Seat No.: ________ Enrolment No. ________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER– III EXAMINATIONS – WINTER 2018

Subject Code: 2830502 **Date:10/12/2018**

Subject Name: International Finance

Time:10:30 AM to 01:30 PM **Total Marks: 70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q.1 **(a)** From the four alternative answers given against each of the following cases, **06**

1, By definition, currency appreciation occurs when
A, The value of all currencies fall relative to gold.
B, the value of all currencies rise relative to gold.
C, the value of one currency rises relative to another currency.
D, the value of one currency falls relative to another currency.

2, Hedging is used by companies to:
A, Decrease the variability of tax paid.
B, Decrease the spread between spot and forward market quotes.
C, Increase the variability of expected cash flows.
D, Decrease the variability of expected cash flows.

3, Which of the following is not a type of foreign exchange exposure?
A, Tax exposure
B, Translation exposure
C, Transaction exposure
D, Balance sheet exposure.

4, If one anticipates that the pound sterling is going to appreciate against the US dollar, one might speculate by _______ pound call options or ______ pound put options.
A, buying; buying
B, selling; buying
C, selling; selling
D, buying; selling

5, Ask quote is for,
A, Buyer
B, Seller
C, Hedger
D, Speculator

6, The exchange rate is the,
A, total yearly amount of money changed from one country's currency to another country's currency
B, total monetary value of exports minus imports
C, amount of country's currency which can exchanged for one ounce of gold,
D, price of one country's currency in terms of another country's currency

(b) Answer the following terms. **04**

1, Spot Market
2, Interest Rate Parity.
3, Money market Hedge
4, Eurobonds

(c) For the following Spot and forward quotes. Calculate forward premiums/discount on Japanese yen as (a) an annualized percentage premium. **04**

Spot ($/*)	Forward ($/*)	Days Forward
0.009056355	0.008968508	30
0.009056355	0.008772955	90
0.009056355	0.008489201	180
0.009056355	0.007920280	360

Q.2 **(a)** Explain the term FDI and discuss its advantage and disadvantage. **07**

(b) What is Balance of Payment? Comment on India's Balance of Payment. **07**

OR

(b) Discuss the role and importance of IMF in detail. **07**

Q.3 **(a)** Write a short Note on classical gold standard. **07**

(b) What do you mean by Forward contract? Describe its major benefits **07**

OR

Q.3 **(a)** Explain growth and history of Exchange rate system. **07**

(b) Define and Differentiate spot and forward contracts. **07**

Q.4 **(a)** What are multinational corporations (MNCs)? And what economic roles they play. **07**

(b) Discuss the major methods of dealing with Translation exposure. **07**

OR

Q.4 **(a)** Explain the role of WTO in international Business. **07**

(b) What is letter of credit? Explain the mechanism of letter of credit. **07**

Q.5 Given the following data **14**

Spot Rate: Rs42.0010 = 1$
Six month forward rate: Rs42.8020 = 1$
Annualized interest rate on 6 month rupee :12%
Annualized interest rate on 6 month dollar : 8%
Calculate arbitrage opportunity

OR

Q.5 A MNC quotes Danish Kroner on European Terms as "Dkr 5.75/$ Bid and Dkr5.97 Ask." **14**

a, Which currency is the MNC buying at the DKr 5.75/$ bid rate, and which currency is the MNC selling at the Dkr5.97 offer rate.

b, Calculate the Bid and ask prices in American Terms? Which currency is the MNC buying at these prices and which currency is the MNC selling.

c, With the foreign currency in the numerator, the "Dkr 5.75/$ Bid and Dkr5.97 Ask," quotes are Indirect quotes for a U.S. resident. What are the Bid and Ask prices in Direct terms for a U.S. resident?

d, If you sell $1 million to the MNC at their Bid Price of Dkr 5.75/$ and simultaneously buy $1 million at their offer price of Dkr5.97, how many Danish Krona will you make or lose. What is the MNC's kroner profit or loss on the transaction?

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