

**SVKM's NMIMS**  
**School of Distance Learning**

Programme PGDFM/PGDITM

Academic Year: 2011-2012  
Subject: International Finance

Semester IV  
Course New  
Marks: 70  
Time: 3.00 p.m to 6.00 p.m

Date: 3.1.2012

**Instructions:** Candidates should read carefully the instructions printed on the question paper and on the cover of the answer book, which is provided for their use.

**NB :** i) Answer to each question to be started on fresh page.

ii) Figure in brackets indicate full marks

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**Q.1. Answer (any 2 out of 4)**

**(10 marks)**

- a) Explain the following terms:
  - i. Direct Quote
  - ii. Indirect Quote
  - iii. Cross Rates
  - iv. Merchant Rates
  - v. Bid price
- b) What is Forward Rate Movement and explain the factors affecting the Forward Rate Movement?
- c) Explain the foreign exchange market? What are tools and techniques to manage the foreign exchange market
- d) Define Purchasing Power Parity? What are its different forms?

**Q.2. Short Notes (Any 2 out of 5)**

**(10 marks)**

- a) Pay-off Profiles for Options Writer and Buyers
- b) International Fischer Effect
- c) Components of Balance of Payment
- d) Export Credit Guarantee Corporation of India Ltd
- e) Nature of Foreign Exchange Market

**Q.3. Attempt(Any 3 out of 5)**

**(30 marks)**

- a) Explain the Purchasing Power Parity theory and its forms? Also compare the Purchasing Power Parity theory, Covered Arbitrage theory and international Fisher Effect theory?
- b) Discuss options as a hedging tool by answering the following questions:
  - i. Define options?
  - ii. What are different types of options based on underlying assets?
  - iii. Describe the basic components of the option price?
  - iv. Discuss the pay-off profiles for options writer and buyers?

- c) What is the policy on 'Know Your Customers (KYC) as per section 35 A of Banking Regulation Act?
- d) Write a brief note on Capital Account Convertibility by focusing on the following points:
  - i. Meaning
  - ii. Reasons for Introduction in India
  - iii. Benefits and Drawbacks
  - iv. Tarapore Committee Recommendation

**Q.4. Answer in brief**

**(20 marks)**

- a) Explain the IMF by covering the following points: **(2x5)**
  - i. Origins
  - ii. Member and Administration
  - iii. Statutory Purposes
  - iv. Areas of Activity
  - v. IMF's Policies and Operations
- b) Explain the Letter of credit by covering the following points:
  - i. Meaning **(3)**
  - ii. Types of letter of credit? **(3)**
  - iii. Documents required under the letter of credit? **(4)**

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