

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. **www.FirstRanker.com** **www.FirstRanker.com** **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?
