International Finance

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Lecture - 37
Test-2

[FL] Let us do an exercise, this is in earlier classes we have discussed about one test for you. Now this class we will discuss a test two. Like that we will have another two tests in the coming sessions. So, test 2 as I mentioned earlier it is session number 37. We will be doing the test 2, here there will be 25 25 questions will be there.

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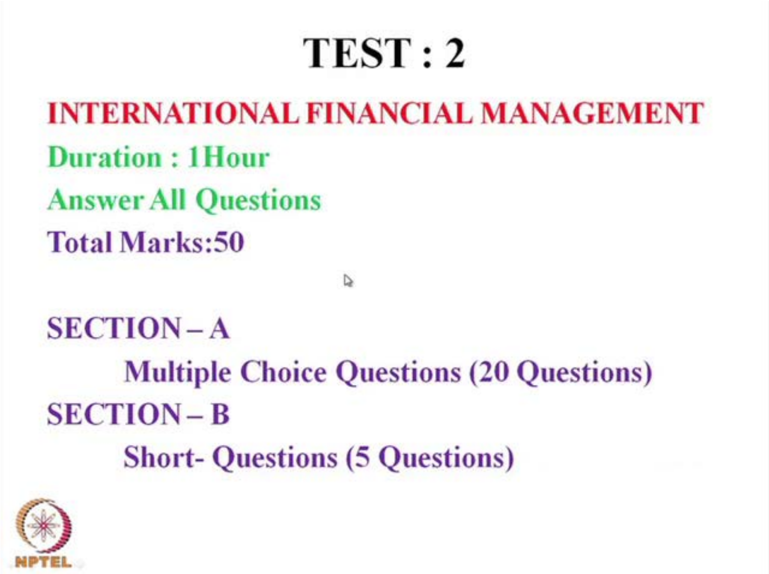

You can see the pattern of the course here, we have a 1 hour duration of the sessions and total mark will be 50. Section A we have multiple choice questions around 20 questions and section B we will have 30 questions, 5 question shot answer type question. The 20 questions have multiple choices. First I will discuss about the 20 questions after that end of the 20 questions I will tell you the answer of the 20 questions and after that we will discuss about short questions, short 5 short answer 5 questions. In the multiple choice question I will go through question one by one questions. You will in a piece of paper, you write the answer a, b, c, d, whatever the choice for you. After the end of the 20 question you try to find, I will tell you the answer along with the discussion. So, that you can match of, match what is your answer, right? Answer or long, wrong answer whatever you mark.

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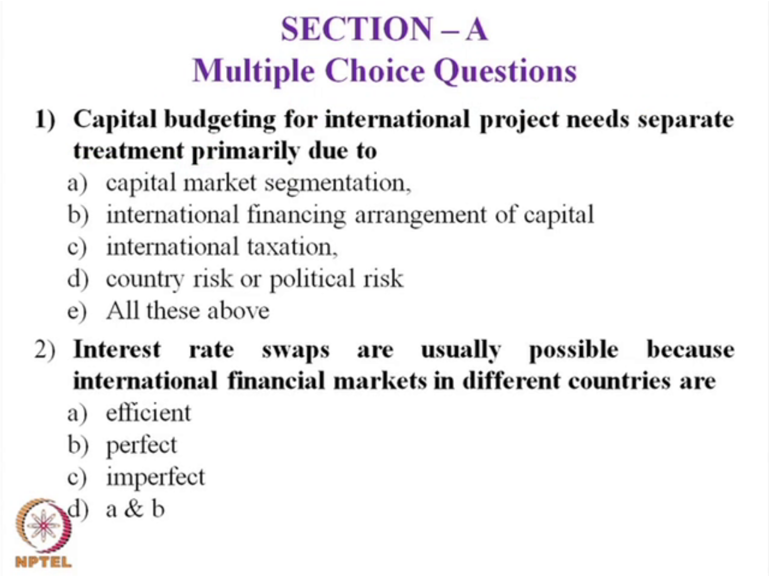

Let us start with the multiple choice questions here the, question number 1. Capital budgeting for international projects needs separate treatment primarily due to answer for you; a) capital market segmentation b) international financing arrangement of capital c) international taxation d) country risk or political risk e) all these above. Mark the answer keep it with you.

Question number 2, interest rate swaps are usually possible because international financial markets in different countries are; a) efficient b) perfect c) imperfect d) a and b. Mark the answer keep it with you.

