

Seat No.: _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 03– • EXAMINATION – SUMMER-2018**Subject Code:2830502****Date: 04/05/2018****Subject Name: International Finance****Time: 2:30 PM To 5:30 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) Answer the multiple choice questions, (Just state A,B, C OR D)**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, Which of the methods below may be viewed as most effective in protecting against economic exposure?

- a) Futures market hedging
- b) Forward contract hedges
- c) Geographical diversification
- d) Money market hedges

3, 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

4, A floating exchange rate.

- a) is determined by the national governments involved
- b) remains extremely stable over long periods of time
- c) is determined by the actions of central banks
- d) is allowed to vary according to market forces

5, Ask quote is for

- a) Seller
- b) Buyer
- c) Hedger
- d) Speculator

6, Which of the following may be participants in the foreign exchange markets?

- a) bank and nonbank foreign exchange dealers
- b) central banks and treasuries
- c) speculators and arbitragers
- d) All of the above

- (b) Explain following terms **www.FirstRanker.com** **www.FirstRanker.com** **04**
- 1, F.O.B
 - 2, C.I.F
 - 3, A.D.R
 - 4, Currency forward contract
- (c) Explain major factors for globalization. **04**
- Q.2** (a) What do you mean forward contract? Explain its benefits. **07**
- (b) Write a short note on Classical Gold Standard. **07**
- OR**
- (b) Explain the growth and history of Exchange rate system. **07**
- Q.3** (a) What are the role and functions of the IMF(International Monetary Fund)? **07**
- (b) Describe the balance of payment. **07**
- OR**
- Q.3** (a) What are the major participants in a foreign exchange market? **07**
- (b) Evaluate the various techniques to manage transaction exposure. **07**
- Q.4** (a) What is Letter of Credit? Explain its procedure. **07**
- (b) Explain the role of WTO in international business. **07**
- OR**
- Q.4** (a) Write a short note on Export Import Bank of India. **07**
- (b) Explain the term “FDI” and discuss its advantages and disadvantages. **07**
- Q.5** You have called your foreign exchange trader and asked for quotations on the Spot, one month, three months and six months. The trader has responded with the following **14**
- \$ 0.021.479/81 3/5 8/7 13/10
- A, What does this mean in terms of dollars per Euro?
- B, If you wished to buy Spot euros, how much would you pay in dollars?
- C, If you wanted to purchase Spot US dollars, how much would you have to pay in Euro?
- D, What is the premium or discount in the one, three, and six-month forward rates in annual percentage? (Assuming you are buying euros.)
- Q.5** The Globalization of financial markets brought about by recent technological changes, financial market liberalization and the removal of capital controls have impressed upon all MNCs with international cash flows the necessity to manage foreign exchange exposure that a floating exchange system creates. Today, multinational firms are trying to develop techniques and strategies for effective foreign exchange exposure management. The foreign exchange strategy adopted is critical to a MNC in the present day environment due to the high variability in the exchange rates and needs to evolve with the changing structure of the company. Further in view of the fact that firms are now more frequently entering into financial and commercial contracts denominated in foreign currencies, judicious measurement and management of transaction exposure has become critical to the success of a MNC. **14**
- 1, Outline the numerous challenges that a MNC has faces when trying to manage exposure in various currencies.
- 2, Do you think currency correlation and variability are related to the political risk which a country faces? Give the example.
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