TyBms — 19.

Paper / Subject Code: 12607 / Elective: Fiance: International Finance.

Q.P.Code:31328

Time- 2 $\frac{1}{2}$ Hours **Marks75**

N.B: All questions are compulsory with internal choice

Figures to the right indicates full marks.

Q.1. Attempt any two Questions:

a) What is International Finance? Discuss its goals. (7.5)

b) What is Balance of Payment? Explain its components. (7.5)

c) The following quote is given (7.5)
USD 1 = CAD 1.1320/40
EUR 1 = USD 1.2316/1.2426
For each of the above quotes:
Identify the country in which the quotes are direct.
Find the mid rate, spread and spread percentage.
Calculate the inverse quote.

Q.2. Attempt any two Questions:

a) The following data is available to decide on the best alternative for borrowing INR 10 Million for a temporary period of three months on a risk free basis. Exchange rates are against INR. (7.5)

	Currency	Spot Rate	3 months forward rate	Interest rate
1.	USD	40.1450	40.2550	4.00 % p.a.
2.	EUR	55.1850	56.2350	4.50 % p.a.
3.	GBP	79.1600	79.8500	5.00 % p.a.

b) Calculate six month forward EUR/CAD (7.5)
Spot Rate EUR/CAD = 1.3460
EUR interest rate = 1.25 % p.a.
CAD interest rate = 1.75 % p.a.

c) List and explain any three global money market instruments. (7.5)

Q.3. Attempt any two Questions:

a) What is FDI? What is its significance? (7.5)

b) Discuss the competitive advantages of Euro Banks. (7.5)

c) What are Depository Receipts? Explain ADR and GDR. How are the different from each other? (7.5)

Q.4. Attempt any two Questions:

a) What are the various types of risks associated with Foreign Exchange? (7.5)

b) Write a short note on Tax Haven. (7.5)

c) BMS Ltd. is considering investing in a project requiring a capital outlay of Rs. 4,00,000. Forecast for annual income after tax is as follows: (7.5)

Year	1	2	3	4	5
Profit After Tax	2,00,000	2,00,000	1,60,000	1,60,000	80,000

Depreciation is 20% on Straight Line basis. Evaluate the project on the basis of NPV taking 14% discounting factor and advise whether BMS 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.

Q.5. a) **Case Study:**

The decision to relax FDI norms in sectors like single-brand retail would lead to further increase in foreign investment inflows. India continues to attract high levels of foreign direct investment. The decision to permit foreign airlines to invest up to 49 percent in Air India is expected to bring some capital to support a turnaround in the national carrier. In big bang FDI reforms the government permitted foreign airlines to invest up to 49 percent in debt-ridden Air India and eased norms for investment in single-brand retail, construction and power exchanges. Industry experts believe that the move will not only attract additional foreign capital but will also provide an impetus to the retail industry growth, at a time when organised and retail sector is already seeing a strong growth over the last 12 months. Global brands across different categories, from apparel to electronics to accessories will be aided through this, providing further options to Indian consumers and improving India's ranking in ease of doing business.

The government is considering allowing 100 percent foreign direct investment in insurance broking with a view to giving a boost to the sector and attracting more funds. The FDI policy, at present, allows 49 percent foreign investment in the insurance sector that encompasses insurance broking, insurance companies, third party administrators, surveyors and loss assessors as defined by the Department of Industrial Policy and Promotion. Representations have been made to the government that insurance brokers should be treated at par with other financial services intermediaries, where 100 per cent FDI is permitted. It is further clarified that the FDI cap for insurance companies would remain at 49 per cent.

Answer the following questions:

1) What will be the positive impact of decision to permit foreign airlines to invest up to 49% in Air India? (2)
(2) What will be the impact of recent FDI reforms on single-brand retail industry? (2)
(3) What is the present policy of FDI in insurance sector in India? (2)
(4) Is there any difference between FDI and FPI? Explain. (2)
(5) Do you think that it is possible to improve India's ranking in ease of doing business by relaxing FDI norms? Justify your answer. (2)

b) **Solve the following:** (5)
Spot Rate USD/SEK 6.4220
3 months Forward Rate 6.5560
Calculate AFM and interpret the results.

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