



Name:

Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2023

Course: International Finance & Risk Management

Program: MBA SPZ (FIN)

Course Code: FINC8011

Semester: IV

Time : 03 hrs.

Max. Marks: 100

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Currency swap is a method of a) Hedging against foreign exchange risk b) Speculation in foreign exchange. c) Leverage instrument by bank. d) Mode of payment in international trade.	2	CO1
Q 2	A foreign exchange risk involves the transaction exposure, the accounting exposure and a) The translation exposure b) The flexibility exposure c) The rigidity exposure d) The economic exposure	2	CO1
Q 3	CAMP stands for: a) Capital assessment pricing model. b) Capital asset pricing model. c) Capital asset placement model. d) None of these.	2	CO1
Q 4 is the amount left over after individual consumption: a) Investment b) Saving c) Surplus d) Money	2	CO1
Q 5	Find the odd one: a) Risk b) Return c) Standard deviation d) Tax evasion	2	CO1
Q 6	An investor committed money for a short period expect: a) Return from price fluctuation b) Dividend c) Benefit from both price variation and dividend d) None of these	2	CO1

Q 7	Which of the following have a positive effect on exchange rate of domestic currency: a) Higher inflation rate b) Lower interest rate c) Increase in exports d) Increase in imports.	2	CO1
Q 8	Where is the headquarter of National Stock Exchange: a) Mumbai b) Surat c) New Delhi d) Kolkata	2	CO1
Q 9	Total risk includes: a) Systematic risk only b) Unsystematic risk only c) Both a and b d) None of these	2	CO1
Q 10	Which among the following statements are true about unsystematic risk: a) It is diversifiable b) It is company specific c) Both a and b option d) None of these	2	CO1

SECTION B
4Qx5M= 20 Marks

Q 1	A range of hedging instruments are used to reduce the currency risk. Discuss any two Internal Techniques that are used to hedge currency risk.	5	CO2
Q 2	Explain the Strategic Risk and the Financial Risk faced by an organization.	5	CO2
Q 3	Foreign exchange market consist of various market participants, each having their own role. Briefly describe the various categories of foreign exchange market participants.	5	CO2
Q 4	Consider the following quotation: EUR/USD = 0.9430/0.9470 JPY/EUR = 117.40/118.10 INR/JPY = 0.4520/0.4530 You are required to convert EUR 50,000 into INR passing through JPY.	5	CO2

SECTION-C
3Qx10M=30 Marks

Q 1	<p>A US person is travelling to UK, Switzerland and Japan and want to spend GBP 2000, CHF 5000 and Japanese Yen 250000. Find out the total USD required for the trip?</p> <p>Pound/USD = 0.7250/0.7275 USD/CHF = 0.5230/0.5260 JPY/USD = 114.30/115.10</p>	10	CO3
Q 2	<p>CHF/AUD = 6.4620/6.4690 CHF/ZAR = 0.5090/0.5110 ZAR/AUD = 10.4610/10.4680</p> <p>Show the process of arbitrage with CHF 1,00,000.</p>	10	CO3
Q 3	Discuss the complexities involved in International Capital Budgeting.	10	CO3

SECTION-D
2Qx15M= 30 Marks

Q 1	<p>On 1 October 2015 Mr. X an exporter enters into a forward contract with a BNP Bank to sell US\$1,00,000 on 31 December 2015 at `65.40/\$. However, due to the request of the importer, Mr. X received amount on 28 November 2015. Mr. X requested the bank the take delivery of the remittance on 30 November 2015 i.e. before due date. The inter-banking rates on 28 November 2015 was as follows:</p> <p>Spot Rs. 65.22/65.27 One Month Premium 10/15</p> <p>If bank agrees to take early delivery then what will be net inflow to Mr. X assuming that the prevailing prime lending rate is 18%..</p>	15	CO4
Q 2	<p>Excel Exporters are holding an Export bill in United States Dollar (USD) 1,00,000 due 60 days hence. They are worried about the falling USD value which is currently at Rs 45.60 per USD. The concerned Export Consignment has been priced on an Exchange rate of Rs. 45.50 per USD. The Firm's Bankers have quoted a 60-day forward rate of Rs 45.20.</p> <p>Calculate: (i) Rate of discount quoted by the Bank (ii) The probable loss of operating profit if the forward sale is agreed to</p>	15	CO4