

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER –IV-EXAMINATION – WINTER-2022

Subject Code: 4549221**Date: 14/12/2022****Subject Name: International Finance****Time: 10:30 AM to 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** Explain the following terms: **14**
- (a) Letter of credit
 - (b) Absolute and Relative PPP
 - (c) Direct Quote and Indirect Quote
 - (d) TT buying rate and TT selling rate
 - (e) Forward Purchase Contract and Forward Sale Contract
 - (f) Interest Rate Parity
 - (g) Bid Rate and Ask Rate
- Q.2** (a) Who are the market participants in the foreign exchange market? **07**
- (b) Explain the following terms in detail: **07**
1. ADR & GDR
 2. Nostro Accounts & Vostro Accounts
- OR**
- (b) The spot rate for INR/USD is INR 45.6321/45.6380 **07**
 Calculate forward rates for different periods using the following swap points:
- | | |
|-----------|-------|
| 1 month | 30/25 |
| 2 months: | 40/35 |
| 3 months: | 25/35 |
- Q.3** (a) Briefly discuss the various types of international banking offices **07**
- (b) Write a detailed note on Interbank deals **07**
- OR**
- Q.3** (a) Briefly define each of the major types of international bond market instruments, noting their distinguishing characteristics. **07**
- (b) Write a note on Bretton Woods System. Also highlight the advantages and disadvantages of gold standards. **07**
- Q.4** (a) As an investor, what factors would you consider before investing in the emerging stock market of a developing country? **07**
- (b) Explain various types of Foreign Exchange exposures faced by a trader or investor. Highlight the key differences between them **07**

OR

- Q.4** (a) Explain the meaning of letter of credit. Explain its mechanism with the help of an example **07**
(b) Explain cash management system in practice with reference to MNCs. **07**
- Q.5** Consider the following case and answer the following questions:

On 1st June, M/s Reddy & Company, Export customer has booked with you a USD 1,00,000 forward Sale (i.e. your purchase) exchange contract delivery 31st August at Rs. 49.7500.

- (a) Explain the Execution of forward contract in terms of Delivery of the contract, Early Delivery and Extension of Forward contract **07**
(b) However on 28th July, the owner of the firm informed you that he wants the remittance on 30th July as his importer has cleared the payment on 28th July. **07**

Assume following quotes are available on 30th July:

Spot USD 1 = Rs. 49.5000/5025

One month forward 2000/2025

If the bank agrees to take early delivery, what will be the net inflow to M/s Reddy?

Assume prime lending rate is 18%

OR

- Q.5** (a) What are overdue forward contracts? What are the steps taken by a bank if a customer requests late extension of such overdue contracts? **07**
(b) However, on 31st August the customer informed you that it has not been possible to deliver the USD as anticipated payment had not come from US. You were therefore requested to cancel the Contract. **07**

And US Dollars were Quoted in the Local Interbank Market as under:

Spot USD 1 = Rs. 49.8225/8375

One Month 1200/1100

Two Months 2700/2500

Three Months 4500/4300

What will be the cancellation Charges, if any, payable by the customer?

Exchange Margin 0.10% on buying as well as Selling
