

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) Multiple Choice Questions (any 8):

(08)

- (1) The term Euro currency market refers to \_\_\_\_\_
  - a) The countries which have adopted Euros as their country,
  - b) the market in which Euro is exchanged for other countries,
  - c) the market where the borrowings and lending of currencies take place outside the country of issue,
  - d) the international foreign exchange market
- (2) Bond issued simultaneously in several global financial centre is \_\_\_\_\_
  - a) Domestic Bond
  - b) Foreign Bond
  - c) Global Bond
  - d) Euro Bond
- (3) IMF is a firm of \_\_\_\_\_
  - a) 190 members countries
  - b) 182 members countries
  - c) 186 members countries
  - d) 183 members countries
- (4) In a quote exchange rate, the currency that is to purchase with another currency is called \_\_\_\_\_
  - a) Liquid Currency
  - b) Foreign Currency
  - c) Local Currency
  - d) Base Currency
- (5) US dollar denominated bond issued in US domestic market is known as \_\_\_\_\_
  - a) Yankee Bond
  - b) Bull dog Bond
  - c) Samurai Bond
  - d) Dual Bond
- (6) IMF is headquartered in \_\_\_\_\_
  - a) Washington United States
  - b) New York United States
  - c) Geneva Switzerland
  - d) Avenue Du Mont Blanc Switzerland
- (7) Japanese Yen denominated bond issued in Japan domestic market is \_\_\_\_\_
  - a) Yankee Bond
  - b) Bull dog Bond
  - c) Samurai Bond
  - d) Dual Bond
- (8) An option at the money when \_\_\_\_\_
  - a) The strike price is greater than the spot price, in the case of call option
  - b) The strike price is greater than the spot price, in the case of put option
  - c) The option has a ready market
  - d) The strike price and the spot price are the same

- (9) EURO is the official currency of \_\_\_\_\_
- All the states of Europe
  - All the states of European Union
  - Only 12 of the states of European Union
  - Only 10 of the states of European Union
- (10) Forward contract is an agreement to buy or sell an asset on \_\_\_\_\_
- Specified Price
  - Specified Time
  - Specified Date
  - Specified Volume

**Q.1.(B) Match the following:**

**(07)**

Column "A"		Column "B"	
1.	ADR	a.	Issued in European Capital Market
2.	PiP	b.	Interest Rate Futures
3.	PPP theory	c.	Money transfer system at international level
4.	LORO	d.	Negotiated only in America
5.	IRF	e.	Japanese Currency
6.	GDR	f.	Price Interest Point
7.	YEN	g.	One Price Theory
8.	SWIFT	h.	Interbank rate offer
9.	Ask rate	i.	"Theirs"
10.	LIBOR	j.	Selling rate

**Q.2.**

(A) Describe the scope of International Finance. **(08)**

(B) Explain the components of Balance of Payments. **(07)**

**OR**

(P) The following quote is given in Mumbai **(08)**  
 1USD = Rs. 64.7250 – Rs. 64.7300

- Is this quote "Direct" or "Indirect" in Mumbai?
- Calculate Mid-rate, Spread and Spread %
- Find the inverse quote.

(Q) The following quotations are available in New York: **(07)**

1 USD = GBP 0.6530-0.6540

1 USD = CAD 1.0408-1.0418

The following quotation is available in Toronto:

1 GBP = CAD 1.5898-1.5908

- From the quotes, given in New York, Calculate the cross-currency quotation for 1 GBP in terms of CAD.
- Compare the derived GBP/CAD quote with the quote given in Toronto and find the arbitrage gain if any on GBP 1 Million.

- Q.3.
- (A) What are currency options? Explain its types? (08)
- (B) State the differences between futures and options. (07)
- OR**
- (P) Following is the GBP/ USD spot rate: 1.2192/1.2290 (08)  
 1 month forward points are: 100/150  
 3 month forward points are: 300/500  
 6 months forward points are: 500/800  
 Calculate 1, 3 and 6 months outright forward quote
- (Q) Spot EUR/JPY 119.3525 (07)  
 1 month forward rate 119.3625  
 Calculate 1 Month AFM and interpret the results.

- Q.4.
- (A) Discuss the elements of International Equity Market. (08)
- (B) Describe the features of FEMA. (07)
- OR**
- (P) The following data is available to decide on the best alternative for borrowing INR 5 Million for a temporary period of three months on a risk free basis. Exchange rates are against INR. (08)

	Currency	Spot Rate	3 months forward rate	Interest rate
1.	USD	65.1450	65.2550	4.00 % p.a.
2.	EUR	81.1850	81.2350	4.50 % p.a.
3.	GBP	91.1600	91.8500	5.00 % p.a.

- (Q) Hinduja Ltd. is considering investing in a project requiring a capital outlay of Rs. 2,00,000. Forecast for annual income after tax is as follows: (07)

Year	1	2	3	4	5
Profit After Tax	1,00,000	1,00,000	80,000	80,000	40,000

Depreciation is 20% on Straight Line basis. Evaluate the project on the basis of NPV taking 14% discounting factor and advise whether Hinduja 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) Explain the benefits of doing business internationally. (08)
- (B) What are Tax Havens? Explain their advantages. (07)

**OR**

**Write Short Notes on (any three)** (15)

- 1) FDI Vs. FPI
- 2) Participants of Foreign Exchange
- 3) Fixed Vs. Flexible Exchange Rate System
- 4) Fisher Effect
- 5) Hedging