Seat No:______________ Enrollment No:______________

PARUL UNIVERSITY
FACULTY OF MANAGEMENT
MBA Winter 2018 - 19 Examination

Semester: 03 **Date: 02/11/2018**
Subject Code: 06201203 **Time: 2:00 pm to 4:30 pm**
Subject Name: International Finance **Total Marks: 60**

Instructions
1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as Directed.

A).Multiple choice type questions/Fill in the blanks. (Each of 1 mark) **(05)**

1. Globalization refers to:
   a) A more integrated and independent world.
   b) Less foreign trade and investment
   c) Global Warming
   d) Lower incomes world wide
2. The fatal flow of Bretton Woods System was that-
   a) Sterling was overvalued and the French Franc was undervalued leading to loss of Gold Reserves by Great Britain
   b) The growth of the global economy brought with it a demand for dollars to be held as international reserves that exceeded the US gold reserves.
   c) The world Bank was under funded by the member of Central Banks.
   d) It was too weak to survive simultaneous speculative attacks on the Italian and UK Currencies in 1992
3. A country has a negative balance of trade. It means the balance of payments on current account
   a) should also be negative
   b) should be positive
   c) may be positive or negative
   d) should be same as balance of trade
4 The effect of speculation on exchange rate is-
   a) It creates violent fluctuations in exchange rates
   b) It aggravates the market trends
   c) Either or both of (a) and (b)
   d) Neither (a) nor (b)
5 The major players in foreign exchange market are-
   a) Commercial Banks
   b) Corporate
   c) Exchange Brokers
   d) Central Bank of the Country and the Central Government.

B). Define the following. (Each of 1 mark) **(05)**

1.Forex Market
2.Incoterms
3.Special Drawing Rights
4.Bid Rate and Ask Rate
5.Multinational Corporation

C).Direct questions. (Each of 1 mark) **(05)**

1. What is Classical Gold Standard?
2. What is covered interest rate arbitrage?
3. What is Cross Exchange Rate
4. Distinguish: Transaction versus Translation Exposure
5. What is Floating Rate Notes?

Q.2 Answer the following questions.

A). Briefly explain Features of Foreign Exchange Management Act, (FEMA) 1999. **(07)**

B). What are the main purposes of International Monetary Fund (IMF), To what extent, in your opinion, have these purposes been fulfilled today? **(08)**

Q.3 Answer the following questions.

A). On 25th July, a customer presents to the bank at sight documents for USD 100000 under an irrevocable letter of credit. The letter of credit provides for reimbursement by the negotiating bank's own demand draft on the opening bank at New York.

Assuming Rupee/US dollars are quoted in the local interbank market as under: **(07)**

Spot	USD 1= Rs.49.6525/6650
Spot//August	6000/5700

Transit period for bill is 25 days. What rate will the bank quote to its customer provided it requires an exchange margin of 0.15%?

Also calculate and show the amount in rupee payable to the customer.

B). An export customer requests the bank on 15th July to book a foreign exchange contract delivery September covering 30 days sight bill on New York under irrevocable letter of credit for US$ 65000.

Assuming US dollars are quoted in the local interbank market as under: **(08)**

Spot	USD 1= 49.5675
Spot/ July	800/900
Spot/August	1700/1800
Spot/September	2250/2325
Spot/October	3200/3300
Spot/November	4100/4200
Spot December	5150/5250

What rate will bank quote to its customer bearing in mind following factors: Exchange margin 0.10%, Transit period 25 days?

Q.4 Attempt any two questions. **(Each of 7.5 mark)** **(15)**

1. What is Letter of Credit? What are the advantage of Letter of Credit for exporters and importers?
2. How will you deal with the following requests keeping in mind provisions of Uniform Customs and Practice for Documentary Credits(2007 Revision) ICC Publication No.600

A. You have been asked to add your confirmation to an irrevocable letter of credit by the issuing bank.

B. The beneficiary of revocable letter of credit has asked you to add your confirmation to the credit.

3. Briefly explain documents frequently used in foreign trade.
4. Briefly explain different steps involved in execution of an export order.