Q.P. Code : 60591

Fourth Semester M.Com. Degree Examination, September/October 2020

(CBCS Scheme)

Commerce

Paper 4.3 – INTERNATIONAL FINANCIAL INSTITUTIONS AND MARKETS

Time : 3 Hours] *[Max. Marks : 70*

Instructions to Candidates : Answers all questions.

SECTION – A

Answer any **SEVEN** sub-questions. Each sub-questions carries **2** marks : **(7 × 2 = 14)**

1. (a) Distinguish between intrinsic value and time value of call option.

(b) What are caps and floors?

(c) What is cross currency quote?

(d) What is exchange rate risk?

(e) What are GDR's?

(f) Distinguish LIBOR and LIBID.

(g) State three world's major stock exchanges.

(h) What is Value at Risk (VaR)?

(i) Distinguish between Direct and Indirect quote.

(j) What is black hole in a market?

SECTION – B

Answer any **FOUR** questions carrying **5** marks each : **(4 × 5 = 20)**

2. Explain the functions of Forex market.

3. Define Balance of Payment. Explain the components of Balance of Payment.

4. Distinguish between domestic and international capital markets.

5. Explain the advantages of correspondent banking.

6. Write a detailed note on Euro bonds.

7. Distinguish between OTC and exchange traded options.

SECTION – C

Answer any **THREE** questions. Each question carries **12** marks : **(3 × 12 = 36)**

8. Explain the role of ECGC in protecting the interests of exporters.

9. Companies A and B have been offered the following rates per annum on a $ 20 million 5 years loan :

Particulars	Fixed Rate	Floating Rate
Company A	5%	LIBOR + 0.1%
Company B	6.40%	LIBOR + 0.6%

Company A requires a floating rate loan and Company B requires a fixed rate loan. Design a swap that will net a bank acting as an intermediary, 0.10% p.a. that will appear equally attractive to Companies A and B.

10. Explain natural hedges and contractual hedges as hedging techniques to hedge exchange rate risk.

11. Bring out the differences between International Bonds and Euro Bonds.

12. Write short note on :

(a) Exchange traded options

(b) Money market hedge

(c) Loan syndication.