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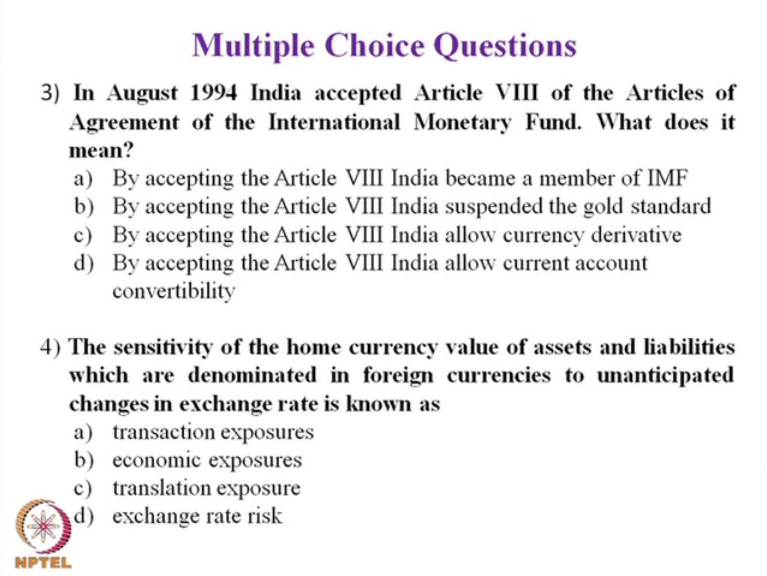

Question number 3, In august 1994 India accepted article 8 of the articles of agreement of the international monetary fund, what does it mean? a) by accepting the article 8 India became a member of IMF b) by accepting the article 8 India suspended the gold standard c) by accepting the article 8 India allow currency derivatives d) by accepting the article 8 India allow current account convertibility. Mark the answer keep it with you.

Number 4, the sensitivity of the home currency value of assets and liabilities which are denominated in foreign currency to unanticipated change in the exchange rate is known as? a) transaction exposure b) economic exposure c) translation exposure d) exchange rate risk. Mark the answer keep it with you.

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Multiple Choice Questions

5) **Corporate treasurers have become increasingly concerned about exchange rate risk primarily due to**
   a) significant increased in international capital flows and exposure to different currencies.
   b) High volatility in exchange rates
   c) Foreign exchange/currencies crisis
   d) Lack of liquidity

6) **Over time, the economic interdependence of nations has**:
   a) Grown
   b) Diminished
   c) remained unchanged
   d) cannot say

7) **PPP theory does not reflect the true exchange rate in the short-run primarily due to**
   a) Inflation
   b) Quality of Goods and services
   c) Taxes
   d) All the above

Number 5 number 5, the question is corporate treasure have become increasingly concerned about exchange rate risk primarily due to; a) significant increase in international capital flow and exposure to different currency b) high volatility in exchange rate c) foreign exchange or foreign currency crisis d) lack of liquidity. Mark the answer keep it with you.

Number 6, the question is over time the economic interdependence of nation has, answer a) grown b) diminished c) remained unchanged d) cannot say. Mark the answer keep it with you. Number 7 number 7, the question is purchasing power parity theory does not reflect the true exchange rate in the short run primarily due to answer are; a) inflation b) quality of goods and services c) taxes d) all the above. Mark the answer keep it with you.

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Multiple Choice Questions

Questions Number 8 and 9

A typical MNC balance sheet, generally, has several contractual exposures in various currencies and maturing in different dates.

Receivables/Payables	Value	Maturity Days
US$ Payable	90000	40
Euro Receivable	25000	60
US$ receivable	11000	40
US$ Interest Payable	9000	40
Euro Loan Payable	80000	60
US$ export Receivable	87500	40
Euro Export Receivable	70000	60

8) What is the open position in US$?
   a) Net exposure is US$ 1,97,500
   b) Net exposure is US$ 99,000
   c) Net exposure is US$ 98,500
   d) Net exposure is US$ (-ve) 500

9) What is the open position in Euro?
   a) Net exposure is Euro 80,000
   b) Net exposure is Euro 1,75,000
   c) Net exposure is Euro 15,000
   d) Net exposure is Euro 95,000

NPTEL

Number 8, question number 8 and 9, some details are given to you. You go through the data and try to answer question number 8 and question 9 9. I am reading the question to you the background of the question number 8 and 9. I have given you a typical MNC balance sheet generally had several contractual exposure in various currency and maturing in different time periods. So, the table reflect receivables and payables, the value of the currency and the maturity date. Here the receivables payables are US US Dollar payable, the value is 90,000 and maturity date is 40 days. Second, Euro receivables the amount is 25,000, the maturity is 60 days.

Third, US Dollar receivables the amount is 11,000, maturity date date is 40 days. Fourth, US dollar interest payables amount is 9000, maturity date is 40 days. Fifth Euro loan payable amount is 80,000, maturity date, days are 60 days. Next, one US Dollar export receivables amount is 87,500, maturity days are 40 days. Euro export receivables amount is 70,000 and maturity days are 60 days. You go through the data set and try to find and try to answer the question number 8 and 9. First you go through write the data after that, I will ask you the question number 8 and 9.

The question number 8 is, what is the open position in US dollar from the data set? You try to find the question number 8 is what is the open position in US Dollar? So, question number 8, what is the open position in US Dollar? Answers, a) net exposure is US D

1,97,500 b) exposure is US D 99,000 c) exposure is US D 98,500 d) net exposure US D negative that is minus 500 dollar. Mark the answer keep it with you.

Question number 9, from the data set you have to answer question number 9 also. The question number 9 is what is the open position in Euro? From the data set you try to find the question number 9 is what is the open position in Euro? The answer is the choices are for you, a) net exposure is Euro 80,000 b) net exposure is Euro 1,75,000 c) net exposure is Euro 50,000 15,000 d) net exposure is Euro 95,000. You mark the answer keep it with you. For the question number 8 and 8 and 9 from the table, you try to find, try to solve the question number 8 and 9.

