

(2 ½ Hours)

Marks : 75

NB: All questions are compulsory while marks are indicated on the right hand side.**Q.1) A) Match the following options correctly (Any Eight)****(8)**

GROUP A	GROUP B
1. International Finance	a) Central Banks's Intervention in Exchange rate mechanism
2. FERA	b) Trading with risk in forex for high returns
3. FEMA	c) Bretton Woods System
4. Managed Float	d) Difference between Ask and Bid
5. IMF Fixed Exchange Rate System	e) 1999
6. Speculation	f) 1973
7. Spread	g) $F-S/S = (Rv-Rb)/S * n/12$
8. Front Office	h) $(Pv/Pb) = S (b/v)$
9. Interest Rate Arbitrage	i) International Financial Markets
10. Purchasing Power Parity	j) Dealing Room Operations

Q.1) B) State whether following statements are true or false (Any Seven)**(7)**

- International Finance is the study of economic interactions between one country with another.
- Fixed exchange rate system promotes consistency in trade and investment.
- In India, Foreign Exchange activities are covered under FEMA.
- Balance of Payments is the financial statement of the all the economic transactions of one country for a one financial year.
- Foreign Investments feature in the Capital Account of the Balance of Payment.
- Futures are a good equity trading option.
- Purchasing Power Parity is about the differences of interest rate on two currencies.
- Brokers, Commission Agents are not an important participant of the Foreign Exchange Markets.
- Currency futures are non-transferable in nature.
- An Interest-Rate Future is equity with an underlying instrument that pays interest.

Q.2) Answer either A&B OR C&D**A.** Explain the meaning and scope of International Finance.**(8)****B.** What are the merits of Fixed and Flexible Exchange Rate System?**(7)****OR****C.** What are the Components of Balance of Payments?**(8)****D.** What are the features of Gold Standard System?**(7)****Q.3) Answer either A&B OR C&D****A.** What do you mean by Foreign Exchange Markets and who are various participants of the market? **(8)****B.** Differentiate between wholesale and retail markets in Forex Market? **(7)****OR****C.** Identify and calculate arbitrage from the following quotations GBP/USD 1.9378-1.9388 and GBP/USD 1.9398-1.9404. **(8)**

D. Calculate one, two and three month forward for the following. (7)

Spot	USD/INR 54.0625 – 54.0675
1 month forward	850 – 900
2 month forward	1875 – 1975
3 month forward	3025 - 3225

Q.4) Answer either A&B OR C&D

- A. What are the features of Foreign Currency Futures Contracts? (8)
 - B. Differentiate between Forwards and Swap Contracts. (7)
- OR**
- C. Differentiate between Forwards and Futures Contracts. (8)
 - D. Write a brief note about the Clearing and Margin Mechanism in Futures (7)

Q.5) Answer either A&B OR C

- A. Differentiate between Forwards and Options. (8)
 - B. Write about the Fischer Blacks Option Pricing. (7)
- OR**
- C. Choose the following (ANY THREE) (15)
 - i. Exchange Rate Regimes
 - ii. FEDAI
 - iii. Arbitrage
 - iv. Hedging
 - v. Currency Convertibility