

Please check whether you have got the right question paper.

- N.B: 1. All questions are compulsory Subject to internal options.
2. Figures to the right indicate full marks

Q.1 Attempt any two Questions (7.5 marks each)

15

1. Distinguish between Autonomous and Accommodating transactions.
2. What is gold standard system? State features, advantages and disadvantages
3. The following quotes are given
 - a. USD / CHF 1.8990-00
 - b. USD / INR 62.1867 – 63.1682

Identify the country in which the above quotes are direct. Find mid rate, spread and spread percentage for both the quotes calculate the inverse for both the quotes.

Q.2 Attempt any two Questions (7.5 marks each)

15

- a. Assuming zero transaction cost, calculate arbitrage gain that can be derived from following quotes.
GBP/USD 1.5393-03
USD/AUD 0.9790-00
GBP/AUD 1.5100-10
- b. Calculate quotations for
 - a. 39 days b. 68 days.
 - Spot rate 65.8830-65.8990
 1. Month forward 850-900
 2. Month forward 1750-1900
 3. Month forward 2680-2800
- c. What is foreign exchange market? Discuss in detail the structure of foreign exchange market.

Q.3 Attempt any two Questions (7.5 marks each)

15

- a. What do you mean by euro-currency bonds? What are its types?
- b. What is ADR? What are the types of ADR?
- c. Distinguish between F.D.I and F.P.I

Q.4 Attempt any two Questions (7.5 marks each)

15

- a. What is speculation in FOREX? How it is different from arbitrage?
- b. What are the foreign exchange risk management techniques?
- c. Discuss in detail project appraisal in international context.

(Turn Over)

Q.5 Case study

China commenced its transition to a global power house in 1978, as Deng Xiaoping ushered in sweeping economic reforms. In the three decades from 1980 to 2010, china achieved GDP growth averaging 10%, in the process lifting half of its 1.3 billion population out of poverty. The Chinese economy grew five-fold in dollar terms from 2003 to 2013, and at \$9.2 trillion, it was easily the world's second-largest economy at the end of that period.

But despite a slowing growth trajectory that saw the economy expand by "only" 7.7% in 2013, china appears to be on track to surpass the united states as the world's largest economy sometime in the 2020s. In fact, based on purchasing power parity – which adjusts for differences in CURRENCY RATES – china may pull ahead of U.S as early as 2016, according to a report on global long-term growth prospects released by the organization for economic cooperation and development in November 2012. (It should be noted that such bullish estimates about china's long-term growth prospects are viewed with considerable skepticism by a growing number of economists and MARKET watchers)

China's rapid growth since the 1980 has been fueled by massive exports. A significant chunk of these exports goes to the U.S, which overtook the European union as china's largest export MARKET in 2012. China, in turn, was the united states second-largest trading partner in 2013, its third-largest export market, and by far its biggest source of imports. The tremendous expansion in economic ties between the U.S and china –which accelerated with china's entry into the world trade organization in 2001 – is evident in the more than 100 fold increase in total TRADE between the two nations, from \$5 billion in 1981 to \$559 billion in 2013.

Answer the following questions

- What is devaluation of currency. How it is different from depreciation of currency?
- What is purchase power Parity? Explain with the help of above paragraph
- Why 1980-2010 is considered as period of economic reform in china.
- What are the reasons of increasing trade between USA and china?
- What are the ways to increase export other than devaluation of currency?

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Q.5 ii) Mr. Ganesh is planning to buy a machine would generate cash flow in USD as follows.

05

| Year | 0 | 1 | 2 | 3 | 4 |
|------------------|----------|-------|------|--------|-------|
| Cash flow in USD | (20,000) | 7,000 | 9000 | 18,000 | 9,000 |

If discount rate is 10% is it worth to invest in machine?

| Year | 1 | 2 | 3 | 4 |
|-----------------|-------|-------|-------|-------|
| Discount factor | 0.909 | 0.826 | 0.751 | 0.683 |