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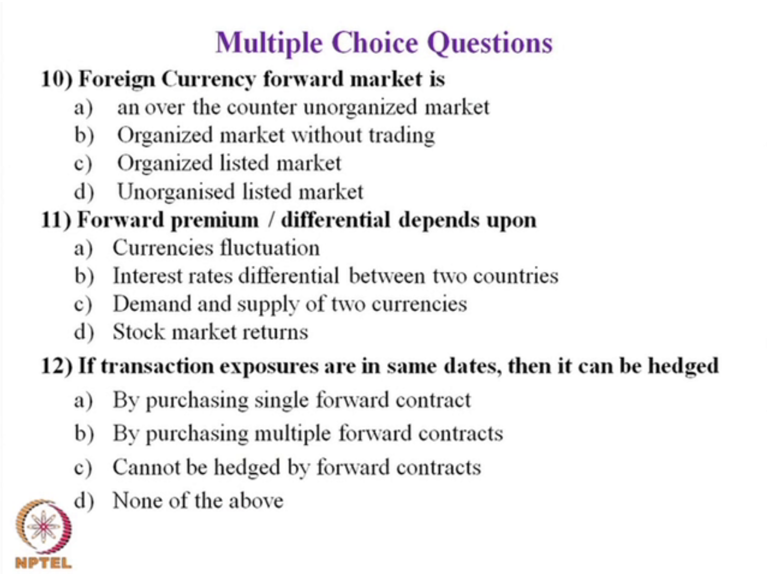

Question number 10, the question number 10. Foreign exchange, foreign currency forward market is the question number 10 is foreign currency forward market is the choices for you, a) an over the counter unorganized market b) organized market without trading c) organized listed market d) unorganized listed market. Mark the answer keep it with you.

Question number 11, the question 11 for you is; Forward premium differential depends upon forward premium differential depends upon the choices for you, a) currency fluctuation b) interest rate differential between two countries c) demand and supply of two currency d) stock market returns. Mark the answer keep it with you. Question number 12, question number 12, is if transaction exposure are in the same date, then it can be hedged. The choices for you are, a) by purchasing single forward contract b) by purchasing multiple forward contracts c) cannot be hedged by forward contract d) none of the above. Mark the answer keep it with you.

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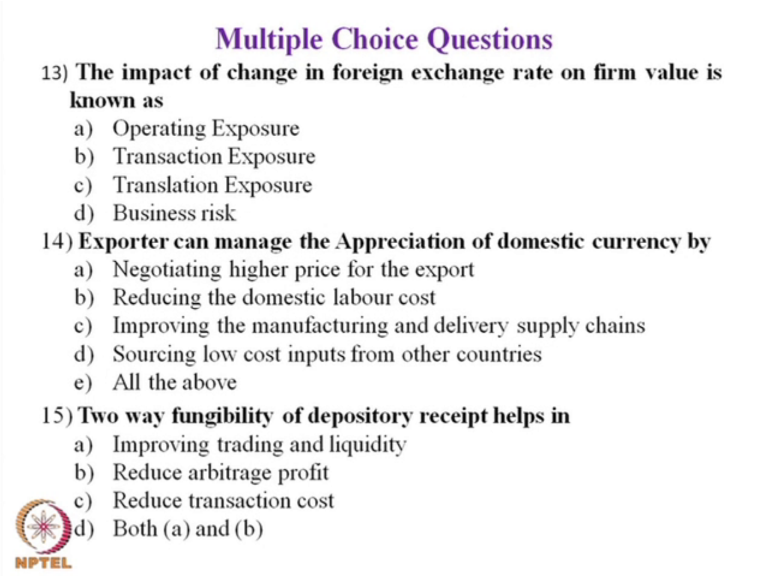

Let us move to question number 13, question number 13 for you is, The impact of change in foreign exchange rate on firm value is known as? The choices for you are, a) operating exposure b) transaction exposure c) translation exposure d) business risk. Mark the answer keep it with you.

Question number 14, question number 14 for you is exporter can manage the appreciation of domestic currency by? Choices for you are, a) negotiating higher price for the export b) reducing the domestic labour cost c) improving the manufacturing and delivery supply chain d) sourcing the sourcing low cost input from other countries e) all the above. Mark the answer keep it with you.

15, question number 15 is for you, the question number 15 is two way fungibility of depository receipt helps in the? Choices for you are, a) improving trading and liquidity b) reduce arbitrage opportunity c) reduce transaction cost d) both a and b. Mark the answer keep it with you.

