

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA- SEMESTER - IV-EXAMINATION- SUMMER-2023

Subject Code: 4549221

Date: 16/06/2023

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.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

- Q.1** Define following: **14**
1. Foreign Exchange
 2. Balance of Payment
 3. Letter of Credit
 4. LIBOR
 5. Direct Quote
 6. EURO
 7. Interbank Deals
- Q.2** (a) Explain Foreign Exchange Market. Discuss its features in detail. **07**
- (b) What is the meaning of Balance of Payment? Discuss it in detail. **07**
- OR**
- (b) What is Globalization? Explain its major trends and recent developments in detail. **07**
- Q.3** (a) What do you mean by Letter of Credit? Explain its various types in detail. **07**
- (b) Explain ADR and GDR with the help of example. **07**
- OR**
- Q.3** (a) Discuss International Bond Market in detail. **07**
- (b) The inflation rate in Great Britain is expected to be 4% per year, and the inflation rate in Switzerland is expected to be 6% per year. If the current spot rate is £1=\$12.50, what is the expected spot rate in two years according to purchasing parity theory? **07**
- Q.4** (a) What do you mean by Interbank Deals? Discuss it in detail. **07**
- (b) Discuss different types of International Banking Offices in detail. **07**
- OR**
- Q.4** (a) What is Foreign Exchange Market? Explain the market participants in Foreign Exchange Market. **07**
- (b) Using the following data, calculate the 30-day, 90-day, and 180-day forward premiums for the British pound. **07**
- | | |
|------------------|---------------|
| Spot: | £1 = \$1.4487 |
| 30-day forward: | £1 = \$1.4498 |
| 90-day forward: | £1 = \$1.4511 |
| 180-day forward: | £1 = \$1.4529 |

Q.5

Matrix pharma is a mid – sized pharmaceutical company that focuses mainly on branded formulations with a significant proportion of its sales coming from international operations in several countries. Given its healthy growth in the last five years, partly fueled by an acquisition in the UK, the company has in recent years stepped up its R&D activity. It's CEO Mr. Prateek Vyas recently attended a seminar for CEO's at a prestigious UK university in which there was a module on corporate risk management. After attending the seminar, Prateek Vyas was convinced that Matrix Pharma, given its increasing internationalization and growing thrust on R&D, had to gradually institute a comprehensive risk management programme. In view of the growing importance of risk management in international finance answer the following questions.

- (a) What are the principle risks faced by a business firm? **07**
(b) What is the principle of hedging? Explain the advantages of hedging. **07**

OR

- (a) Explain the various participants involved in international transactions. **07**
(b) How does a firm hedge with a forward contract? Explain with example. **07**
