Paper / Subject Code: 86002 / Elective : Finance: International Finance

Duration: 2.5 Hours **Marks: 75**

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) Multiple Choice Questions(any 8): **(08)**

(1) "Their account with us" is used for ______ account.
a) NOSTRO
b) VOSTRO
c) LORO
d) SWIFT

(2) Translation risk is in relation to the ______
a) Market
b) Invoice
c) Assets & Liabilities of Business
d) Contract

(3) A ____ option gives the holder the right to buy the underlying asset.
a) Put
b) Share
c) Call
d) Forward

(4) Foreign Exchange Market is a ______ market.
a) Regulated
b) Unregulated
c) Directive
d) Democratic

(5) If the quotation is USD/GBP 1.2433-00, in this case, the Ask value is: ______
a) 1.2433
b) 1.24
c) 1.25
d) 1.2333

(6) ______ deals with the global rules of trade between nations.
a) IFC
b) IBRD
c) WTO
d) IFRS

(7) An investor looking at reducing his risk is known as ________
a) Speculator
b) Hedger
c) Arbitrageur
d) Trader

(8) ______ contracts are bilateral contracts.
a) Forward
b) Futures
c) Options
d) Swaps

(9) ______ was introduced at a time when forex reserves of the country were low.
a) FERA
b) FEMA
c) GATT
d) EXIM

(10) ______ involves comparing receipts and payments in the same foreign currency.
a) Pairing
b) Transacting
c) Analysing
d) Matching

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

1) Leading refers to making payment in advance before the change of rate.
2) A call option gives the holder the right to buy the underlying asset.
3) Speculators attempt to profit from rising and falling prices.
4) Trade Balance is the difference between export and import of goods.
5) Tax havens offer minimum or no tax liability to individuals and corporations.
6) Future contracts are customized contracts.
7) In case of Triangular Arbitrage, there are four quotes available.
8) Investment is a component of the current account in BOP.
9) If NPV is negative, accept the project.
10) Internal Rate of Return (IRR) is calculated by equating Net Present Value (NPV) to one.

Q.2.(A) What is International Finance? Discuss its significance. (08)
(B) What is Gold Standard? What are its features (07)

OR

(P) Given: NZD USD 0.5932-0.5948 (08)
Answer the following questions:
1) In which country the quote is Indirect?
2) Calculate the Inverse Quote.
3) Find: Mid Rate, Spread and Spread%

(Q) Consider the following quotations: (07)
AED/INR 23.5250-23.5290
EUR/INR 103.4545-103.4595
Calculate the AED/EUR exchange rate from the above two quotations.

Q.3.(A) What is Foreign Exchange Market? Discuss its structure (08)
(B) What are various global money market instruments? (07)

OR

(P) (08)

Spot GBP/USD	1.2150-1.2175
1 Month Forward	15-20
3 Month Forward	50-60
6 Month Forward	80-95

Calculate: 1 Month Forward GBP/USD, 2 Month Forward GBP/USD, 3 Month Forward GBP/USD

(Q) Spot GBP CAD 1.8720 (07)
120 Days Forward GBP SGD 1.8825
Calculate AFM and interpret the results.

Q.4.(A) What is FDI? What are its advantages? (08)
(B) What are different types of Eurobonds? (07)

OR

(P) Spot CHF/USD 1.1355 (07)
CHF Interest Rate: 4.5 % p.a.
USD Interest Rate: 4.00% p.a.
Calculate 6 Month Forward CHF/USD

(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	82.1245	82.2765	5.25%
2.	EUR	95.1650	95.2000	4.50%
3.	GBP	101.0650	101.0950	5.00%

Q.5.(A) What are the benefits of doing the business internationally? (08)

(B) German Trans Co. is considering an investment that requires an **initial investment of €600,000**. The project is expected to generate the following cash flows over the next five years: (07)

Year	Cash Flow (€)	Discount Factor (8%)
1	130,000	0.926
2	160,000	0.857
3	190,000	0.794
4	220,000	0.735
5	280,000	0.681

Requirement:

1. Compute the **Present Value (PV)** of each year's cash flow.
2. Determine the **Net Present Value (NPV)** of the project.
3. Should the company **accept or reject** the project if the required rate of return is 8%?

OR

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

i) Bretton woods System
ii) FPI
iii) Tax Haven
iv) GDRs
v) FOREX Market