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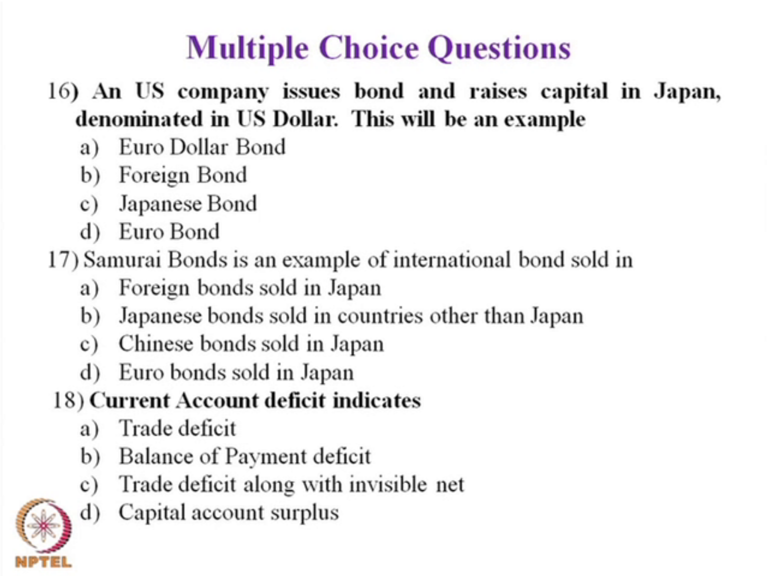

Multiple Choice Questions

16) **An US company issues bond and raises capital in Japan, denominated in US Dollar. This will be an example**
   a) Euro Dollar Bond
   b) Foreign Bond
   c) Japanese Bond
   d) Euro Bond

17) Samurai Bonds is an example of international bond sold in
   a) Foreign bonds sold in Japan
   b) Japanese bonds sold in countries other than Japan
   c) Chinese bonds sold in Japan
   d) Euro bonds sold in Japan

18) **Current Account deficit indicates**
   a) Trade deficit
   b) Balance of Payment deficit
   c) Trade deficit along with invisible net
   d) Capital account surplus

NPTEL

Let us move to question number 16, the question number 16 is for you, an US company issue bond and raises capital in Japan denominated in US dollar this will be an example of? The choices for you are, a) Euro Dollar bond b) foreign bond. c) Japanese bond. d) Euro bond. Mark the answer keep it with you.

The question number 17 is for you, the question number 17, is samurai bond is an example of international bond sold in the? Choices for you are a) foreign bond sold in Japan b) Japanese bond sold in countries other than Japan Answer c, answer b answer b for you, let me repeat this again the answer a for you foreign bond solds in Japan, the answer b for you Japanese bond sold in countries other than Japan the choice the choice c for you Chinese bond sold in Japan the choice is a d for you Euro bond sold in Japan. Mark the answer keep it with you.

Question number 18 for you is, current account deficit indicates? The choices for you are, a) trade deficit b) balance of payment deficit c) trade deficit along with invisible net d) capital account surplus. Mark the answer keep it with you.

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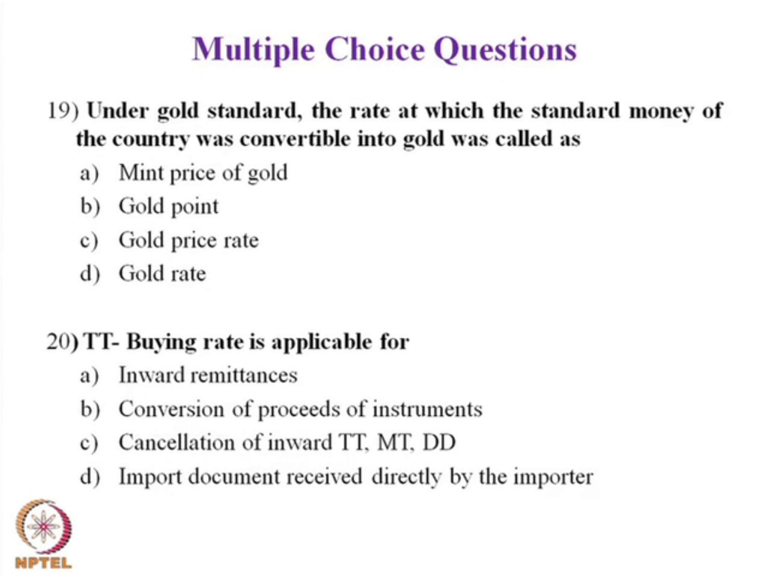

Let us move to question number 19, question number 19 for you is, under gold standard the rate at which the standard money of the country was convertible into gold was called as choices for you, a) mint price of gold b) gold point c) gold price rate d) gold rate. Mark the answer keep it with you. Question number 20 is for you, the question number 20 is, TT buying rate is applicable for the choices for you are, a) inward remittances b) conversion of proceed of instruments c) cancellation of inward TT and MT DD question number answer d) is import document receipt directly by the importer. Mark the answer keep it with you.

Okay, these are the 20 questions for you and I hope you have marked the answer with in a in a papers. Let us discuss about the answer of these 20 questions. Let us move to question number 1. The question number 1 was capital budgeting for international project needs separate treatment primarily due to the question answer is e, all the above. As we discussed in capital budgeting capital budgeting international project the, we have to adjust the capital market segmentation, you have to adjust the international financing arrangement.

