his question paper contains 4 printed pages.]

Your Roll No..............

No. of Question Paper	:	**9586**
ique Paper Code	:	12481601
me of the Paper	:	International Economics
me of the Course	:	**B.A. (Hons.) Business Economics, 2018 (CBCS)**
nester	:	VI
ation	:	3 Hours
ximum Marks	:	75

tructions for Candidates

Write your Roll No. on the top immediately on receipt of this question paper.

Attempt **ALL** questions.

All questions carry equal marks.

Illustrate your answer with suitable diagrams, whenever required.

The number of marks carried by each question is indicated at the end of the question.

Both parts of each question must be done together.

(a) "International trade will bring about equalization in the relative and absolute returns to homogenous factors across nation". Explain factor price equalization

(b) Write short notes on any **ONE** :

(i) Factor intensity and Factor abundance

(ii) Leontief paradox

(iii) Mercantilism (5

OR

'The difference in relative commodity prices betwee two nations is a reflection of their comparative advantag and forms the basis for mutually beneficial trade'.

Discuss the statement in context of increasing opportunit cost. Also compare the gains from Exchange an Specialization. (15

. (a) What are the partial equilibrium effects of a import tariffs? Describe it with the help of appropriat diagram. (10

(b) Write short note on any **ONE** :

(i) FTA (5

(ii) TRIPs

(a) What is the difference between payoff profiles fo forward contract and future contract? Explain by givin a suitable example. (5

OR

Find out if there is a possibility of arbitrage given th following quotes :

USD/AUD :	0.6000-0.6015
USD/MXN :	0.0933-0.0935
MXN/AUD :	6.3000-6.3025

(b) A borrower borrows $2.0 million for 3 months, six months from now at LIBOR flat. LIBOR is 7.5% at present but is expected to rise to 9% after 3 months. In order to hedge the rise in interest rate, the borrower buys an FRA. How much the borrower will receive from the seller of the FRA? (5)

(c) What is an intrinsic value of an option contract? A pound options call contract has strike rate of $ 1.820/£ and a premium of $ 0.08. Spot rate on maturity is $ 1.920/ £. Find gain loss to options buyer/options seller. (5)

(a) How is target zone arrangement different from the post Bretton woods System? (5)

(b) How did IMF solve the problem of international liquidity? (5)

OR

How do you interpret the recent PNB crisis involving Nirav Modi case?

(c) How is managed float different from flexible and fixed exchange rate regime? Explain with reference to evolution of international financial system. (5)

5. (a) Why is Marshall Lerner Condition a precondition fc stability of foreign exchange markets? (5

(b) (i) Funky colors company has net receivables c 450,000 Australian dollars in 90 days. The spc rate of the Australian dollar is 9.61 and th Australian interest rate is 2.5 percent over 90 days How do you think the Australian firm coul implement a money market hedge?

(ii) A MNC is importing goods from Hongkong and needs 200,000 Hong Kong dollars 180 days fron now. It is trying to determine whether to hedge thi position given the following information :

Possible value of Hong Kong dollar

in 180 days	Probability
$.110	5%
$.124	10%
$.135	15%
$.144	30%
$.160	15%
$.165	25%

The 180-day forward rate of the Hongkong dolla is $.156. The spot rate of the Hongkong dollar i $ .128. Develop a table showing the possibl differences between the costs of hedging and thos of not hedging for the MNC. Also determine th probability that hedging will be more costly to th firm than not hedging? (5+5