

**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) Fill in the blanks by choosing the right option (any 8):****(08)**

- (1) Reserves are held in following forms except \_\_\_\_\_. (Foreign Currency, SDR, Silver)
- (2) Under \_\_\_\_\_ there is interference of monetary authorities to decide exchange rates. (Fixed Exchange System, Flexible Exchange rate System, both)
- (3) SBI A/C with HSBC in UK is an example of \_\_\_\_\_. (LORO, NOSTRO, VOSTRO)
- (4) PPP theory \_\_\_\_\_ government intervention. (ignores, includes, requires)
- (5) The project is financially viable if NPV is \_\_\_\_\_. (positive, negative, zero)
- (6) \_\_\_\_\_ is known as secrecy jurisdiction. (Tax haven, Transfer pricing, foreign affiliate)
- (7) \_\_\_\_\_ risk is also called as "Accounting exposure". (Transaction, Economic, Translation)
- (8) \_\_\_\_\_ is a type of security listed in Luxemburg. (ADR, GDR, IDR)
- (9) An option giving the buyer of the options the right but not the obligation to buy a currency is \_\_\_\_\_. (call option, put option, forward option)
- (10) Difference between the value of merchandise exports & imports is \_\_\_\_\_. (BOP, BOT, Reserve A/C)

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

- (1) FDI is recorded in capital account of Balance of payments.
- (2) Under fixed exchange rate system value of currency is decided by market forces of demand & supply forces.
- (3) Spread is bid-ask.
- (4) Hedging means protecting the business from risks.
- (5) Standardized contract terms are used in Forward contract.
- (6) A Euro bond is an international bond denominated in a currency not native to the country where it is issued.
- (7) Sensex includes 30 largest & most actively traded stocks in BSE.
- (8) Entry & exit of FDI is more difficult compared to FPI.
- (9) There is lot of transparency in tax havens.
- (10) AFM stands for Arbitrageur's Forward Margin.

Q.2.

- (A) Explain the concept of International Finance and discuss the emerging challenges in International Finance. (08)
- (B) State the difference between fixed and flexible exchange rate system. (07)

OR

- (P) Spot USD/CAD 1.1045 – 1.1095 (08)  
 USD Interest rate 2.50% p.a.  
 CAD Interest rate 3.25% p.a.  
 Calculate 90 days forward USD/CAD quotation.

- (Q) Spot USD/INR 45.0260 - 45.0315 (07)  
 1 month forward 485 - 535  
 2 month forward 985 - 1060  
 Calculate outright forward rate for 1 month & 2 month.  
 Calculate outright forward rate for 45 days.

Q.3.

- (A) Briefly describe the structure of Indian foreign exchange market. (08)
- (B) Explain various types of currency derivatives. (07)

OR

- (P) The following quote is given by a bank in Mumbai: (08)  
 1 USD = INR 67.7550 – 67.7575  
 • Is this quote “Direct” or “Indirect” in Mumbai?  
 • Calculate Mid-rate, Spread and Spread %  
 • Find the inverse quote.

- (Q) From the following data decide on the best alternative for investing INR 10 Million for a temporary period of 6 months on risk free basis. Ignore transaction cost. (07)

Currency	Spot	6 month forward	Interest Rate
EUR	80.2650	80.2950	4.00 %
USD	64.1225	64.1275	4.50 %
GBP	95.3550	95.3650	3.00 %

Q.4.

- (A) Discuss any two types of Euro Bonds in detail. (08)
- (B) Describe various types of capital budgeting techniques. (07)

OR

- (P) The following quotes are given in US: (08)  
 GBP/USD-1.5393-1.5403  
 USD/AUD-0.9790-0.9800  
 And the given quote in Australia is:  
 GBP/AUD-1.5100-1.5110  
 i) Derive the quote GBP/AUD from the set of quotes given in US  
 ii) Compare the derived GBP/AUD quote with the quote given in Australia and find arbitrage if any on 1 Million GBP.



- (Q) From the following given details calculate NPV. Required Rate 10%. (07)

Particulars	Amount in Rs.
Cost of investment	2,00,000
Expected Life (No salvage value): 5 Years	-
Cash inflow: year- 1	60,000
2	50,000
3	60,000
4	60,000
5	60,000

The present value of Re. 1 at 10% discounting rate are 0.909, 0.826, 0.751, 0.683, 0.621

Q.5.

- (A) What are different types of foreign exchange risks faced by firms? (08)  
 (B) Describe the objectives of taxation. (07)

OR

Write Short Notes on (any three)

(15)

- 1) Arbitrage
- 2) FEDAI.
- 3) GDRs
- 4) FEMA
- 5) Tax havens