

[Time: 03.00 Hrs]

[Marks:75]

Please check whether you have got the right question paper.

N.B:

1. Q.1 is compulsory and carries 20 Marks.
2. Q. 8 is compulsory and carries 15 Marks.
3. Attempt any four questions from Q.2, Q.3, Q.4, Q.5, Q6 and Q7. Each of these questions carry 10 Marks.
4. Figures to the right indicate full marks.

Q.1 (A) Select the correct option for the following questions/ statements: (10)

- 1) _____ is the study of monetary interactions that transpire between two or more countries. (International Finance, International HRM, International Economics)
- 2) The _____ can be formally defined as the statistical record of a country's international transactions over a certain period of time presented in the form of double-entry bookkeeping. (Balance of Trade, Balance of Payment, Balance of Accounting)
- 3) _____ is the idea that all activities inside a nation should be under the control of the government as a whole. (Socialism, Communism, Globalization)
- 4) There are no distinctions between the rich and the poor in _____. (Socialism, Communism, Globalization)
- 5) The main risk a swap broker faces are _____ risk. (Credit, basis, mismatch)
- 6) An instrument that combines forward and option trading is a _____ forward. (participation, swap, barrier)
- 7) _____ are quite popular as a financing vehicle. (Eurobonds, Euro Loans, Euro Deposits)
- 8) The _____ publishes a report every few years that compares the productivity and growth of various nations in PPP and US dollars. (World Bank, IMF, WTO)
- 9) The price paid for immediate delivery of a currency is referred to as the _____ exchange rate. (spot, forward, future)
- 10) A forex _____ is simply how a broker earns money without taking a commission on a transaction; it is the difference between the bid price and the ask price of a currency pair. (spread, credit, cash)

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(B) State whether the following statement is True or False: (10)

- 1) The detection, analysis, and reaction to risk elements that are inherent in a business's operations are all included in risk planning.
- 2) The difference between the current value of cash inflows and withdrawals over a period of time is known as IRR.
- 3) A forward is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments.
- 4) The difficulty of finding an exact opposite match for a swap the bank has agreed to take is referred to as basis risk.
- 5) Asian Options provide you the opportunity to buy or sell currencies at predetermined rates.
- 6) A knock-out barrier option is a type of barrier option where the associated rights begin to exist once the price of the underlying asset is reached.
- 7) The right to sell the underlying asset at the option strike price is granted to the buyer of a call option.
- 8) A forward contract is a legal agreement to buy or sell a particular commodity asset, or security at a predetermined price at a specified time in the future.
- 9) Investors from foreign nations who desire to purchase Indian assets are issued the financial instruments by FDIs.
- 10) Onshore banking is the practice of a business or individual depositing money in a bank that is situated outside of their country of residence.

Q.2 Attempt any Two of the following: (10)

- (a) Explain the various components of Balance of Payment?
- (b) Define Exchange Rate? What are the factors affecting Exchange Rate?
- (c) Write a short note on IMF.

Q.3 Attempt any Two of the following: (10)

- (a) What is Communalism? Explain various types of Communalism.
- (b) Distinguish between Fixed and Floating Exchange Rate System.
- (c) What were the main objectives of the Bretton Woods system?

- Q.4 Attempt any Two of the following: (10)**
- (a) What are Cross Currency Rates? Explain with example.
 - (b) Explain the Interest Rate Parity.
 - (c) Discuss in detail Tax Haven?
- Q.5 Attempt any Two of the following: (10)**
- (a) Describe the Characteristics of Eurocurrency Markets.
 - (b) Explain the American Depository Receipts in detail with its merits and demerits.
 - (c) Explain FDI with its advantages and disadvantages.
- Q.6 Attempt any Two of the following: (10)**
- (a) What are the risks involved in Foreign Bonds. Explain each type of risk involved in it.
 - (b) What are Foreign Bonds? Explain its characteristics.
 - (c) Distinguish between Future and Forward Contract.
- Q.7 Attempt any Two of the following: (10)**
- (a) Explain Speculation in detail.
 - (b) Explain Range Forward in detail.
 - (c) Short Note on Participating forward.
- Q.8 Attempt any Three of the following: (15)**
- (a) Explain various types of Swaps.
 - (b) Explain the Discounted Cash Flow Capital Budgeting technique in detail.
 - (c) Explain the NPV Capital Budgeting technique in detail with an example.
 - (d) Explain the 6 types of Risks faced by businesses while doing international trade and how they manage them.