

Duration : 2 ½ hours

Marks : 75

Note : Figures to the right indicate full marks.

Q.1 A) Multiple Choice Questions (Any 8)

(8)

1. A floating exchange rate \_\_\_\_\_
  - a. is determined by the national governments involved
  - b. remains extremely stable over long periods of time.
  - c. is determined by the actions of central banks.
  - d. is allowed to vary according to market forces.
2. LIBOR rates are used to reflect \_\_\_\_\_ term interest rate across the globe.
  - a. short
  - b. medium
  - c. long
  - d. federal bank's
3. In the case of \_\_\_\_\_ offering, the bonds convert into shares of the company that issued the bonds.
  - a. GDRs
  - b. FCCB
  - c. Participatory Notes
  - d. FCEB
4. The risk that a government may default on its debt obligation is \_\_\_\_\_.
  - a. Political risk
  - b. Sovereign risk
  - c. Transfer risk
  - d. Transaction risk
5. \_\_\_\_\_ allow foreign companies to mobilize funds from Indian Markets.
  - a. GDR
  - b. ADR
  - c. IDR
  - d. None of the above
6. \_\_\_\_\_ is where you can buy and sell a currency, at a fixed future date for a pre-determined rate.
  - a. Forward Market
  - b. Domestic Market
  - c. Currency Market
  - d. Options Market
7. RBI and FEDAI issue guidelines to all banks regarding risk to \_\_\_\_\_.
  - a. identify
  - b. measure
  - c. manage
  - d. all of the above
8. Price of national currency in terms of foreign currency is \_\_\_\_\_ quote.
  - a. Direct
  - b. Indirect
  - c. Inverse
  - d. offer
9. Under a gold standard \_\_\_\_\_
  - a. a nation's currency can be traded for gold at a fixed rate
  - b. new discoveries of gold have no effect on money supply or prices
  - c. Nation's central bank of monetary authority has absolute control over its money apply.
  - d. None of the above.
10. Undertaking given by the importer's bank to make payment to exporter's bank on default of the importer is called as \_\_\_\_\_.
  - a. Letter of credit
  - b. Guarantee
  - c. Letter of intent
  - d. Promissory Note

B) State True or False (Any 7) (7)

- T1. Any offence under FERA may result in imprisonment.
- T2. Systematic risk is a type of uncertainty comes with the company or industry one invests in and can be reduced through diversification.
- T3. There is comparatively lesser risk while lending in international market.
- T4. FCNR account is free from currency risk.
- F5. BSE Sensex includes the 50 largest and most actively traded stocks on BSE.
- F6. A dirty float occurs when a nation used central bank intervention in forex market to promote a depreciation of its currency's exchange value.
- F7. International Monetary Fund which was given the task of implementation and monitoring of gold standard.
8. Arbitrage involves the simultaneous buying and selling of the asset in order to profit from small differences in prices.
9. Bid rates denote the number of units of a currency a bank is willing to pay when it buys another currency.
10. Increase in interest rate causes a country's currency to appreciate.

Q.2 A) What are advantages and disadvantages of fixed exchange rate system? (8)

B) Explain the factors responsible for the growth of Euro Currency market. (7)

OR

Q.2 C) Explain the concept of Offshore Banking with reference to India. (8)

D) What is risk management? State the risks faced by banks. (7)

Q.3 A) What is loan syndication? Explain phases of loan syndication. (8)

B) Explain the role of central banks in international banking and business. (7)

OR

Q.3 C) What are different types of letter of credit? (8)

D) Write a note on Special Drawing Rights. (7)

