

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.

(a) Multiple Choice Questions(any 8):

(08)

- (1) "Their account with us" is used for \_\_\_\_\_ account.
  - a) NOSTRO
  - b) VOSTRO
  - c) LORO
  - d) SWIFT
- (2) Translation risk is in relation to the \_\_\_\_\_.
  - a) Market
  - b) Invoice
  - c) Assets & Liabilities of Business
  - d) Contract
- (3) A \_\_\_\_\_ option gives the holder the right to buy the underlying asset.
  - a) Put
  - b) Share
  - c) Call
  - d) Forward
- (4) Foreign Exchange Market is a \_\_\_\_\_ market.
  - a) Regulated
  - b) Unregulated
  - c) Directive
  - d) Democratic
- (5) If the quotation is USD/GBP 1.2433-00, in this case, the Ask value is: \_\_\_\_\_.
  - a) 1.2433
  - b) 1.24
  - c) 1.25
  - d) 1.2333
- (6) \_\_\_\_\_ deals with the global rules of trade between nations.
  - a) IFC
  - b) IBRD
  - c) WTO
  - d) IFRS
- (7) An investor looking at reducing his risk is known as \_\_\_\_\_.
  - a) Speculator
  - b) Hedger
  - c) Arbitrageur
  - d) Trader

- (8) \_\_\_\_\_ contracts are bilateral contracts.  
 a) Forward  
 b) Futures  
 c) Options  
 d) Swaps
- (9) \_\_\_\_\_ was introduced at a time when forex reserves of the country were low.  
 a) FERA  
 b) FEMA  
 c) GATT  
 d) EXIM
- (10) \_\_\_\_\_ involves comparing receipts and payments in the same foreign currency.  
 a) Pairing  
 b) Transacting  
 c) Analysing  
 d) Matching

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

- 1) Leading refers to making payment in advance before the change of rate.
- 2) A call option gives the holder the right to buy the underlying asset.
- 3) Speculators attempt to profit from rising and falling prices.
- 4) Trade Balance is the difference between export and import of goods.
- 5) Tax havens offer minimum or no tax liability to individuals and corporations.
- 6) Future contracts are customized contracts.
- 7) In case of Triangular Arbitrage, there are four quotes available.
- 8) Investment is a component of the current account in BOP.
- 9) If NPV is negative, accept the project.
- 10) Internal Rate of Return (IRR) is calculated by equating Net Present Value (NPV) to one.

**Q.2.(A) What is International Finance? Discuss its significance.** (08)

**(B) What is Gold Standard? What are its features** (07)

**OR**

**(P) Given: NZD USD 0.5932-0.5948** (08)

Answer the following questions:

- 1) In which country the quote is Indirect?
- 2) Calculate the Inverse Quote.
- 3) Find: Mid Rate, Spread and Spread%

**(Q) Consider the following quotations:** (07)

AED/INR 23.5250-23.5290

EUR/INR 103.4545-103.4595

Calculate the AED/EUR exchange rate from the above two quotations.

**Q.3.(A) What is Foreign Exchange Market? Discuss its structure** (08)

**(B) What are various global money market instruments?** (07)

**OR**

**(P)** (08)

Spot GBP/USD	1.2150-1.2175
1 Month Forward	15-20
3 Month Forward	50-60
6 Month Forward	80-95



**Calculate:** 1 Month Forward GBP/USD, 2 Month Forward GBP/USD, 3 Month Forward GBP/USD

- (Q) Spot GBP CAD 1.8720 (07)  
 120 Days Forward GBP SGD 1.8825  
 Calculate AFM and interpret the results.

- Q.4.(A) What is FDI? What are its advantages? (08)  
 (B) What are different types of Eurobonds? (07)

OR

- (P) Spot CHF/USD 1.1355 (07)  
 CHF Interest Rate: 4.5 % p.a.  
 USD Interest Rate: 4.00% p.a.  
 Calculate 6 Month Forward CHF/USD

- (Q) From the following data, find the best alternative for borrowing INR 20 Million for a temporary period of 6 Months. Exchange rates are against INR. (08)

	Currency	Spot Rate	6 months forward rate	Interest rate
1.	USD	82.1245	82.2765	5.25%
2.	EUR	95.1650	95.2000	4.50%
3.	GBP	101.0650	101.0950	5.00%

- Q.5.(A) What are the benefits of doing the business internationally? (08)

- (B) German Trans Co. is considering an investment that requires an **initial investment of €600,000**. The project is expected to generate the following cash flows over the next five years: (07)

Year	Cash Flow (€)	Discount Factor (8%)
1	130,000	0.926
2	160,000	0.857
3	190,000	0.794
4	220,000	0.735
5	280,000	0.681

**Requirement:**

1. Compute the **Present Value (PV)** of each year's cash flow.
2. Determine the **Net Present Value (NPV)** of the project.
3. Should the company **accept or reject** the project if the required rate of return is **8%**?

OR

- Q.5. **Write Short Notes on (any three)** (15)

- (P) i) Bretton woods System  
 ii) FPI  
 iii) Tax Haven  
 iv) GDRs  
 v) FOREX Market