Name: **Enrolment No:**	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
Online End Semester Examination, December 2020

Course: International Finance & Risk Management **Semester: III**
Programme: MBA (General Management)
Time: 03 hrs. **Max. Marks: 100**
Instructions:

SECTION A

S. No.	Attempt six questions	**Marks**	**CO**
Q1	Explain the Law of one price.	**5**	**CO4**
Q2	What is the difference between a forward contract and a future contract?	**5**	**CO2**
Q3	Distinguish between currency depreciation and currency devaluation.	**5**	**CO2**
Q4	Relationship between exchange rate and inflation rate is referred to as: a) Interest rate parity b) Purchasing power Parity c) Exchange power parity d) None of the above	**5**	**CO1**
Q5	Forward exchange rate is the rate of exchange between two currencies a) Prevailing today for future delivery b) Would prevail at a future date c) Prevailing today for immediate delivery d) None of the above	**5**	**CO3**
Q6	What is Put-Call Parity?	**5**	**CO3**
Q7	What are the determinants of currency option premium	**5**	**CO3**
Q8	Arbitrage is a strategy of taking advantage of _____ between two markets. (a) Price differential (b) theoretical prices (c) Interest rate differential (d) timing	**5**	**CO4**

SECTION B

S.No.	Attempt any five questions		
Q 1	Explain how these exchange-rate systems function	**10**	**CO2**

	a) Gold Standard b) Dollarization c) Currency Boards d) Managed Float and e) Free Floating		
Q2	What is the difference between Covered Interest Arbitrage and Uncovered Interest Arbitrage?	**10**	**CO4**
Q3.	Discuss the main difference between Domestic Financial Management & International Financial Management?	**10**	**CO4**
Q4.	If the price of the British Pound is USD 1.92, the annual interest rate is 4% in the US and 6% in the UK. What should be the price of a 90-day futures contract?	**10**	**CO3**
Q5.	Explain how currency forwards can be used to hedge the risk in foreign exchange deals	**10**	**CO3**
Q6.	What is the minimum and maximum bound on the value of the call option?Explain.	**10**	**CO1**
	SECTION-C		
S.No.	Attempt any one question		
Q1	. What is foreign exchange market? What are the functions of forex market? Who are the participants of forex market	**20**	**CO4**
Q2	A 3-month put option on an asset with a strike price of Rs 550 is selling for Rs 60, while the asset is trading at Rs 500. Find out the following: i)What is the intrinsic worth of the put option? ii)What is the time value of the put option? iii) What interpretation do you attach to the time value? iv) At what price of the asset the put option holder break-even?	**20**	**CO3**
Q4.	Firm A and Firm B have identical requirement of funds and both are exploring raising of funds either at fixed or floating rate. Following rates are offered by the market to both:	**20**	**CO3**

	Fixed rate Market	Floating rate Market
Firm A	10%	LIBOR +1%
Firm B	11%	LIBOR+3.5%

	Firm A is more interested in raising a fixed rate loan perceiving increased rates in future, while Firm B believes to the contrary and wants to issue floating rate debt instruments. Show how the cost of funds may be decreased for both the firms through a swap deal.		