**Seat No:__________** **Enrollment No:_________**

# PARUL UNIVERSITY

## FACULTY OF COMMERCE

### M.Com.(Hons) Summer 2017 – 18 Examination

**Semester: 4** **Date: 17/05/2018**
**Subject Code: 16201255** **Time: 10.30 am to 1.00 pm**
**Subject Name: International Finance** **Total Marks: 60**

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**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. (Each of one mark)** **(06)**

1. The exchange rate is the ___________
a) total yearly amount of money changed from one country's currency to another country's currency
b) total monetary value of exports minus imports
c) amount of country's currency which can exchanged for one ounce of gold
d) price of one country's currency in terms of another country's currency

2. Exchange rates
a) are always fixed
b) fluctuate to equate the quantity of foreign exchange demanded with the quantity supplied
c) fluctuate to equate imports and exports
d) fluctuate to equate rates of interest in various countries 8

3. If the U.S. dollar appreciates relative to the British pound,
a) it will take fewer dollars to purchase a pound
b) it will take more dollars to purchase a pound
c) it is called a weakening of the dollar
d) both a & c

4. An arbitrageur in foreign exchange is a person who
a) earns illegal profit by manipulating foreign exchange
b) causes differences in exchange rates in different geographic markets
c) simultaneously buys large amounts of a currency in one market and sell it in another market
d) None of the above

5. A speculator in foreign exchange is a person who
a) buys foreign currency, hoping to profit by selling it a a higher exchange rate at some later date
b) earns illegal profit by manipulation foreign exchange
c) causes differences in exchange rates in different geographic markets
d) None of the above

6. The *Purchasing Power Parity* (PPP) theory is a good predictor of
a) all of the following:
b) the long-run tendencies between changes in the price level and the exchange rate of two countries
c) interest rate differentials between two countries when there are strong barriers preventing trade between the two countries
d) either b or c

**B) Write Definitions. (Each of one mark)** **(06)**

1. Balance of Payment
2. ADR
3. Privatization
4. Forward Exchange Rates
5. Euro Currency Market
6. Bill buying rates

**Q.2 Answer below questions. (Each of 04 mark)** **(12)**

1. Which are the documents used in foreign trade transactions? Explain
2. Write brief note on: Steps for entering into export contract
3. Describe different types of International Banking offices in brief.

**Q.3 Answer the following. (Any Three)** **(18)**

1. Elaborate Asian currency crisis in your own words.
2. Which are the factors affecting international equity returns? How will you intricate them.
3. On $12^{th}$ Feb an importer receives a bill for USD 10,000, he wants to buy USD from your bank. Interbank rate for dollar is :

   | | |
   |---|---|
   | Spot | USD 1 = INR 62.7050/7200 |
   | Spot/March | 5000/4500 |

   The bank retains exchange margin of 0.15% for TT sales and 0.20% for bills selling rate. With what amount will it debit the importer's account?
4. Write descriptive note on Zero Coupon Bonds

**Q.4 Write detailed note on following. (Any two)** **(18)**

1. Balance of Payment
2. Mechanism of Letter of Credit
3. Ways to end up execution of forward contract