of all the stock exchanges in which it is listed.

8) Changes in market inflation cause changes in currency exchange rates.

9) Call option gives the right to buy an asset at a fixed date and price.

10) Under Bretton Woods system, countries could use USD as a medium of exchange for international settlements.

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Q.2.(A) Discuss the significance of International Finance in today's context. (08)

(B) What is Balance of Payments? How is it different from BOT? What is meant by (07)
Autonomous and Accommodating Transactions?

OR

(P) The following quote is given in Canada: 1SGD = CAD 1.0110-85 (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) The following quotations are available in USA (07)
1 USD = GBP 0.8350-0.8425
1 USD = CAD 1.1125-1.1175
And the quotation available in Canada is: 1 GBP = CAD 1.5550-1.5650
• From the quotes given in USA, derive the quotation for 1 GBP in terms of CAD
Compare the derived quotation with quotation available in Canada and identify if any
arbitrage opportunity exists. (Assume Capital GBP 2 Million)

Q.3.(A) What are Eurobonds? Explain different types of Eurobonds. (08)

(B) What are Currency futures? How are they different from Currency forwards? (07)

OR

(P) Consider the following information: (08)

Spot CAD/SEK	7.8650 -	7.8700
1 Month Forward	50 -	70
2 Month Forward	290 -	340
3 Month Forward	920 -	1020
6 Month Forward	1500 -	1600

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

(Q) Spot USD/INR 83.1525 (07)
3 Month Forward USD/INR 83.2525
Calculate 3 Months AFM and interpret the results.

Q.4.(A) What is FDI? What is FPI? How are they different from each other? (08)

(B) Discuss global money market instruments. (07)

OR

(P) Given: (07)
Spot AUD/JPY 99.1575
AUD Interest Rate = 0.75% p.a.
JPY Interest Rate = 1.50% p.a.
Calculate three month forward AUD/JPY rate

(Q) From the following data, find the best alternative for investing INR 5 Million for a (08)
temporary period of 3 Months. Exchange rates are against INR.

	Currency	Spot Rate	3 months forward rate	Interest rate
1.	USD	83.5650	83.5950	5 % p.a.
2.	EUR	90.1225	90.0550	3 % p.a.
3.	GBP	102.5650	102.5750	4 % p.a.

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(15)

Q.5.(A) What are the Benefits towards Parties doing Business Internationally? (08)

(B) Ms. Gurneer is planning to buy a machine which would generate cash flow after taxes (07)
as follows:

Year	0	1	2	3	4
CFAT in USD	(1,00,000)	24,000	32,000	60,000	32,000

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

(15)

Q.5. **Write Short Notes on (any three)**
(P)
1) Fixed Vs. Flexible Exchange Rate System
2) ADRs Vs. GDRs.
3) Foreign Exchange Dealers' Association of India
4) PPP Theory
5) Eurocredit

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