Program/Sem: T.Y.B.Com (A & F) – Sem - V Course: INTERNATIONAL FINANCE

Program Code: 2C00455 Course Code: 44807

Duration: 2 ½ Hour 10 NOV 2025 Max. Marks: 75

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.

Q. 1 Attempt the following.

A. Fill in the blanks with an appropriate answer from the alternatives given.(Any 8) **[08]**

i). In spot market, exchange of currencies takes place on _____.

(a) T + 1 (b) T + 0

(c) T + 2 (d) T + 4

ii). In Holgate principle, if bid is greater than ask , swap points for forward rate are to be _____.

(a) Added (b) Subtracted

(c) Multiplied (d) Divided

iii). Which of the following is most used to reduce default risk for futures contract?

(a) High liquidity (b) Flexible delivery arrangement

(c) Marking to market trading (d) Credit checks for both buyers and sellers

iv). When a company has receipts and payments in the same foreign currency due at the same time, it can use _____ technique of managing forex risk.

(a) Risk sharing agreement (b) Lagging

(c) Leading (d) Matching

v). _____ Theory states that exchange rate between two currencies is direct affected by their interest rates.

(a) IRP (b) PPP

(c) Fisher's (d) None of these

vi). The _____ requires that an upfront margin to trade on an exchange.

(a) Currency forwards (b) Currency options

(c) Currency ETFs (d) Currency futures

vii). _______ comprises of all those institutions and individuals who buy and sell foreign exchange which may be defined as foreign money or any liquid claim on foreign money.

(a) International monetary fund (b) IBRD

(c) Foreign exchange market (d) Bretton woods system

viii) Foreign currency forward market is _____.

(a) An over the counter unorganised market (b) Organised Market without trading

(c) Organised listed market (d) Unorganised listed market

ix). 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

x). _____ is a real time gross settlement funds transfer system operated by the United States federal reserve banks.

(a) Swift (b) CHIPS

(c) CHAPS (d) Fed wire

B. True or False: (Any 7) **[07]**

i). Covered interest arbitrage is the one in which foreign exchange is not hedged.

ii). Future contracts and forward contracts are same.

iii). Risk and exposure can be used interchangeably and have same meaning.

iv). Bid quote is the price at which the exchange dealer is ready to sell.

v). American option can be exercised on any date up to expiry date.

vi). Mean rate is also known as mid-rate.

vii). Hedging means protecting the business from risk.

viii) The forex market is not a global market.

ix). Speculators exploit the fluctuations in foreign exchange currencies.

x) Arbitrageurs buy and sell to assets and make money on price differences across different markets.

Q. 2 **Attempt either A or B.**

A. a) Define futures contract. State its features. **[08]**

b) Explain the functions of foreign exchange market. **[07]**

OR

B. c) Calculate Spread % and Inverse quote from the following: **[08]**
USD / INR 44.7250 / 300

d) USD / SEK 1.6345 / 6350 **[07]**
USD / JPY 125.35 / 125.45
Find SEK / JPY.

Q. 3 Attempt either A or B.

A. a) Explain the emerging challenges in international finance. **[08]**

b) State the types of participants in derivative market. **[07]**

OR

B. c) USD / CAD Spot rate 1.1620 **[08]**
3 months forward 1.1640
USD interest rate 4% p.a.
Find CAD interest rate

d) i). Mr Rajesh buys a call option of RIL Ltd at an exercise price of Rs. 100 with the premium of Rs. 3. Calculate the profit or loss on the option if the spot prices are 96, 97, 98, 99, 100, 101, 102, 103, 104, 105. Calculate pay off table. **[07]**

ii). What will be the pay off table if Mr Rajesh sells a call option at an exercise price of Rs. 200 with a premium of Rs. 6 if the spot prices are as 196, 197, 198, 199, 200, 201, 202, 203, 204, 205.

Q. 4 Attempt either A or B.

A. a) Difference between NOSTRI, VOSTRO and LORO. **[08]**

b) Explain the types of options. **[07]**

OR

B. c) Spot rate EUR / USD 1.2110 / 20 **[08]**
Swap points 1 month 30/25
Swap points 2 months 60/50
Swap points 3 months 80/70
Swap points 4 months 95/90
Calculate forward rate.

d) Given SEK / AUD 1.3733 / 3735 **[07]**
AUD / SEK 0.7215 / 0.7225
Identify and calculate arbitrage gain

Q. 5 **Attempt either (A and B) or C.**

A. Explain the concept of put call parity. [08]

B. Difference between transaction risk and operating risk [07]

OR

C. **Short Note: (Any 3) (5 marks each)** [15]

a) Hedging

b) Direct and indirect rate

c) Efficient market hypothesis

d) Underlying asset

e) Spot and forward rates.

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