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SEAT No.______

No. of Printed Pages : 2

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SARDAR PATEL UNIVERSITY

T.Y.B.B.A (International Business) Semester – V

Code: UM05CBBF02/B02

Subject: INTERNATIONAL FINANCIAL MANAGEMENT-III

Date: 22-10- 2018, Monday **Time: 10:00A.M. To 12:00P.M**

Total Marks: 60

Note :Justify your answers according to marks.

Q.1 (a) What is FIIs? Explain trends and policy of FIIs. 08

(b) Write a note on GDR. 07

OR

Q.1 What is FDI? Explain its factors and sector wise limits of FDI. 15

Q.2 What is political risk? Discuss its evolution and types. 15

OR

Q.2 How to manage the political risk? Discuss its measurement. 15

Q.3 (a) A bank is quoting the following rates: 07

\$/CHF spot : 1.6975/80

2-month: 25/15

3-month: 30/20

\$/SAR Spot: 3.8550/60

2-month 30/60

3-month 35/55

A firm wishes to buy Riyals against CHF 3-month forward with an option over the third month. What rate will the bank quote?

(b) On a particular day at 11:00 a.m. the following \$/CHF spot quote is obtained from a bank 1.6335/45 08

i) Explain this quotation.

ii) Compute the implied inverse quote CHF/\$

iii) Another bank quoted CHF/\$ 0.6245/60. Is there an arbitrage opportunity? If so, how would it work?

OR

Q.3 KPIT ltd., your customers, have imported 7,000 shafts at a landed cost in Mumbai, of USD 30 each. They have the choice of paying for goods immediately or in three months time. They have a clean overdraft limit with you were 11% p.a. rate of 15

(P.T.O.)

interest is charged. Calculate which of the following methods would be cheaper to your customer:

(a) Pay in three month time with interest 8% and cover the exchange risk forward for three months.

(b) Settle now at the current spot rate and pay interest of the overdraft for three months.

The rates in India are as follows:

\$/INR Spot : 73.75-73.80

3-month swap: 35/45

Q.4 (a) On April 14,2017 we observe the following prices: 05

	CHF/\$	JPY/\$
Spot	0.6343	0.0080
Futures:		
June	0.6380	0.0081
September	0.6460	0.0082
December	0.6504	0.0083
March,2018	0.6510	0.0084

1. What do these prices imply regarding market's long term view of CHF's prospect against JPY?

2. A speculator holds opposite view from the market. How can he make profit from his forecast?

(b)Today is March 1. A UK firm is planning to import chemicals worth \$ 10 million from US. The payment is due on June1. The spot \$/GBP rate is 1.6765 and the three-month forward rate is 1.6685. LIFFE \$/GBP futures are trading at 1.6695. Explain how the firm can hedge its payable by using futures. On June the \$/GBP spot rate turns out to be 1.6875 and June futures prices 1.6850. Explain why the futures hedge did not turn out to be a perfect hedge. In retrospect, would a forward hedge have been better? 10

OR

Q.4 (a) Write a note on Normal Backwardation hypothesis &Contango analysis for Future Prices. 08

(b) Explain the future trading process. 07

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