JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -2 EXAMINATION- 2025

BBA – V Semester

COURSE CODE (CREDITS): 24B11HS312 (4) **MAX. MARKS: 25**

COURSE NAME: INTERNATIONAL FINANCE

COURSE INSTRUCTORS: ASA **AX. TIME: 1 Hour 30 Min**

Note: *(a) All questions are compulsory.*

(b) The candidate is allowed to make Suitable numeric assumptions wherever required for solving problems

(c) Use of Scientific Calculator is allowed.

Q.No	Question	CO	Marks
Q1	The interbank market shows the following quote for GBP/USD: 1.3050 – 1.3054. **a)** Calculate the absolute spread (in decimal) and the spread as a percentage of the mid-rate. **b)** An FX trader buys £100,000 at the market and immediately sells the £100,000 back at the market (i.e., a round-trip trade). Calculate the trader's round-trip cost in USD and express it as a percentage of the mid-market USD value of the position.	4	2+2= 4
Q2	Mumbai Financial Pvt. Ltd. expects the Canadian dollar (CAD) to appreciate from its present level of USD 0.68/CAD (i.e. 1 CAD = USD 0.68) to USD 0.70/CAD in 30 days. Mumbai Financial can borrow USD 15,000,000 on a short-term basis. Interbank annualized short-term interest rates (annualized) are: USD: lending rate 6.50%, borrowing rate 7.00% (Mumbai Financial will pay 7.00% on USD borrowings). CAD: lending (investment) rate 5.50%, borrowing rate 5.90%. Use simple interest on a 365-day year. Ignore transaction commissions and bid/ask spreads for clarity. **a)** Show the detailed cash-flow steps if Mumbai Financial borrows USD 15,000,000, converts the proceeds at the current spot into CAD, invests CAD for 30 days at the CAD lending rate, and then converts the proceeds back to USD at the expected future spot of USD 0.70/CAD. **b)** Compute the profit (or loss) in USD and the profit as a percentage of the USD repayment amount.	4	4+2= 6

Q3	You are given the following spot exchange rates in the international interbank market (Direct Quotation in USD): USD/INR = 83.50; USD/EUR = 1.10, USD/JPY = 110.00. **a)** Calculate cross-exchange rate between: EUR/INR, JPY/INR, EUR/JPY. **b)** Suppose an Indian importer needs to pay €50,000 to a European supplier. Calculate how many INR the importer must pay using the cross rate.	**3**	**3+2= 5**
Q4	What are Eurodollar and Eurocredit Markets? Explain their significance in international financial market.	**1**	**3**
Q5	"Money Market rates tend to higher in developing countries". How far do you agree with the statement? Discuss.	**2**	**3**
Q6	What are the different factors that may affect rupee-dollar exchange rate? Also briefly discuss how the changes in differential interest rate between India and US will have its impact of rupee-dollar exchange rate.	**2**	**4**