

Duration: 2½ hours

Marks: 75

Note: 1) All questions are compulsory.

2) Figures to the right indicate full marks

**Q.1 A) Multiple Choice Questions (Any 8)**

(08)

- 1) A deficit in the current account of the BoP means \_\_\_\_\_
  - a) The country is importing more than it is exporting
  - b) The country is receiving more investment from abroad than it is making
  - c) There is more money flowing into the country than out
  - d) There is a surplus in the capital account
- 2) The term "invisible trade" in the BoP refers to \_\_\_\_\_
  - a) Trade in goods
  - b) Trade in services, income, and transfers
  - c) Financial capital movements
  - d) Investment in physical assets
- 3) Offshore banks are typically located in \_\_\_\_\_
  - a) Countries with strict tax policies
  - b) Countries known as tax havens, such as the Cayman Islands and Switzerland
  - c) Developing countries
  - d) Countries with large populations
- 4) Foreign Portfolio Investment (FPI) typically involves \_\_\_\_\_
  - a) Direct ownership of physical assets
  - b) Investment in financial assets like stocks, bonds, and other securities
  - c) Building factories and infrastructure in a foreign country
  - d) Controlling management decisions in foreign companies
- 5) \_\_\_\_\_ is a major participant in the foreign exchange market.
  - a) Central banks
  - b) Retail investors
  - c) Real estate agents
  - d) Commodity traders
- 6) In the forex market, the term "bid price" refers to:
  - a) The price at which a dealer is willing to buy a currency
  - b) The price at which a dealer is willing to sell a currency
  - c) The average price of a currency pair over time
  - d) The interest rate of foreign currency deposits
- 7) \_\_\_\_\_ is the primary goal of risk management.
  - a) Maximizing potential profits
  - b) Minimizing the impact of adverse events on financial performance
  - c) Eliminating all forms of business risk
  - d) Increasing volatility in financial markets



8) In an options contract, the right to buy an asset at a specific price before a certain date is called a \_\_\_\_

- a) Put option
- b) Call option
- c) Swap
- d) Forward contract

9) \_\_\_\_ is a common risk associated with cryptocurrency investments.

- a) Guaranteed returns
- b) Extreme price volatility
- c) Government insurance protection
- d) No fluctuation in value

10) \_\_\_\_ is a correspondent bank.

- a) A bank that operates in multiple countries simultaneously
- b) A foreign bank that provides services on behalf of another domestic bank in cross-border transactions
- c) A bank that deals only in domestic currency transactions
- d) A bank that offers retail services to international travellers

**Q.1.B)** State whether the following statements are True or False: (Any seven) (07)

- 1) Credit rating agencies only rate government bonds.
- 2) A Letter of Credit can only be used for international trade transactions.
- 3) The primary purpose of a forward contract is to hedge against price fluctuations in the underlying asset.
- 4) Translation risk is relevant to the income statement but not to the balance sheet.
- 5) FEDAI is a non-governmental organization that provides guidelines and standards for foreign exchange dealings in India.
- 6) FEMA was enacted in India to replace the Foreign Exchange Regulation Act (FERA).
- 7) FCEBs are only issued by governments and not by private corporations.
- 8) American Depositary Receipts (ADRs) are a type of Depositary Receipt issued specifically for trading on U.S. exchanges.
- 9) Under a hard peg, the central bank has significant flexibility in adjusting monetary policy to respond to economic conditions.
- 10) A currency is considered fully convertible if it can be exchanged freely at market rates without restrictions or controls.

**Q.2.a.** Explain importance of international finance. (08)

**b.** Explain advantages of foreign portfolio investment. (07)

**OR**

**Q.2.c.** Explain meaning of GDR. Also explain parties involved in GDR. (08)

**d.** Explain features of Bretton woods system. (07)

**Q.3.a.** Explain determinants of exchange rate. (08)

**b.** Explain meaning and advantages of foreign currency swaps. (07)

**OR**

**Q.3.c.** Explain risks faced by corporates and banks. (08)

**d.** Distinguish between FERA and FEMA. (07)

- Q.4.a. Explain meaning and features of international banking in detail. (08)  
 b. Explain risk management through hedging. (07)

OR

- Q.4.c. Calculate forward rates of Euro to Dollar for various maturities based on following data: (08)

Spot Euro against dollar is 1 EURO = 1.3787/1.3797

Euro to Dollar	Swap Points
1 month	30/25
2 months	60/50
3 months	80/70
4 months	95/90

- Q.4.d. Calculate Mid-rate, Spread, Spread % and Inverse quote for EUR/USD 1.5580/1.5600. (07)

- Q.5.a. Explain meaning and types of letter of credit. (08)  
 b. Explain reasons for growth of Eurocurrency market. (07)

OR

- Q.5.a. Explain risk management through hedging. (07)  
 b. Explain different types of letter of credit. (08)
- Q.5. Write short notes on any three: (15)
- Bitcoin
  - Disadvantages of FDI
  - Dealing room operations
  - Types Euro Bonds
  - Components of BOP