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Roll No. ....

MBAIB-IV Sem.

2075

MBAIB Examination, May-2016

Global Finance Market and Instruments

(MBAIB - 401)

Time : Three Hours ]

[Maximum Marks : 100

Note : All questions are compulsory :

Section - A

1. This question contains 20 objective type-questions, choose the correct answer and write its serial order : 1 x 20 = 20

- (i) SDR is the currency of IMF which is in the form of :
  - (a) Gold
  - (b) Paper Currency
  - (c) Silver & Gold bond
  - (d) Book-Keeping entry only
- (ii) If \$ 3.50 is needed to purchase E2, the exchange rate is
  - (a) E 0.50 = \$1
  - (b) E 0.40 = \$1

- (c) \$ 1.75 = E1
- (d) \$ 4.50 = E2
- (iii) The exchange rate is kept the same in all parts of market by
  - (a) Hedging
  - (b) Speculation
  - (c) Interest Arbitrage
  - (d) Exchange Arbitrage
- (iv) Which of the following are usual suppliers of Euro?
  - (a) US Foreign investors
  - (b) US Exporter
  - (c) Both (a) & (b)
  - (d) None of the above
- (v) Base interest rate paid on deposit among bank in the Euro currency market is called :
  - (a) INEV
  - (b) EUIN
  - (c) INEC
  - (d) LIBOR

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- (vi) LIBOR stands for .....
- (vii) The Portfolio investment by foreign institutional investor is called
- (a) FDI
  - (b) FII
  - (c) BOP
  - (d) SDR
- (viii) Gold standard introduced in
- (a) 1913
  - (b) 1990
  - (c) 1876
  - (d) 1944
- (ix) EEC means-
- (a) Euro cost
  - (b) Euro Economy
  - (c) Euro currency
  - (d) Euro Economic Community
- (x) ..... is not the example of foreign exchange?
- (a) US\$1 = ₹0.0765
  - (b) US\$ = 1 : ₹45
  - (c) Pound = 1: ₹=78
  - (d) Iraquee dinar = 1: ₹38

- (xi) "If all exchange rate fall, this evidence on appreciation in the value of the national currency".
- (a) True
  - (b) False
  - (c) May be
  - (d) Can't say
- (xii) The spot rate of exchange is quoted for the immediate delivery of .....
- (a) Foreign Treasury
  - (b) Foreign Exchange
  - (c) Foreign Rate
  - (d) Foreign Transaction
- (xiii) International Development Association administered by
- (a) EURO Bank
  - (b) World Bank
  - (c) US organization
  - (d) RBI
- (xiv) New International plan of reserve is known as
- (a) US dollar deposits
  - (b) US treasury bills
  - (c) Special drawing Rights
  - (d) GDRs

(xx) CP stands for .....

- (a) Composite Price
- (b) Currency Price
- (c) Country Price
- (d) Commercial Paper

**Section - B** 30

1. During the year Toyota Motor company shares went from ¥ 9,000 to ¥11,200, while paying a dividend of ¥60. At the same time, the exchange rate went from \$1=¥145 to \$1 = ¥120. What was the total dollar return, in percent. On Toyota stock for the year? 15

**OR**

On August 2,1994 the DM was quoted \$ 0.3876/DM, and the French Franc was quoted \$ 0.2133/FF, in New York. If on this date Paris was quoting FF1.7500/DM, and FF4.6875/\$, What are the incentives for Arbitrage?

2. XYZ Trading Co of the United Kingdom receives \$1,000,000 in payment for exports to ABC Electronics Philadelphia, Pa (XYZ Co. banks with Barclays-London, and ABC

banks with Philadelphia Security Bank. So \$/E=1.35) 15

- (a) XYZ Trading Co. keeps amount in deposit in Philadelphia Security Bank.
- (b) XYZ Trading Co. asks its bank to transfer export proceeds to its account in pound sterling.
- (c) Instead of (b). XYZ Trading Co. transfers dollar proceeds from Philadelphia Security Bank, and places it with its own bank as a time deposit denominated in dollars.

Show the above transactions in T-accounts of Barclays and Philadelphia Security Bank.

**OR**

During the first half of 1990, Swiss government bonds yielded a local-currency return of -1.6%. However, the Swiss franc rose by 8% against the dollar over this Six-month period. Corresponding figures for France were 1.8% and 2.6%. Which bond earned the higher U.S. dollar return? What was the return?

**Section-C**

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1. "The imperfections and linkages of domestic financial markets, Euro markets, and foreign exchange markets provide both risk and opportunities for the international financial manager." Comment. 12.5

**OR**

Discuss the role of international financial manager.

2. Discuss the regulatory system and measurement instruments of Euro currency market. 12.5

**OR**

Critically examine the factors suggesting that the Euro would become a leading international currency.

Discuss the evolution of the IMF/the World Bank. Critically examine the role and ideologies of the IDA, IFC and MIGA institution.

12.5

**OR**

"The IMF is a financial co-operative, in some ways like a credit union". Do you agree?

4. Critically examine the main determinants of foreign direct investment (FDI). 12.5

**OR**

Explain the foreign investment decision process.