So, international taxation also differential will be there, you have to adjust that country risk political risk will be there. So, it will it will it will have impact on the return that you have to adjust all four thing. You have to adjust to arrive at capital budgeting in a separate treatment you require because of this differential available in taxation, differential available in financing arrangement, differential available because of market segmentation political risk. All these influence the capital budgeting. This should be separate from domestic capital budgeting and international capital budgeting should be separate.

Question number 2, interest rate swaps are usually possible because international financial market in different countries are efficient, perfect, imperfect because interest rate swaps are usually possible because why you go for interest rate swap because interest rate differential available. Interest rate differential available in two market because market are imperfect here the answer is c, the answer. If you see the answer it is c, answer two question number two answer is c. So, why the interest rate swaps available in two market only? Because markets are imperfect two markets are imperfect, because of that interest rate differential will be there when interest rate differential available. We have to go for interest rate swap to take advantage of interest rate differential.

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Key to Multiple Choice

1) (e)
2) (c)
3) (d)
4) (a)
5) (b)
6) (a)
7) (d)
8) (d)
9) (c)
10) (a)
11. (b)
12. (a)
13. (a)
14. (e)
15. (d)
16. (a)
17. (a)
18. (c)
19. (a)
20. (a)

Let us move to question number 3, the 3 question is here. Number 3 is the in August 1994 India accepted article 8 of the articles of agreement of international monetary fund what does it mean? The articles mean India accepted the current account convertibility the answer is d. Answer is number 3 question answer is d because India accepted 1994 the current account convertibility and these current account convertibility reflect the acceptance of article 8 of the international monetary fund. The question number 4, the sensitivity of home currency value of assets and liability which are denominated in foreign currency to unanticipated change in exchange rate is known as transaction exposure. Your answer is a, the transaction exposure because assets liabilities are transaction of international transaction. The value of asset liability changes because of the fluctuation of interest rate. So, here question number 4 answer is a that is transaction exposure, the transaction exposure is the question number 4 answer 4.

The question number 5 corporate treasures have become increasingly concerned about the exchange rate risk primarily due to the corporate treasurer deals international transaction process foreign exchange foreign exchange market. So, they are concerned about the exchange rate fluctuation exchange rate risk primarily because the here the the question number, answer is high volatility in exchange rate. Significant increase in capital flow and exposure to different currency not because of that foreign currency fluctuation or crisis not because of that lack of liquidity not because of that your answer is b, because the foreign exchange market is highly volatile. Because of this reason the foreign exchange risk is increasing and because of this reason, corporate treasures are increasing concern. The concern is increasing over the year for the corporate treasurer because the because of high volatility in exchange rate. The question number 5 answer is b the question number 5 answer is b.

Question number 6, over time the economic interdependence of nation has whether grown, diminished, remained unchanged or cannot say. Here answer is a over the year we are more dependent economic interdependent of countries or nations have increased we are more dependent, more grown in independent, dependency character. So, question 6 the answer is a question number 6 the answer is a.

Question number 7, purchasing power parity theory does not reflect the true exchange rate in the short run primarily due to inflation or quality of goods and services or taxes or all the above. So, in purchasing power parity theory you discussed, then in purchasing power you try to compare the same quality of goods to in two different market and we are assuming that the, this would be same thus would be exchange rate between two are decided when the purchasing power parity are exchanged among them. So, why the purchasing power parity does not hold in short run? Because short run we have inflation problem, short run the quality of good and services are different, short run taxes are different. So, all the above, question number 7 the answer is d. All the above taxes are different, two country different taxes are there, it will reflect in the price two country the quality of goods are different. So, it will reflect in the price the inflation also different in two countries. It will also reflect in price because of which purchasing power parity does not hold. So, question number 7 the answer is all the above that is d, answer is d.

Let us move to question number 8, in 8 I have discussed I have given you a table where in receivables and payables are there and in different currency and different maturity period. So, we have answer I have asked you two question, what is the open position in US Dollar? US Dollar if you see the open position US dollar you have to see US Dollar payables US Dollar receivables. Then I have to find out what is the open position? If you see the tables let us see the, see the tables here, question number 8

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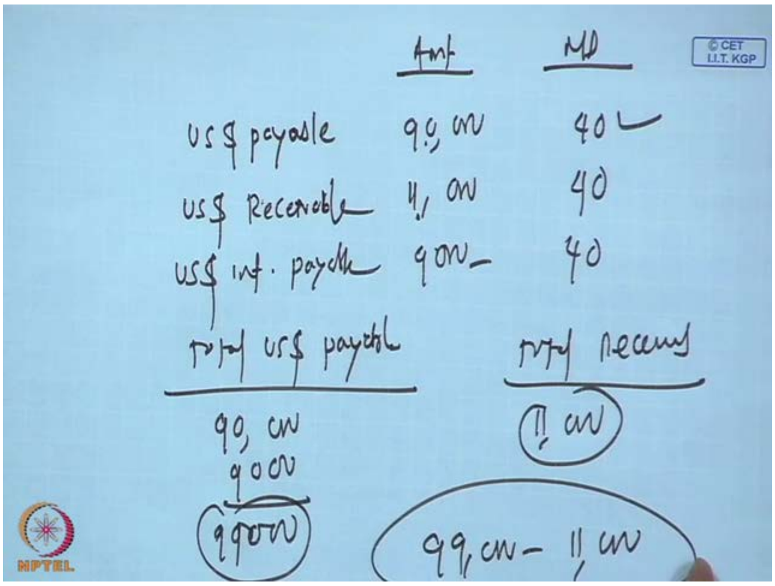

