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SARDAR PATEL UNIVERSITY

BBA (FT) Semester – VI

Subject: International Financial Management - IV

Code: UM06CBBF02

Date : 08/04/2015
Day : Wednesday

Time:10:30 a.m to 12:30 p.m
Total Marks: 60

Q.1(a) Explain briefly Evolution of International Monetary System. [08]

(b) Describe Exchange Rate Regimes. [07]

OR

Q.1 Discuss objectives, Role, Sources, Quotas and Position of IMF. [15]

Q.2 What's special about International Finance? Explain what are the motives for using International Financial Management. Briefly discuss International Opportunity. [15]

OR

Q.2 Write note on : [15]

1) Euro currency market
2) Euro Bond market

Q.3 Assume that the Indian rupee is freely convertible . The Present rates are : [15]

CHF/Rs Spot : 24.8750/25.1250

3-month forward : 25.6195/25.9805

3-month rupee interest rates : 17.50/18.50

3-month CHF interest rates : 5.75/6.25

1) An Indian firm has a 3-month CHF 1,00,000 receivable, determine the optimal method of hedging it.
2) An Indian firm needs CHF 1,00,000 right now for 3-months, determine the optimal method of hedging it.

OR

Q.3 Following rates are available in the market: [15]

Spot USD/CHF : 1.6010/1.6020

3 month forward : 1.5710/25

CHF 3 month rates : 4 – 4 ¼

USD 3 month rates : $12\frac{1}{8}$ - $12\frac{3}{8}$

Find out whether there is covered interest arbitrage opportunity or not?

Q.4(a) A Swiss firm buys a call on $1,000,000 with a strike of CHF 1.60 per $ and a premium of CHF 0.03 per $. The maturity is 180 days. [10]

(a) What is the break-even maturity spot rate beyond which the firm makes a net gain?

(b) Suppose the six month forward rate at the time the option was bought was DEM 1.62/$. What is the range of maturity spot rate for which the option would prove to be better than the forward cover? For what range of values would the forward cover be better?

(b) Explain Call and Put option terminology. [05]

OR

Q.4(a) The current CAD/$ spot rate is 0.5410. The following 2-month calls are available: [10]

Strike	Call Premium
0.50	0.06
0.55	0.02
0.60	0.008

A speculator expects the CAD/$ rate to hold fairly steady over the coming quarter with only small movements around the current spot rate.

a) What strategy should he adopt to profit from this view if at the same time he wishes to limit his maximum loss?

b) What is the range of maturity spot rate over which he makes a profit?

c) How much is the maximum possible profit?

d) How much is the maximum loss?

(b) Explain Straddles and Strangles Strategies. [05]

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