

Name:	
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December-2021

Course: International Finance & Risk Management	Semester: III
Programme: B.com (H-BM&I)	Course code:FINC2048
Time: 03 hrs.	Max. Marks: 100
Instructions:	

SECTION A

S. No.	Attempt all questions	Marks	CO
Q1	An Indian refiner enters into a contract to export 1000 barrels of oil with payment to be received in US Dollar (USD) in next three months. His risk is: (a) When INR weakens, he makes a loss (b) When INR weakens, he makes a profit (c) When INR strengthens, he makes a profit (d) When INR strengthens, he makes a loss	2	CO4
Q2	Distinguish between foreign exchange exposure and foreign exchange risk	2	CO2
Q3	Distinguish between currency depreciation and currency devaluation.	2	CO2
Q4	Relationship between exchange rate and inflation rate is referred to as: a) Interest rate parity b) Purchasing power Parity c) Exchange power parity d) None of the above	2	CO1
Q5	Forward exchange rate is the rate of exchange between two currencies a) Prevailing today for future delivery b) Would prevail at a future date c) Prevailing today for immediate delivery d) None of the above	2	CO3
Q6	On 15th January Mr. Arvind Sethi bought a January USD/INR futures contract which cost him Rs.43,000. Each USD/INR futures contract is for delivery of USD1000. The RBI reference rate for final settlement was fixed as 43.10. How much profit/loss did he make?	2	CO3

	(a) (+) Rs. 1000 (c) (-) Rs.100	(b) (+) Rs. 100 (d) (-) Rs. 1000		
Q7	What are the determinants of currency option premium		2	CO3
Q8	Arbitrage is a strategy of taking advantage of _____ between two markets. (a) Price differential (b) theoretical prices (c) Interest rate differential (d) timing		2	CO4
Q9	Explain the concept of balance of payment.		2	CO2
Q10	38 Futures contracts are attractive for market participants as compared to OTC contracts because futures contracts have _____. (a) a settlement guarantee mechanism. (b) a greater money making potential (c) zero risk (d) minimum volatility		2	CO3
SECTION B				
S.No.	Attempt any four questions			
Q 1	Using suitable examples, distinguish between direct rate, an indirect rate and a cross rate.		5	CO2
Q2	Discuss the different types of Quotations of forex market.		5	CO4
Q3.	What are the main component accounts of the current account. Give one debit and one credit example for each component.		5	CO4
Q4.	Explain how currency forwards can be used to hedge the risk in foreign exchange deals		5	CO3
SECTION-C				
S.No.	Attempt all questions			
Q1	. What is foreign exchange market? What are the functions of forex market? Who are the participants of forex market		10	CO4
Q2	Why is it useful to examine a country's balance of payment data? How does it differ from balance of trade?		10	CO3
Q3.	Discuss the different types of transactions of forex market.		10	CO1
SECTION-D				

S.No.	Attempt any two questions		
Q1.	Discuss covered interest arbitrage and uncovered interest arbitrage. What is the difference between these two transactions?	15	CO3
Q2.	Differentiate between the following terms: i) Absolute and Relative Purchasing power parity ii) Fisher Effect and International Fisher Effect	15	CO1