

PGDM- IB IV; Trim 2017-19

International Finance

(End- Trimester Examination)

Max marks 50

Duration: 3 Hrs

Date : 26/09/2018

Note: All questions carry equal marks. Restrict each of your answers to around 40 lines.

1. Answer **any four** questions from Section A (4*10)
2. Both case studies in Section B are **compulsory (2*5)**

Section A

1. What do you understand by domestic and international finance in terms of the similarities and differences?
2. What is the role of hedgers, speculators and arbitrageurs in the foreign exchange market? Discuss with suitable examples of how does one participate in the market?
3. How is the exchange rate determined under the Gold Standard? What is automatic adjustment of balance of payments?
4. Discuss advantages and disadvantages of fixed and flexible exchange rates with suitable examples.
5. Differentiate between the following terms:
 - a) Current account and Capital account
 - b) Adverse balance of trade and adverse balance of Payments
6. Write short notes on
 - a) Purchasing power parity theory
 - b) Interest rate parity theory

7. XYZ Bank in India has quoted the following rates for US Dollar and Euro

USD	Rupee/US dollar	72.00	72.50
Euro	Rupee/Euro	80.00	80.80

Answer the following questions:

- What is the rate at which the bank would buy Euro?
 - What is the USD selling rate of the bank?
 - How much Indian currency is required for an importer to buy 1000 Euros?
 - An Exporter wants to sell 2000 US dollars. What is the amount he earns in Indian rupees by selling export receivables?
 - What is the spread on rupee dollar rate?
8. Calculate the forward rates using the given information.

Spot rate €1.20/£; Inflation rate in Euro Zone and UK stands at 2% and 4% respectively.

What are the likely exchange rates after 6 months, 1 year and 2 years?

Section B Two Cases