

**SVKM's NMIMS**  
**NMIMS – GLOBAL ACCESS SCHOOL FOR CONTINUING EDUCATION**

Programme: PGDFM/PGDITM

Examination: June 2016  
Subject: International Finance

Date: 21.06.2016

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

**Instructions:**

1. Answer to each new question to be started on a fresh page.
2. Figures in bracket indicate full marks.

**Q.1) Attempt any 2 out of 4**

**(Marks: 2X5=10)**

- a) Forwards and Futures
- b) Balance of Payment and its components
- c) Role ECGC Ltd
- d) Role of FEDAI

**Q.2) Write short notes on (2 out of 5)**

**(Marks: 2X5=10)**

- a) FII and FDI
- b) Revaluation & Devaluation
- c) Purchasing Power Parity
- d) Role of IMF and World Bank
- e) Nostro & Vostro Account

**Q.3) Attempt any 3 out of 5**

**(Marks: 3X10=30)**

- a) What are Masala Bonds?
- b) A customer offers you a sight bill for USD 25,000/- on 01.04.2016 under a letter of credit established in his favor by an American Bank. Assuming the following what Rupees amount will you credit to his account?

Inter-Bank USD 1 = 66.9900/0100

Transit period 25 days

Interest @ 9.00% per annum, Interest Equalization benefit @ 3% p.a.

Exchange Margin 0.150%

c) What are the hedging products offered by Banks and used by Corporates to hedge their foreign exchange Risk. Explain each product with example.

d) The impact of FII and FDI investment on Capital Market & INR.

e) Your forex dealer had entered into a cross currency deal in the interbank market and bought Euro 500,000 at Euro 1 = US\$ 1.1112 for spot delivery. However, the market turned volatile and therefore he squared up his position by disposing of Euro against US Dollar at the ongoing market rates.

Assuming Euro was quoted in the market as under:

Spot Euro 1 = US\$ 1.1240/1.1245

If spot US\$ 1 = Rs. 67.2000/67.2100 in the local interbank market. What will be the gain or loss in the transaction?

**Q.4) Attempt both the questions**

**(Marks: 2X10=20)**

1). A US investor chose to invest in sensdex for a period of one year. The relevant information is given below:

Size of investment (\$)	2,000,000
Spot Rate 1 year ago	62.10/62.30
Spot Rate now	67.10/67.20
Sensex 1 year ago	28256
Sensex now	24545
Inflation in US	1.90%
Inflation in India	5.70%

- Compute the nominal return to the US investor.
- Compute the real depreciation/appreciation of Rupee.
- What should be the exchange rate if relative purchasing power parity holds good?
- What will be the real return to an Indian investor in Sensdex?

2) In view of the global slowdown, most of the advance countries are using Negative or Zero per cent interest rates and Monetary Stimulus by printing their Currency for buying dated bonds/securities. This is creating liquidity and inflation in emerging markets. Give your understanding on the subject and your views from the point of view of Advance countries and Emerging markets.

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