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SARDAR PATEL UNIVERSITY
TYBBA [IB](VI Sem) (CBCS) Examination
Thursday, 30th March, 2017
10.00 a.m to 12.00 p.m
UM06CBBB02/F02 : International Financial Management- IV

Total Marks : 60

Note : Figures to the right indicate full marks.

Q.1 Discuss briefly International Monetary Fund with its objectives, Role, Sources, Quotas and position of India. **[15]**

OR

Q.1 Write a note on : **[15]**
1) Evolution of International Monetary System
2) Special Drawing Rights

Q.2 Explain in detail Motives for using International Financial Management. **[15]**

OR

Q.2 (a) What's special about International Finance? Discuss. **[08]**

(b) Explicate Euro currency Market. **[07]**

Q.3 Consider the following data: **[15]**

£/$ Spot	1.7500/10
3-month forward	1.7380/1.7400
3-month Eurodollar	8.00/8.20% p.a.
3-month Eurosterling	10.50/11.00%p.a.

(a) Check whether there is covered interest arbitrage opportunity.
(b) A British firm has a 3-month dollar receivable. How should it hedge?
(c) A US firm has a 3-month sterling payable. How should it hedge?

OR

Q.3 An Australian MNC has a surplus of Singapore dollars (SGD) 1.2 million and a requirement of Australian dollars (AUD) 1 million both for 3 months. The spot AUD/SGD rate is 1.1990/1.2000 and 3-month swap points are 18/12. It can borrow AUD at a rate of 5.5% p.a. and invest SGD at a rate 4.25% p.a. Explain how the company should utilize SGD to competence its requirement AUD. **[15]**

(P.T.O.)

Q.4 (a) Explain following option terminology : **[05]**

1) Call option
2) Put option
3) Maturity Date
4) Intrinsic Value of the option
5) Option Premium

Q.4(b) A French exporter to UK has 90-day USD receivable. He purchases a put option on £2,50,000 at a strike of EUR 1.6500 per £ at a premium of EUR 0.02 per pound. The current spot rate is GBP/EUR 1.6710 and the 90-day forward is 1.6550. The interest opportunity cost for the firm is 5%p.a. **[10]**

(i) Calculate the maximum GBP/EUR rate at the end of 90 days below which the firm will make a net gain from the put.

(ii) Calculate the range of maturity spot over which the option would be better than the forward and vice versa.

OR

Q.4 (a) Explain briefly Straddle and Strangle strategy. **[05]**

Q.4 (b) 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 interest opportunity cost is 6% p.a. and the maturity is 180 days. **[10]**

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

(ii) Suppose the six month forward rate at the time the option was bought was CHF 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?

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