Name: Enrolment No:	

UPES

End Semester Examination, December 2024

Course: International Financial Management **Semester: V**
Program: BBA-FIN **Time : 03 hrs.**
Course Code: FINC3051P **Max. Marks: 100**

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	_________ exposure is the potential for accounting-derived changes in owner's equity to occur because of the need to translate foreign currency financial statements into a single reporting currency. A) Transaction B) Operating C) Economic D) Accounting	**2**	**CO1**
Q 2	Which exchange rate theory focuses on the inflation–exchange rate relationship? A. Interest rate parity B. International Fisher Effect C. Purchasing power parity D. Traditional Model	**2**	**CO1**
Q 3	The type of contract which involves the future exchange of assets at a specified price is classified as A. Future contracts B. Present contract C. Spot contract D. Forward contract	**2**	**CO1**
Q 4	Maintaining a foreign currency account is helpful to A. Avoid transaction costs. B. Avoid exchange risk. C. Avoid both transaction cost and exchange risk. D. Avoid exchange risk and domestic currency depreciation	**2**	**CO1**
Q 5	Indirect rate in foreign exchange means	**2**	**CO1**

	A. The rate quoted with the units of home currency kept fixed. B. The rate quoted with units of foreign currency kept fixed. C. The rate quoted in terms of a third currency. D. None of the above.		
Q 6	If PPP holds A. The nominal exchange rate will not change. B. The real exchange rate will not change. C. Both real and nominal exchange rates will not change. D. Both real and nominal exchange will move together	**2**	**CO1**
Q 7	The gap between the buying rate and selling rate of a currency is called: A. Bid-ask spread B. Dealer's margin C. Dealer's spread D. Exchange margin	**2**	**CO1**
Q 8	The forward US dollar is quoted at a premium against Indian Rupees. This implies A. Money market rates are higher in India than in the US. B. Money market rates are lower in India than in the US. C. Market yield is higher in the US than in India. D. Dollar has a better value than Indian Rupee.	**2**	**CO1**
Q 9	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**	**CO1**
Q 10	Foreign Exchange rates in India are determined by: A. Finance Ministry B. RBI C. FEDAI D. Market forces of demand/supply	**2**	**CO1**
SECTION B **4Qx5M= 20 Marks**			
Q 11	Describe the Spot exchange rate and Merchant rate.	**5**	**CO2**
Q 12	Consider the following bid-ask prices: Rs – 40 – 40.05/ USD. Find the bid-ask spread.	**5**	**CO2**
Q 13	A swap bank arranges a currency swap between two companies. The swap involves exchanging €10 million for $12 million, with a swap term of one year. The swap bank quotes a bid rate of 1.18 USD/EUR and an ask rate of 1.22 USD/EUR.	**2.5*2**	**CO2**

<table>
<tr><td></td><td>1. Calculate the bid-ask spread.
2. If the swap bank applies the ask rate for providing euros and the bid rate for receiving euros, how much will it effectively earn in fees from this spread?</td><td></td><td></td></tr>
<tr><td>Q 14</td><td>Define cross rates and interbank rates.</td><td>5</td><td>CO2</td></tr>
<tr><td colspan="4">SECTION-C
3Qx10M=30 Marks</td></tr>
<tr><td>Q 15</td><td>Explain the types of Foreign Exchange exposure and also mention the difference between these exposures.</td><td>10</td><td>CO3</td></tr>
<tr><td>Q 16</td><td>Explain
A) Purchasing Power Parity.
B) Interest Rate Parity</td><td>5+5</td><td>CO3</td></tr>
<tr><td>Q 17</td><td>Consider the following exchange rates and answer the questions that follow (2.5 × 4 = 10 Marks)
<table><tr><td>Currency</td><td>Values in Rupees</td></tr><tr><td>US dollor</td><td>72.140</td></tr><tr><td>British Pound</td><td>103.645</td></tr><tr><td>EURO</td><td>82.250</td></tr><tr><td>Yen</td><td>0.6063</td></tr><tr><td>Swiss Franc</td><td>69.857</td></tr><tr><td>Hong Kong Dollar</td><td>8.0123</td></tr></table>
Assume that a person wants to exchange EUR 15,000 for Swiss Francs.
a) Determine how much the person will receive.
b) Assume that a tourist arrives at a bank with British Pound 33,500. The tourist wants to exchange the pounds for dollars. The bank has quoted the rates as given above. Determine how many dollars the tourist will get.
c) Assume that you have a Hong Kong Dollar 19,000. Calculate how much Yen is worth.
d) Assume that you have US Dollar 7,500. Calculate how much Swiss Franc is it worth?</td><td>2.5*4</td><td>CO3</td></tr>
<tr><td colspan="4">SECTION-D
2Qx15M= 30 Marks</td></tr>
<tr><td colspan="4">Attempt any two:</td></tr>
<tr><td>Q 18</td><td>Company: Tata Motors</td><td>15</td><td>CO4</td></tr>
</table>

	Scenario: Tata Motors has imported automotive parts from a supplier in Germany and owes €10 million, which is due in 6 months. The finance manager has the following rates available: • 6-month Rupee borrowing rate: 9% per annum • 6-month Euro deposit rate: 1% per annum • Spot exchange rate: ₹88.30 per €1 • 6-month forward rate: ₹89.00 per €1 As an advisor, suggest hedging alternatives for Tata Motors and calculate the cost of each option. Recommend the most cost-effective option for the company.		
Q 19	A) Explain the International Fisher Effect. B) The following bid and ask quotes are available from Banks A, B and C in your area: Bank A: INR Per USD = 60.05/62.05 Bank B: INR Per SGD = 47.55/48.85 Bank C: SGD per USD = 1.3061/1.4010 Determine the cross-exchange rate (bid and ask) SGD per USD between banks A and B.	**5+10**	**CO4**
Q 20	a) What is a currency swap? Explain the role of swap banks with a numerical example. b) What are Forward and Future contracts? Also, write their key differences	**8+7**	**CO4**