(21) TY BMS (UD) / International Finance / (08)

Q.P. Code :06921

[Time: 2:30 Hours] [Marks:75]

Please check whether you have got the right question paper.

N.B: i) Question 5 is compulsory.

ii) From Question1, 2, 3 and 4 attempt any two of the three internal options (a, b & c).

iii) Use of simple calculator is permitted.

1. (A) Explain what are autonomous and accomodating capital flows? **7.5**
   (B) Explain the difference between arbitrage and speculation. **7.5**
   (C) USD AED Spot is 6.6023/6.6666. Find the spot rate the Spread, Spread %, mid-rate and inverse quote. **7.5**

2. (A) Following are the options to borrow 10 million INR for a period of 3 months. **7.5**

Currency	Spot rate	6 month FR	Interest rate
USD	66.2220	65.9998	2%
GBP	99.7275	99.0010	3%
EUR	60.3575	60.2275	4%
INR	-	-	6%

   (B) EUR/AUD spot rate is 2.6128. Three months forward rate is 2.2000. Find the AFM. **7.5**
   (C) State difference between fixed and floating exchange rates. **7.5**

3. (A) Write note on Euro Currency Markets and their origin. **7.5**
   (B) Explain the issuance procedure for GDR. **7.5**
   (C) Explain the difference between FDI and FPI. **7.5**

4. (A) Write brief note on role of FEEDAI.
   (B) Explain transaction risk. How do companies protect themselves against transaction risk.
   (C) Write note on role of BIS (Bank of International Settlement).

5. (A) Spot USD/INR rate is: 62.1234. Six month forward rate is 62.8834. Interest rate in USA is 2% per annum and interest rate in India is 8% per annum. Find arbitrage opportunity (if any) on one million. **05**

   (B) Case study:

   India posted a current account deficit (CAD) of $3.4 billion, or 0.6% of gross domestic product (GDP), in the October-December quarter as per data released by the Reserve Bank of India (RBI).

   The CAD in the second quarter was higher than the first quarter (April-June) CAD of 0.1% of GDP but lower than the same quarter (July-September) a year ago at 1.7% of GDP. The contraction on a year-on-year (y-o-y) Basis was primarily on account of a lower trade deficit ($25.6 billion) brought about by a larger decline in merchandise imports relative to exports.

   India's merchandise exports and imports turned positive in September and October after consistently decline since December 2014-barring in June-because of Sluggish global demand and low commodity prices.

   RBI had to continuously intervene during last two quarters in order to defend value of rupee.

   Questions:-

   (i) What is current account deficit? **2.5**
   (ii) What is balance of Trade? **2.5**
   (iii) What is meant by RBI intervention? **2.5**
   (iv) As per the case study what is the current status of CAD? **2.5**
