TYBAF Sem-V

Dec-2022

15/12/22

Paper / Subject Code: 44807 / International Finance

Time : 2 ½ Hours

Marks : 75

1. All question are compulsory.
2. Make suitable assumptions wherever necessary and state the assumptions made.
3. Answer to the same question must be written together.
4. Numbers to the right indicate marks.

Q1) (A) Multiple Choices Question: (Any Eight) **(08)**

1. Spot price of a stock is 1100. Risk free interest rate is 5%, fair value for a 9months contract is ____
   a) 1155 b) 1142 c) 1128 d) 1114
2. In diagonal spread of options, strike price is ____________
   a) Same b) different c) cannot be determined d) no relationship
3. A ____________ is your account of your money, held by us.
   a) Nostro b) Vostro c) Loro d) None of these
4. 100 INR= JPY 175- it is a direct quote for ____________
   a) India b) Japan c) USA d) None of these
5. Using Future contracts to transfer price risk is called ____________
   a) Arbitraging b) Speculating c) Diversifying d) Hedging
6. In Holgate principle, if Bid > Ask, Swap Points for forward rate are to be ____________
   a) Added b) subtracted c) multiplied d) divided
7. ____________ is based on the concept of "Law of one Price"
   a) IRP Theory b) PPP Theory c) Fishers Parity Theory d) none of these.
8. In diagonal spread of options, strike price is ____________
   a) Same b) different c) cannot be determined d) no relationship
9. The risk that a government may default on its debt obligation ____________
   a) Political risk b) Sovereign risk c) Transfer risk d) Transaction risk
10. Interbank market deals are conducted mainly over the ____________
    a) telephone b) telegraph c) email d) courier

Q1. B. Answer whether the below statements are true or false (Any seven) **(07)**

1) Short position is taken by option seller.
2) Premium on base currency is always deducted from the spots rate.
3) Time value of an option can be negative.
4) Bid quote is the price at which the exchange dealer is ready to buy the currency.
5) According to Prof. Fisher, nominal rate of interest depends on inflation rate.
6) Economic risk is difficult to quality.
7) There is very less transparency in forex trading
8) Nifty includes stocks of 30 blue-chip companies
9) Basis is futures price minus spot price.

10) Forward contracts can be closed prior to delivery.

Q2) (A) (08)

Maturity	USD/SEK	GBP/USD
Spot	6.50000 - 30	1.5200 - 20
1 month forward	140 - 180	12 – 08
3 month forward	460 - 550	42 - 30
6 month forward	1050 - 1190	100 - 75

I. Calculate 58 days forward USD/SEK

II. Calculate 115 Days Forward GBP/USD

Q2) (B) From the following information calculate each case: (07)

a) Spread MID rate and % spread.

b) Calculate the implied inverse quote.

i) EUR/ USD 1.2810 – 15

ii) USD / INR 65.9985 - 15

OR

Q2) (C) Define International Finance. What are the merging challenges in International Finance. (08)

Q2) (D) Write a note on the Purchase Power Parity. (07)

Q3) (A) Spot USD/SEK → 6.5000 (08)

USD Interest rate = 0.75 % p.a.
SEK interest rate = 1.25 % p.a.
Calculate three-month forward USD/SEK rate

Q3) (B) If Mr. Arjun buys a February Call option at a strike price of Rs. 600. If the spot price of the underlying asset in February is as follows:

Rs 550, Rs 620, Rs 570 and Rs. 600, Find the moneyness of this option. (07)

OR

Q3) (C) Define foreign exchange market. Explain its characteristics (08)

Q3) (D) Explain the internal techniques of managing foreign exchange risk. (07)

Q4) (A) Who are the Participants of Foreign Exchange Market? (08)

Q4) (B) Explain the different functions of Foreign Exchange Market. (07)

OR

Q4) (C) Spot USD/SEK → 6.5000 (08)

USD Interest rate = 0.75 % p.a.
SEK interest rate = 1.25 % p.a.
Calculate three-month forward USD/SEK rate

Q4) (D) Given: (07)

AUD/USD → 1.9409 – 1.9448 (Bank A)

AUD/USD → 1.9498 – 1.9500 (Bank B)

Identify and calculate arbitrage profit.

Q5) (A) What are the factors affecting change in exchange rate? (08)

Q5) (B) Distinguish between Translation Risk & Operating Risk. (07)

OR

Q5) (C) **Short Notes (Any three).** (15)

1. Option Contract.
2. Globalization of World Economy.
3. Underlying Asset.
4. Forward Rates.
5. Vostro Account.

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