See the table, what is the US Dollar? US Dollar payables you see, the table US Dollar payable amount is 90,000 and maturity date is 40 days amount and MD that is maturity date. Similarly, US Dollar in US Dollar you see the table US dollar US dollar receivables are there. You see the receivables here US Dollar receivables US dollar receivable is there. That is amount is receivable 11,000 11,000. So, and maturity date is 40, 40 maturity date 40 days. Similarly, US Dollar interest payable US Dollar interest payable US Dollar interest payable you see the table 99,000 US Dollar interest payable in 9,000 and payable date is after 40 days, you see the 40 days. Similarly, any US Dollar other thing other are Euro.

So, we have US dollar net open position payable, total payable total US Dollar payable and what is the payable? Payable is 90 days 90,000 and 40 days payable is interest rate 9000 that also 40 days the entire payable is 99,000. Our total receivable, 11,000, so 11,000 and receivable only 11,000 receivables are there. So, payable is 99,000 receivable is 11,000. 99,000 minus 11,000 that will be the open position in US Dollar. That is the open position is US Dollar. So, 90,000 19, 99,000 is the payable receivable is 11,000 the minus is something minus is here. So, we have to go for the minus is here. Another is there, US Dollar export receivable 87,000. We have forgotten that 87,300 87 500 US Dollar export receivable.

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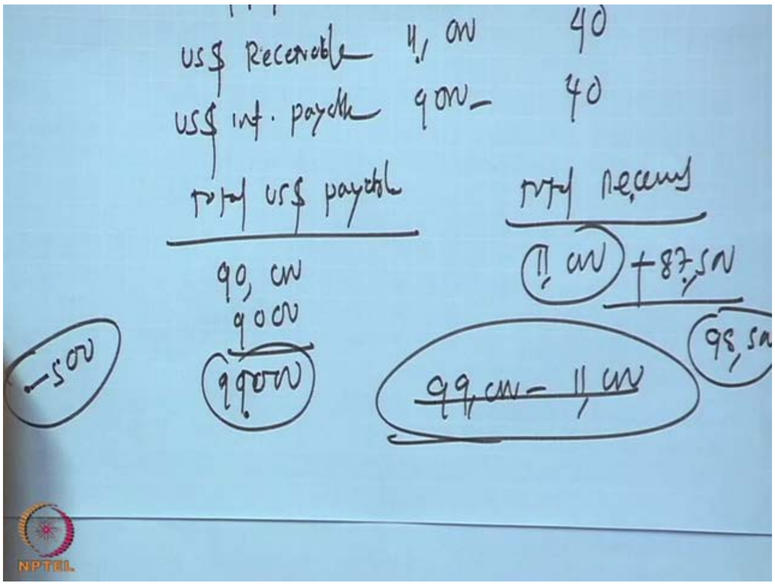

So, receivable another 87,000 is there. 87,500. 87,500 you have to add that also. So, 11,000 so, 11,000 plus 87,500 that is 98,500 is the receivables and 99,000 is the payable. So, payables minus receivable is the minus 500, is the net open position. Minus 5,500 is the net open position. If you see the question number 8, what is the open position in US dollar is answer is d. Net exposure to US dollar is minus 500. So, what you have done it all US dollar receivable minus all US dollar payables, that difference is the answer to the question number 8.

Similarly, question number 9; what is the open position in Euro? Similarly, question number 9, what is the open position in Euro? So, Euro payable you have calculate. Euro payable. How many payables are there? If you see the questions, Euro payable, Euro loan euro payables are there. Euro payables are only 80,000 Euro payables are only 80,000 Euro. An Euro receivables are there, Euro receivable euro receivables are there How much? 25,000.

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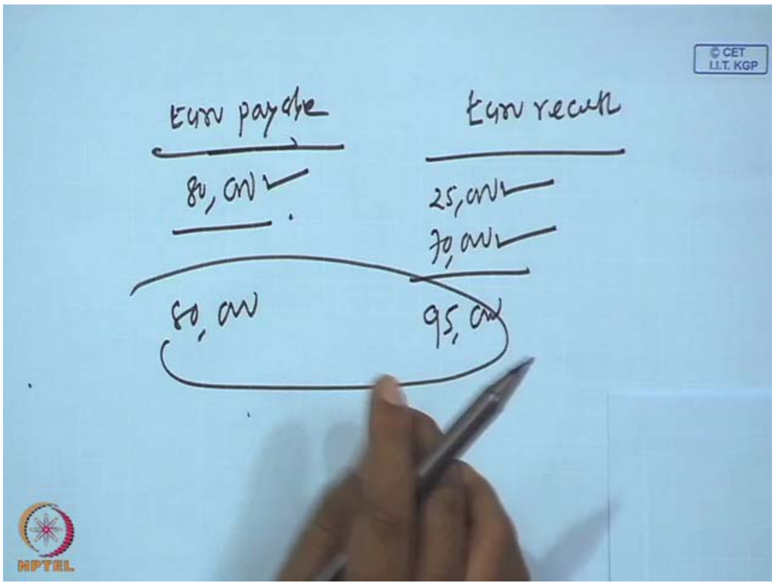

