

**ST. JOSEPH'S COLLEGE (AUTONOMOUS) BENGALURU-27**  
**MID SEMESTER EXAMINATION- AUGUST 2019**  
**B.COM: V SEMESTER**  
**BCDEF5616: INTERNATIONAL FINANCE**

TIME: 1 Hour

MAX. MARKS: 30 Marks

**SECTION A**

Answer any FIVE of the following questions. Each question carries two marks. (5x2=10)

- 1) A foreign exchange trader gives the following quotes for the Euro spot, one month, three months and six months to a US based treasurer \$0.2368/70, 4/5, 8/7, 14/12. Calculate the outright forward rates
- 2) Mr. Lokesh, student of our college is planning for a Europe trip and wishes to buy € 5000. His banker gives the following quotes € 0.013 bid and € 0.020 ask. How much should Mr. Lokesh pay?
- 3) The spot rate of FFr is traded at DM 0.4343 / 50. Calculate direct quote for a French citizen. Also calculate the Spread in percentage.
- 4) Give the meaning of European and American quotes with example
- 5) Calculate the value date of a transaction entered on 14<sup>th</sup> august, 2019 for 2 months forward. Also explain the concept of rolling forward and rolling backward.
- 6) Give the currency code of the following countries:
  - a. Indonesia
  - b. Costa Rica
  - c. Denmark
  - d. Kuwait
- 7) Explain the term transaction exposure in the context international finance.

**SECTION B**

Answer any TWO of the following questions. Each question carries five marks. (2x5=10)

- 8) Briefly explain the various risks involved in international markets
- 9) A trader works for a New York Bank, the spot exchange rate against Canadian Dollar is \$ 0.9968 and one month & three months forward rates are \$ 0.9985 and \$ 1.0166 respectively.
  - a. Calculate forward discount or premium
  - b. Which currency is at discount or premium in each of the case?
  - c. Suppose the trader has to make a payment of \$ 2 million, suggest the trader as to when he should make and why?
- 10) Ms Nisha an expert in foreign exchange transactions, sees the following quotes while browsing through internet. Spot rate ₹ 66.96/£ and 6 months forward ₹ 67.50/£. Interest rate on ₹ and £ are 10.5% and 8.3% respectively.
  - a. Is the interest rate parity holding?
  - b. If not how could advantage be taken of the situation

**SECTION C**

Answer the following compulsory question. The question carries ten marks. (1x10=10)

- 11) a). State Bank of India quotes US dollar rate as ₹ 48.4530/48.7610. At the same time ICICI Bank has the following quotes: ₹/₹ : 8.1745/50. And \$/₹ : 6.0500/6.0550  
(5 marks)
- b). Explain various motives for the firms to go international? (5 marks)