

GUJARAT TECHNOLOGICAL UNIVERSITY**MBA PART TIME - SEMESTER-V EXAMINATION – WINTER 2020****Subject Code:4559922****Date:05/01/2021****Subject Name:Specialization-Finance_International Finance (IF)****Time:10:30 AM TO 12.30 PM****Total Marks: 47****Instructions:**

1. Attempt any two questions from Q1 to Q4.
2. Q5 & Q6 are compulsory.
3. Make suitable assumptions wherever necessary.
4. Figures to the right indicate full marks.

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| Q.1 | Definitions / terms / explanations / short questions based on concepts of theory/practical | 06 |
| (a) | <ul style="list-style-type: none"> (a) Define Gresham's Law. (b) Which are the three components of BOP? (c) What are indirect quotes and direct quotes for foreign currency? | |
| (b) | <ul style="list-style-type: none"> (a) What is a Letter of Credit? (b) Name the factors which affect the foreign exchange rate. (c) What are spread and pips? | 06 |
| Q.2 | (a) Explain briefly different stages of International Monetary System from past till present. | 06 |
| | (b) What are the measures to correct the dis-equilibrium in Balance of Payment? | 06 |
| Q.3 | (a) What is ADR? Discuss the various investment advantages offered by ADR. | 06 |
| | (b) Briefly discuss the various types of International Banking offices. | 06 |
| Q.4 | (a) Briefly define each of the major type of international bond market instruments, noting their distinguishing characteristics. | 06 |
| | (b) Discuss the reasons for International Banking. | 06 |
| Q.5 | (a) Explain about the different techniques to manage Transaction Exposure. | 06 |
| | (b) Due to the integrated nature of their capital markets, investors in both the U.S. and U.K. require the same real interest rate, 2.5%, on their lending. There is a consensus in capital markets that the annual inflation rate is likely to be 3.5% in the U.S. and 1.5% in the U.K. for the next three years. The spot exchange rate is currently \$1.50/£. | 05 |
| | a. Compute the nominal interest rate per annum in both the U.S. and U.K., assuming that the Fisher effect holds. | |
| | b. What is your expected future spot dollar-pound exchange rate in three years from now? | |
| | c. Can you infer the forward dollar-pound exchange rate for one-year maturity? | |

OR

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| Q.5 | (a) Explain about the parties involved in Letter of Credit. | 06 |
| | (b) Given the following information, what are the GBP/EUR currency | 05 |

against Currency bid-ask quotation?

Bank Quotations	American Terms		European Terms	
	Bid	Ask	Bid	Ask
British Pound	1.3200	1.3204	0.7600	0.7603
Euros	1.2100	1.2105	0.8200	0.8203

Q.6

Bharat Steel Agency, are engaged in the manufacturing, supplying, exporting and importing of a wide range of Stainless Steel products from Brazil and Slovak Republic and exports such products to Singapore and Australia after processing. The company has receivables of SGD3,50,000 and payables of AUD2,45,000 three months from now. The following rates exchanges rates are available in the market:

Exchange Rates	INR / SGD	INR / AUD
Spot	46.9580 - 47.0080	49.6825 - 49.7025
Three Month Forward	47.0680 - 47.0880	49.7225 - 49.7425

The current rates (per annum) are as under

Maturity	INR (%)	SGD (%)	AUD (%)
3 months	7.00/8.00	3.00/3.20	5.00/5.20

The company is considering to cover the exposure either through the forward market or money market. You are required to advise the company as to which alternative should be better for covering both the payable and receivable.

- (a) Alternative 1: Calculate the cover of exposure for Receivables by using Forward Market. **06**
- (b) Alternative 2: Calculate the cover of exposure for Receivables by using Money Market. **06**
- Also compare which alternative is better.

OR

- Q.6** (a) Alternative 1: Calculate the cover of exposure for Payables by using Forward Market. **06**
- (b) Alternative 2: Calculate the cover of exposure for Payables by using Money Market. **06**
- Also compare which alternative is better.
