Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER–III • EXAMINATION – WINTER • 2014

Subject Code: 2830502 **Date: 08-12-2014**

Subject Name: International Finance (IF)

Time: 10:30 am - 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)** What does Current Account in BOP indicate? What are reasons behind surplus and deficit in current account? **07**

(b) Describe the Role of Multinational Firms in global business scenario. **07**

Q.2 **(a)** What is Foreign Exchange? Discuss the major features of Foreign exchange market. **07**

(b) Discuss major exchange rate quotations types in detail **07**

OR

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

Q.3 **(a)** Currently, the spot exchange rate is \$1.50/£ and the three-month forward exchange rate is \$1.52/£. The three-month interest rate is 8.0% per annum in the U.S. and 5.8% per annum in the U.K. Assume that you can borrow as much as \$1,500,000 or £1,000,000. **07**

a. Determine whether the interest rate parity is currently holding.

b. If the IRP is not holding, how would you carry out covered interest arbitrage? Show all the steps and determine the arbitrage profit.

(b) What is the difference between the Euro note market, the Euro-medium-term-note market, and the Euro commercial paper market? **07**

OR

Q.3 **(a)** Following are the EUR/INR quotes: **07**

Spot:	49.9525/80
1 Month Forward:	100/120
3 Month Forward:	225/255
6 Month Forward:	300/275

Calculate the Forward rates from above data.

(b) Describe the differences between foreign bonds and Eurobonds with definitions. **07**

Q.4 **(a)** Explain the basic differences between the operation of a currency forward market and a futures market. **07**

(b) For a contract in Canadian dollar (CAD), the initial margin and maintenance margin prescribed by the exchange are USD 4,000 and USD 3,000 respectively. A contract was entered into at a price of USD 0.75 / CAD. The settlement prices in the exchange at the end of four subsequent days are as follows: **07**

Day 1 – USD 0.745
Day 2 – USD 0.730
Day 3 – USD 0.740
Day 4 – USD 0.755

Find out Margin account profit or loss on each day through four days. Contract size is 1, 00,000 CAD.

OR

Q.4 **(a)** Discuss Call option and put option in detail. **07**

(b) An Investor has purchased a call option contract on Canadian dollars with a strike price of \$1.40/CS \$ at a premium of \$0.02 per unit on Canadian dollars. Size of One option contract is 50,000 Canadian dollars. Calculate the profit and loss per unit as well as in amount for buyer and seller for different spot prices of \$1.36, \$1.40, \$1.42, \$1.44, \$1.48, \$1.50. **07**

Q.5	**(a)**	What is Letter of Credit? Discuss its benefits available to importer and exporter	**07**
	(b)	Discuss the Transaction exposure with example.	**07**

OR

Q.5	**(a)**	Write a short note on Export Import Bank of India.	**07**
	(b)	Describe the major functions of WTO.	**07**

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