Similarly, euro receivables Euro export receivable, Euro. Euro If you see Euro receivable 25,000 Euro. Euro export receivable 70,000 and Euro payable Euro payable is here Euro loan payable 80,000 and also Euro export receivable. Any other things are euro side you have to see. So, you have so, Euro receivable 25,000. I mention here Euro receivable 25,000 and Euro second third one, Euro loan payable 80,000. I mention Euro loan payable 80,000 Euro export receivable 70,000. I mention Euro export receivable 70,000. What is the total Euro receivable Euro total receivable is 95,000 Euro.

What is the Euro total payable 80,000, so the difference of 15,000 is the open position. So, here see. So, here question number 9, so what is the open position in Euro the question number 9. Euro open position number, see the difference is 15,000. So, different net exposure Euro is 15,000 that is the answer to the question number 8 and 9.

Let us move to the question number 10. Question number 10, is foreign currency forward market is what kind of market foreign currency forward? Whether it is a is a over the counter unorganized market organized market without trading, organized market organized listed market or unorganized listed market. If you remember the features of foreign currency forward market, you will find that the foreign currency forward market is over the counter unorganized market. That is it is not organized, there is no controller of this market is a unorganized market among the bank. So, question number 10 the answer is an unorganized over the counter market that is foreign currency forward market. Question number 10 the answer is a.

Similarly, question number 11 forward premium differential depends upon what? So, forward premium differential if you remember forward premium differential depends upon what the currency fluctuation interest rate differential between two countries? So, demand and supply of two currency or the stock market return. If you remember that the forward premia or forward premium or discount is nothing but interest rate differential. So, it is the question number 11 the answer is b, the forward premium and differential depends upon interest rate differential between two country. The question number 11 the answer is b.

Similarly, question number 12. Question number 12 is if transaction exposure are in the same date, then it can be hedged, same date transaction exposure. The liability are fluctuating, the assets are fluctuating, the fluctuation dates are same, the contract date is same. So, by when the transaction exposures are same date you need to purchase only a single forward contract to immune the position. You need to purchase only a single forward contract. So, 12 number question the answer is, by purchasing a single forward contract you can immune the transaction exposure of same date the question number 12 the answer is a.

Let us move to question number 13. The question number 13 is the impact of change in foreign currency rate on firm’s value is known as? The foreign currency rate is changing the firm value, the firm the company value valuation side the foreign currency is changing. So, it is nothing but economic exposure. It is an operating exposure transaction, exposure translation, exposure or the business risk. So, it is nothing but the operating exposure because over the period. The operation of the day to day, not the day to day decision the operation of the long run, operation of the company is changing the value of the company is changing. It is operating exposure, the question number 13 the answer is a the question number 13 the answer is a.

The question number 14 question number 14 is exporter can manage the appreciation of domestic currency by exporter can manage the appreciation of domestic currency by a) negotiating with the higher price for the export b) reducing the domestic labour cost c) improving the manufacturing and delivery supply chain or d) sourcing the low cost low cost input of the from different country e) all the above? The export appreciation of domestic currency the currency, domestic currency appreciating. So, export will face the problem because the exporter there they cannot be competitive in nature domestic currency value is appreciating.

So, their export the export is because of that export may decline. So, how they will manage these they have to go for new sourcing of raw material, low cost sourcing they can negotiate with negotiate with the importer. They can they can source, they can improve the manufacturing cost, supply chain process here. All the above which is applicable here. 14 number question the answer is e. All the above, they have to go for negotiation. They have to go for reducing the labour, cost, they have to improve the supply chain process, they have to source low cost material. Everything will be there. The question number 14 the answer is e, all the above.

Question number 15, two way fungibility of depository receipt helps if you remember that two way fungibility means? GDR to global depositary receipt GDR to domestic equity, domestic equity into GDR. So, two way fungibility will be there. Both can be converted into each other. This is, this will increase the trading. The improving the trading also increase the liquidity. So, here so, you are improve the trading liquidity increase also the arbitrage opportunity between GDR to a domestic equity or domestic equity to GDR it will reduce. So, the question number 15 the answer will be improving trading and liquidity reducing arbitrage opportunity arbitrage profit. So, here question number 15 the answer is d, that is both a and b. The question number 15 answer is d, both a and b will be correct answer.

Question number 16 an US company issues bond and raises capital in Japan dominated denominated in US Dollar, this type of raising a capital is called as your, US company issuing bond in Japan in Japanese in not in Japanese currency in US Dollar. US company issuing bond in Japan in US Dollar. Then this kind of bond what we will called? If you see this kind of bond, if you see the answer number 16, answer number 16, answer number 16, if you see the answer number 16 is a, answer number 16 is a, a, is what? Answer number 16 is a the a, is here Euro Dollar bond. So, the US company raises bond and raises capital in Japanese market in US Dollar. It will be called Euro Dollar bond. Question is answer is a, it will be Euro Dollar bond.

