

SVKM's NMIMS
School of Distance Learning

Programme: PGDFM/PGDITM

Academic Year: 2010-2011

Subject: International Finance

Date: 2.7.2011

Semester IV

Course New

Marks: 70

Time: 3.00 pm to 6.00 pm

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

Q.1. Answer (Any 2 out of 4)

(10 marks)

- ✓ 1. Explain the following concepts:
 - ✓ a. NOSTRO Account
 - ✓ b. VOSTRO Account
 - c. LORO Account
 - d. Mirror Accounts
 - e. Escrow Accounts
- ✓ 2. Discuss the various factors that affect the Foreign Exchange Rate?
3. What is foreign exchange and discuss the participants in foreign exchange?
4. Explain the functions of RBI?

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

(10 marks)

- ✓ 1. Fixed and Floating Rate System
2. WTO
3. Balance of Payment Accounting
- ✓ 4. Letter of credit
5. International Mutual Fund

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

(30 marks)

1. Explain in brief the international monetary system?
2. Describe the purpose of World Bank and its affiliates?
3. Explain the FEMA regulation for Import of goods and services ?
4. Write a brief note on Export-Import Bank of India with special focus on:
 - a. Functions
 - b. Finance and Services provided
5. What is foreign exchange risk and discuss the different types of Foreign Exchange Risks? How can the Translation and Transaction exposure be managed?

Q.4. Answer the following questions

(2.0 marks)

a) Attempt all 3 sub-questions:

I. The following quotations are obtained in 2 banks in New York: (3)

GBP USD 1.5275/ 85

USD CHF 1.5530/35

Answer the following questions:

- i. What do you expect for GBP CHF spot in London?
- ii. If London Bank quotes 2.3720/2.3740, can you make arbitrage profits? If so how (Explain step-by-step transaction for the same)
- iii. Calculate the gains on 1 million GBP (3)

II. Bankers Quotes are as follows:

(MXN=Mexican Peso, BRL= Brazilian Real)

In Brazil : GBP BRL = 5.2506-5.2600

In Mexico: BRL MXN 3.9568-3.9698

What is GBP MXN expected rate?

III. Given:	BID	OFFER	(4)
1 USD =	Rs. 44.20	44.30	
1 GBP =	USD 1.8100	1.8110	
1 Euro =	USD 1.2050	1.2060	
1 USD =	JPY 113.80	113.90	
1 USD =	CHF 1.2970	1.2980 (Swiss Franc)	

Answer the following questions:

- i. Calculate the rate of following currencies against Indian Rupee.
- ii. Comment on the profitability of venturing into which exchange rate in order to profit from the same.

b) i) Define swap? (3)

ii) Explain the different types of swaps? (4)

iii) What is the mechanics of Interest Rate Swaps and Currency Swaps? (3)

(2)