

**PARUL UNIVERSITY**  
**FACULTY OF COMMERCE**  
**M.Com.(Hons) Summer 2018 – 19 Examination**

**Semester: 4**  
**Subject Code: 16201255**  
**Subject Name: International Finance**

**Date: 10/04/2019**  
**Time: 02:00 pm to 04:30 pm**  
**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. (Each of one mark)****(06)**

1. In the foreign exchange market, the \_\_\_\_\_ of one country is traded for the \_\_\_\_\_ of another country.
 

a) currency; currency	b) currency; financial instruments
c) currency; goods	d) goods; goods
2. Hedging is used by companies to:
 

a) Reduce time	b) Reduce Currency
c) Reduce Risk	d) None of the above
3. The exchange rate is the price of one country's currency in terms of another country's currency
 

a) True	b) False
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4. Under a gold standard,
 

a) a nation's currency can be traded for silver at a fixed rate	b) a nation's currency can be traded for gold at a fixed rate
c) a nation's currency can be traded for metal at a fixed rate	d) None of the above
5. Which of the following may be participants in the foreign exchange markets?
 

a) bank and nonbank foreign exchange dealers	b) speculators and arbitragers
c) central banks and treasuries	d) All of the above
6. \_\_\_\_\_ is the bank for the world.
 

a) SBI	b) Reserve Bank
c) ICICI	d) World Bank

**B) Definitions / One-liners / Terms. (Each of one mark)****(06)**

1. Purchasing Power Parity
2. Foreign exchange
3. FDI
4. Investment
5. Capital Budgeting
6. Spot Market

**Q.2 Numerical / Short Note Questions. (Each of 04 mark)****(12)**

1. Explain In brief what is Letter of Credit
2. Explain Interest Rate Parity. (IRP)
3. Explain Fisher effect in brief.

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

1. Explain Capital Account & Current account in detail.
2. Explain the benefits of Letter Of Credit in detail.

3. Explain the following types of instruments:
  1. Straight Fixed rate bonds
  2. Equity related bonds
  3. Floating rates note
4. Explain International Bond Credit Ratings with examples.

**Q.4 Answer the following. (Any two)**

**(18)**

1. Explain the following International Monetary systems.:
  1. Bretton woods system
  2. Interwar period
  3. Classic gold standard
2. What are the major reasons for International Banking? Explain then in detail
3. Explain different types of Documents used in international trade. Explain each in brief.