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. Attempt any two Questions:

a) What is International Finance? Discuss its significance. **(7.5)**

b) Explain the features of Bretton Wood System. **(7.5)**

c) The following quote is given **(7.5)**
USD 1 = SGD 1.0250-1.0350
Identify the country in which the quote is direct.
Find the mid rate, spread and spread percentage.
Calculate the inverse quote.

Q.2. Attempt any two Questions:

a) The following data is available to decide on the best alternative for investing INR 20 Million for a temporary period of six months on a risk free basis. Exchange rates are against INR. **(7.5)**

	Currency	Spot Rate	6 months forward rate	Interest rate
1.	USD	62.2150	64.2150	4.50 % p.a.
2.	GBP	91.2345	92.3150	3.50 % p.a.
3.	EUR	80.1250	81.1250	5.00 % p.a.

b) Calculate six month forward USD/CAD **(7.5)**
Spot Rate USD/CAD 1.2560
USD interest rate = 2.50 % p.a.
CAD interest rate = 1.75 % p.a.

c) Discuss the PPP theory in detail. **(7.5)**

Q.3. Attempt any two Questions:

a) What is FDI? How is it different from FPI? **(7.5)**

b) Discuss the origin and growth of Euro Currency Market. **(7.5)**

c) What are Depository Receipts? Explain ADR and its levels or types. **(7.5)**

Q.4. Attempt any two Questions:

a) What are the factors affecting risk in foreign exchange? **(7.5)**

b) What are benefits of Tax Havens? **(7.5)**

c) Suhas 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: **(7.5)**

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 Suhas 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) Case Study:

India's current account deficit (CAD) stood at US$ 15.8 billion (2.4 per cent of GDP) in Q1 of 2018-19 as compared with US$ 15.0 billion (2.5 per cent of GDP) in Q1 of 2017-18. The widening of the CAD on a year-on-year (y-o-y) basis was primarily on account of a higher trade deficit at US$ 45.7 billion as compared with US$ 41.9 billion a year ago. Net services receipts increased by 2.1 per cent on a y-o-y basis mainly on the back of a rise in net earnings from software and financial services. Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to US$ 18.8 billion, increasing by 16.9 per cent from their level a year ago.

In the financial account, net foreign direct investment at US$ 9.7 billion in Q1 of 2018-19 was higher than US$ 7.1 billion in Q1 of 2017-18. Portfolio investment recorded net outflow of US$ 8.1 billion in Q1 of 2018-19 – as compared with an inflow of US$ 12.5 billion in Q1 last year – on account of net sales in both the debt and equity markets.

Answer the following questions:

(1) What was the Current Account Deficit in Q1 of 2018-19? What was the reasoning behind the widening of this CAD? **(2.5)**

(2) What are private transfer receipts? In which account are they recorded in BOP? **(2.5)**

(3) What is the recorded status of FDI and FPI in Q1 of 2018-19? **(2.5)**

(4) What are the benefits of Portfolio investments? **(2.5)**

b) Solve the following: **(5)**

Spot Rate USD/INR 65.4220

3 months Forward Rate 65.5550

Calculate AFM and interpret the results.
