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**School of Business**  
**Bachelor of Business Administration**  
**Mid Term Examination - May 2024**

**Duration : 90 Minutes**  
**Max Marks : 50**

**Sem IV - D1UA408T - International Finance**

General Instructions

*Answer to the specific question asked*

*Draw neat, labelled diagrams wherever necessary*

*Approved data hand books are allowed subject to verification by the Invigilator*

- 1) If rates in London Market are : 1 € = US\$ 1.276/80. Solve at what rate can one buy € against Rupees? Explain why it is madatory to exchange currency? K3 (6)
- 2) Identify the relationship between spot and forward exchange rates in straight forward terms. The current spot exchange rate between the US dollar (USD) and the Euro (EUR) is 1 USD = 0.85 EUR. If the one-year forward exchange rate between USD and EUR is 1 USD = 0.82 EUR, build a strategy for hedging risk. K3 (9)
- 3) Argentina, a South American country, has been facing economic challenges due to high inflation, fiscal deficits, and political instability. The Argentine peso (ARS) has been under pressure in the foreign exchange market due to concerns about the country's economic outlook and policy uncertainty. Analyze the impact of a sudden currency devaluation on a multinational corporation's financial performance and strategic decision-making in Argentina. K4 (4)
- 4) Following are three quotes in three FOREX markets: – 1\$=Rs.83.3011 in Mumbai; – 1pound=Rs.110.1125 in London; – 1Pound=\$2.6231 in New York. Are there any arbitrage gains possible? Assume there are no transaction costs and the arbitrageur has 3,000,0000. K4 (8)
- 5) Analyse and comment on the rule of conversion of direct to inditerct quote in a two way quote. Also, convert the direct quotes into indirect quotes: 1\$ = Rs.80.00 / 80.05 ; 1£ = Rs.112.00/112.07 ; 1Euro = Rs.56.00/ 56.18 K4 (8)

- 6) Suppose the spot ask rate, ( $\$/\pounds$ ), is  $\$2.10 = \pounds 1.00$  and the spot bid rate, ( $\$/\pounds$ ), is  $\$2.07 = \pounds 1.00$ . • If you were to buy  $\$5,000,000$  worth of British pounds and then sell them five minutes later without the bid or ask changing, how much of your  $\$5,000,000$  would be "eaten" by the bid-ask spread? K5 (5)
- 7) Nike Inc., a global leader in the athletic footwear and apparel industry, operates in multiple countries across the globe. With manufacturing facilities in various regions and a vast network of suppliers, distributors, and retail outlets worldwide, Nike heavily relies on international trade for its supply chain management and revenue generation. As Nike continues to expand its global footprint and strengthen its presence in emerging markets, it encounters significant challenges stemming from exchange rate volatility in the foreign exchange market. Fluctuations in currency values impact Nike's profitability, cost structure, and competitiveness, prompting stakeholders to assess the factors contributing to exchange rate volatility and its implications for the company's international business operations. Evaluate the factors that contribute to exchange rate volatility in the foreign exchange market and its implications for international businesses. K5 (10)