

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA (AM) – SEMESTER –9 • EXAMINATION – WINTER - 2018**

**Subject Code: 4190541****Date: 22/11/2018****Subject Name: International Finance****Time: 10:30 AM to 1:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1** (a) What are the structure and participants of the world financial system? **07**  
 (b) Do you think the standard IMF policy prescriptions of tight monetary policy and reduced government spending are always appropriate for developing nations experiencing a currency crisis? Elaborate the role & functions of IMF. **07**
- Q.2** (a) What do you understand by Balance of Payment? Explain the different items in current a/c & capital a/c. **07**  
 (b) Describe letter of credit. Elaborate the mechanism of letter of credit. **07**
- OR**
- (b) Differentiate FDI & FPI. Explain the motives and theories of FDI. **07**
- Q.3** (a) What is Triangular arbitrage? What is the condition that would give rise to triangular arbitrage opportunity? **07**  
 (b) What are the main forms of the international payment? **07**
- OR**
- Q.3** (a) An authorized dealer has quoted spot, one month forward and three month forward rate (Rs. / \$): Rs 67.55 / 95, 50/70, (90)/(80). Calculate outright rate. **07**  
 (b) What are Euro Bonds? Differentiate between foreign bond and Euro bond. Describe the process of issuing euro bonds. **07**
- Q.4** (a) What is foreign exchange market? Explain its role and structure. Who are the participants in foreign exchange market? **07**  
 (b) Discuss the forward market hedge, option market hedge and money market hedge. **07**
- OR**
- Q.4** (a) Explain Bilateral and Multilateral Netting as a part of multinational cash management. **07**  
 (b) What do you mean by INCOTERMS? Elaborate ECG, FCCB & FCEB. **07**
- Q.5** (a) China may be the world's largest economy by 2020. Discuss the possible implications of such a development for (a) the world trading system, (b) the world monetary system, (c) the business strategy of today's European and U.S.-based global corporations, and (d) global commodity prices. **07**  
 (b) You are in UK and \$/£ exchange rate is 1.540- 1.560 and ¥/£ is 149.06 – 149.50. Calculate the \$/¥ exchange rate. **07**
- OR**
- Q.5** (a) The exchange rate between Euro and US dollar is €0.75 per US\$. Exchange rate between US\$ and Swiss Franc is 1.09 US\$ per Swiss Franc. Find the exchange rate between Euro and Swiss Franc in € per Swiss Franc. **07**  
 (b) How would privatization, deregulation, and the removal of barriers to foreign direct investment affect the efficiency of business, new business formation, and the rate of economic growth in India during the post 1990 time period? **07**

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