(6) The risk of loss in purchasing power because the value of investments does not keep up with inflation is called as _______
(a) Concentration Risk
(b) Inflation Risk
(c) Liquidity Risk
(d) Transaction Risk

(7) ______ is a way of trading non-U.S. stocks on the U.S. exchange.
(a) ADR
(b) GDR
(c) IDR
(d) FDI

(8) ______ is currency held on deposit outside its home market.
(a) Eurobond
(b) Eurocurrency
(c) Euro credit
(d) Zero Coupon Bond

(9) ______ is the process of assessing, in a structured way, the case for proceeding with a project or proposal, or the project's viability.
(a) Project Appraisal
(b) Project Finance
(c) Project Measurement
(d) Project Performance

(10) According to ______ technique of FOREX risk management, a company dealing in international transactions must make all its payments in its domestic currency and must have the policy of accepting only domestic currency from the debtors.
(a) Matching
(b) Leading and Lagging
(c) Hedging
(d) Invoice in Home Currency

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

1) The Balance of Payment identity is CA+FA+RA = 0
2) Gold standard has proved to be a "fair weather friend".
3) Nostro account points at "Our account with you"
4) Exporters sell foreign currencies for domestic currencies.
5) If AFM is positive, it represents premium on base currency.
6) The call option is the right to sell an asset at a fixed date and price.
7) In case of FPI, entry and exit are difficult.

8) Net Present Value = Present Value of Cash Inflow ÷ Present Value of Cash Outflow.

9) India is a tax haven country.

10) Dumping means selling goods at high price in international markets.

Q.2.(A) What is International Finance? Describe the emerging challenges in international finance. (08)

(B) What are the components of Balance of Payment? (07)

OR

(P) The following quote is given in Mumbai: 1USD = INR 81.2125-82.2325 (07)
- Is it a Direct Quote in India?
- Find Mid Rate, Spread and Spread%
- Calculate the inverse quote.

(Q) Identify if triangular arbitrage exists and calculate the same: (08)
USD CAD 1.1685-1.1695
USD CHF 1.3785-1.3795
CAD CHF 1.1885-1.1895
Note: Compare CAD CHF quotes for calculating Arbitrage & Assume Capital CAD 1 Million

Q.3.(A) Explain global money market instruments. (08)

(B) What is Euro bank? What are its competitive advantages? (07)

OR

(P) Consider the following information: (08)

Spot	1 USD = SGD 1.3320	-	1.3390
1 Month Forward	120	-	220
2 Month Forward	820	-	940
3 Month Forward	1120	-	1220
6 Month Forward	1980	-	2080

Calculate 1 Month Forward, 3 Month Forward and 6 Month Forward USD-SGD Rate.

(Q) 60 Days Forward USD-CHF 0.9508 (07)
Spot USD-CHF 0.9520
Calculate 60 Days AFM and interpret the results.

Q.4.(A) What is FDI? How is it different from FPI? (08)

(B) Describe the essential qualities of a FOREX manager. (07)

OR

(P) Given: (07)
6 Month Forward EUR/CAD 1.3493
EUR Interest Rate = 1.25% p.a.
USD Interest Rate = 1.75% p.a.
Calculate Spot EUR/CAD quotation

(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	80.1250	80.8890	4.00 % p.a.
2.	EUR	91.2750	91.8950	4.50 % p.a.
3.	GBP	98.3575	98.3675	5.00 % p.a.

Q.5.(A) What are tax havens? Explain their benefits. (08)

(B) A&N Ltd. is considering to invest in a project requiring a capital outlay of Rs. 6,00,000. Forecast for annual income after tax is as follows: (07)

Year	1	2	3	4	5
NPAT (Rs.)	3,00,000	3,00,000	2,40,000	2,40,000	1,20,000
Discount Factor @ 14% p.a.	0.8772	0.7695	0.6750	0.5921	0.5194
Depreciation is 20% on Straight Line Basis					

Evaluate the project on the basis of Net Present Value and advise whether A&N Ltd. should invest in the project or not?

OR

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

i) Gold Standard
ii) Functions of FOREX market
iii) ADRs
iv) Role of FEDAI
v) Types of FOREX Risks

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