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SARDAR PATEL UNIVERSITY
 BBA(FT/IB) (VI Semester) Examination
 Subject: International Financial Management - IV
 Code: UM06CBBF02/B02
 Year: 2017-2018

Date : 31/03/2018
 Day : Saturday

Time: 10:00 a.m to 12:00p.m
 Total Marks: 60

- Q.1 Describe IMF – its objectives, role, sources, quotas and position. [15]
- OR**
- Q.1 Discuss: [15]
 1) Exchange Rate Regimes
 2) International Monetary Reforms
 3) Special Drawing Rights.
- Q.2 Explain following Foreign Exchange Markets: [15]
 1) Domestic & Off-shore market
 2) Euro Credit market
 3) Euro Bond market
- OR**
- Q.2 What's special about International Finance? Describe what are the motives for using International Financial Management. Also discuss International opportunity. [15]
- Q.3 The market rates are as follows : [15]
 USD/CHF Spot : 1.6450
 USD/CHF Forward : 1.6580
 Euro \$ 6-month interest rate : 4.50% p.a
 Euro CHF 6- month interest rate : 6.50% p.a
 a) A Swiss firm needs \$1 million right now to settle an Import bill.
 b) A US firm needs CHF 1 million after 6 months to pay off a maturity payable.
 How should firm hedge payment?
- OR**
- Q.3(a) Describe Swaps , Types of Swaps, Arbitrage, Covered Interest Arbitrage & Spread [05]
- Q.3(b) A customer wishes to do a swap deal with a bank in which he buys GBP spot against ZAR (South African Rand) and sell GBP 3 months forward against ZAR. There is no active forward markets in ZAR. However , there is fairly active Euro deposit market, the rate is : [10]
 GBP/ZAR spot: 15.6500/20
 3 month euro GBP rate: 6.25/6.50
 3 month euro ZAR rates: 14.50/15.00
 What swap rate should the bank quote?

(1)

(P.70)

- Q.4 A Canadian firm has supplied goods worth £26 million to a British customer. The payment is due in two months. The current GBP/CAD spot rate is 2.8356 and two-month forward rate is 2.8050. An American put option on sterling with 3-month maturity and strike price of CAD 2.8050 is available in the inter-bank market for a premium of CAD 0.03 per sterling. What will be the position of the firm if :
- [15]
- a) Pound sterling depreciates to CAD 2.7550
 - b) Pound sterling appreciate to CAD 2.8575
 - c) Also explain whether the firm is better off with forward contract or not considering above two alternatives.

OR

- Q.4(a) The current Spot rate CHF/USD is 0.6000. The following April call option are available:
- [10]

Strike	Premium
0.58(x1)	0.07(c1)
0.62(x2)	0.03(c2)
0.66(x3)	0.01(c3)

What strategy should be adopted to make profit and to limit maximum loss? How much will be the maximum possible profit? How much will be the maximum possible loss?

- Q.4(b) Explain briefly option terminology.
- [05]

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