

[Time: 3.00 Hrs.]		[Marks:60]
Please check whether you have got the right question paper.		
N.B:	1. Q.1 would be compulsory and would carry 20 Marks. 2. Students have to attempt any four out of the remaining six Questions (Q.2 to Q.7) and within each question; students have to attempt any two Out of three sub – questions.	

Q.1	<p>Case Study. - : Foreign Exchange Market Apex Corporation (C-I-A)</p> <p>Apex Corporation is a US based MNC that has been in international business for the last several years. It has been conducting business with all the major countries of the world. One of the countries has allowed for its currency value to be market determined. The spot rate of currency is \$0.85. In addition the one year forward rate being quoted in the market is \$0.82. As a step to build the economy, the country is also allowing foreign investors to make investments. Various incentives are being offered by the country to attract foreign funds. The rate of interest on one year government securities is presently 16%. This is substantially higher than the 10% rate which is presently offered on one year US government securities.</p> <p>Apex Corporation has asked you, as an employee in their international money market division, to assess the feasibility of making a short-term investment in this country. The amount available for making the investment for the next year is \$12 million. The Apex Corporation has also come to know that the exchange rate in this country will be market determined for the next few years. Financial managers in Apex Corp. are hence apprehensive about the high volatility of the currency till equilibrium is reached. It is expected that the value of currency in one year will be approximately 50.85. However, there is a high degree of uncertainty attached with this value and predictions are being made that the actual value may be 30% above or below this expected value.</p> <p>Questions:</p> <ol style="list-style-type: none"> Would you be willing to invest funds in this country without covering your position? If yes, then answer, why? Would covered interest arbitrage be worth considering? Show your calculations. Are there any risks involved in using covered interest arbitrage? Elucidate. 	20
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Q.2	Attempt any two A) Explain financial market & its Functions? B) Explain Money Market? C) Write a note on Foreign Exchange Market.	5X2
Q.3	Attempt any two. A) Describe the credit control measures of RBI. B) Explain the determinants of Interest rates? C) Write a note on Monetary Policy.	5X2
Q.4	Attempt any two. A) Describe the functions & advantages of Primary Market. B) What is Derivatives & Explain its advantages? C) Explain speculations and its functions.	5X2
Q.5	Attempt any two. A) What type of Liquidity risk faced by banks? B) What are the benefits of investing in a Hedge Funds? C) Explain the different types of Mutual Funds schemes.	5X2
Q.6	Attempt any two. A) Explain fixed Exchange rate system and its advantages. B) What do you mean by Social Crowd Funding? & its importance. C) What do you mean by zero coupon Bond?	5X2
Q.7	Attempt any two Short Notes. A) Futures Contract. B) Types of Insurance. C) Merchant Bankers.	5X2

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