

- d) The following quotations are available in USA: [07]
1 USD = CAD 1.3200 – 1.3300
1 USD = CHF 0.8800 – 0.8900

In Switzerland:

1 CHF = CAD 1.4700 – 1.4850

Required:

- Derive CHF/CAD cross rate
- Compare with Switzerland rate
- Identify arbitrage opportunity
- Assume capital CHF 800,000

Q. 3 Answer the following.

- a) What is Foreign Exchange Market? Discuss its structure [08]
b) What are various global money market instruments? [07]

OR

- c) Spot EUR/INR = 90.5000 [08]
Forward Margins (paise):
1 Month: 20 / 24
2 Month: 42 / 48
3 Month: 65 / 74
6 Month: 110 / 125

Required:

Calculate forward rates for:

- 1 Month
- 2 Month
- 3 Month
- 6 Month

State whether EUR is at premium or discount.

- d) Spot GBP/INR = 101.2500 [07]
3-Month Forward GBP/INR = 101.4800

Required:

1. Calculate the 3-Month Forward Margin.
2. Calculate the 3-Month Annualised Forward Margin (AFM).
3. Interpret whether GBP is at Premium or Discount.
4. Briefly explain what this indicates about interest rate differential.

Q. 4 Answer the following.

- a) What is FDI? What are its advantages? [08]
b) What are different types of Eurobonds? [07]

OR

- c) A Call Option has the following details: [08]
Strike Price = ₹82.00
Premium = ₹0.75
Spot Price at Expiry = ₹84.40
Contract Size = USD 75,000

Required:

- Whether the option will be exercised
 - Calculate Gross Payoff
 - Calculate Net Gain/Loss
 - Calculate Effective Cost per USD
 - Comment whether the importer benefited from hedging
- d) Amount Available = INR 6,000,000 [07]
Investment Period = 3 Months

Currency	Spot	3M Forward	Interest Rate
USD	84.20	84.60	5%
EUR	91.00	90.80	3%
GBP	103.50	104.10	4%

Required:

Determine best investment alternative.

Q. 5 A) Answer the following.

- i) What is Forex Market? What are its important characteristics? [08]
ii) Initial Investment = USD 250,000 [07]

Year	Cash Flow	Discount Factor (10%)
1	60,000	0.909
2	80,000	0.826
3	90,000	0.751
4	70,000	0.683

Required:

- Compute PV
- Calculate NPV
- Decision

OR

B) Short Note: (Any 3) (5 marks each)

[15]

- i) Types of Capital Budgeting Decisions
- ii) Role of Forex Manager
- iii) FEMA
- iv) Transfer Pricing
- v) ADRs

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