Question number 17, samurai bond is an example of international bond sold in foreign bond sold in Japan. Japanese bond sold in country other than Japan. So question number 17, the answer will be the question number 17 the answer will be a. the question number 17 answer will be a Foreign bond sold in Japan.

Question number 18, current account deficit indicate trade deficit balance of payment deficit, trade deficit along with invisible net capital account surplus. Current account current account deficit indicate the export import deficit. There is trade deficit along with foreign inflow and outflow. So, it will be the answer is trade deficit along with invisible net trade deficit including invisible net the question number 18 answer is c question number 18 answer is c.

Question number 19, the under gold standard, the rate at which gold standard money of the country was convertible into gold is called mint price of gold, gold coin, gold price rate, gold rate. So, here question number 19 the answer is a mint price of gold. The standard convertibility of gold one country gold another country gold. The currency transaction is known the mint price of gold. The 19 question number answer is a.

20 question TT buying rate is applicable for TT buying rate you are buying the TT that means you have foreign currency you have foreign currency. So, TT buying rate is knowing is known as question number 20, the answer is inward remittances TT buying rate applicable to inward remittances. You are buying TT means, you are selling foreign currency you are selling foreign currency the question number, question number 20 the you are selling foreign currency when you sell foreign currency. You have inward remittances, so TT buying rate is nothing, but inward remittances.

So, question number 20 the answer is a, the question number 20 the answer is a inward remittances. These are the all 20 questions their answers and discussion you can see your match your right and wrong answer. Try to calculate how much mark you got out of 20 marks. Each question its right answer will have 1 mark. Let us go to the question the subjective question. I will, we have 5 questions are there you have to write the answer of the 5 question. So, I will give you the key to the answer only.

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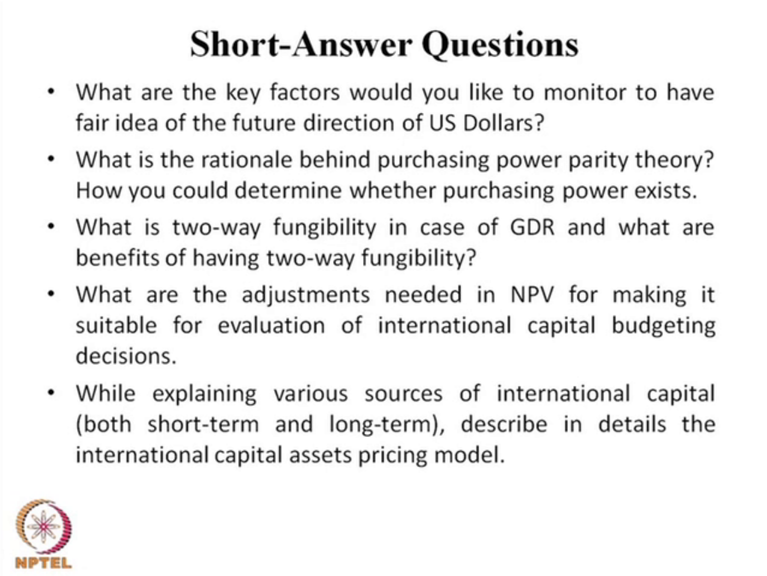

So, question number short subjective questions are short answer questions here. Question number 1. What are the key factor would you like to monitor, to have fair idea of the future direction of US Dollar? You heard what is the question? The factor you have to identify which actually influence the US Dollar and try to monitor this factor the factor for the actual value of the US Dollar. So, as we discussed in earlier classes, which are the factor which actually influence the US Dollar? Suppose, Indian rupee in US Dollar, so the factor is interest rate interest rate between India and US. The political instability, the current account deficit, the money market interest rate, the stock market, FII flow, FII flow FDI flow. These are the some kind of variables factor, which influence the exchange rate between India and India and India and US Dollar. Indian currency INR and US Dollar.

So, what are the factors? The macroeconomic factor, particularly macroeconomic factor and also some financial sector financial sector side some parameters. The macroeconomic factor the growth factor IAP growth rate, the FII inflow, the FDI inflow, the political uncertainty, these are the factor the financial sector like short term interest rate within India and US, the inflation rate, the stock market fluctuation. These are the factor which are so, also need to be influenced along with export, import, current account deficit, other than FII inflow. Other kind of capital inflow you have to monitor, so as to have a have a some kind of idea the movement of US Dollar and Indian Rupee.

The question number second. What are the, what is the rationale behind purchasing power parity theory? How you could determine whether purchasing power exists? What are the here, we have to find what are the rationale behind purchasing power parity? Purchasing power parity theories generally applicable to foreign currency market to find the true value of exchange rate between two countries. So, why the assume as I mentioned earlier is that currency when you have a currency, you have commanding power or you have a purchasing power to command the goods and services. So, when the currency decides the value of the demands and your demand condition, demand by power of different countries. So, demand power of different countries.

So, when you have currency you try to purchase goods and services. So, purchasing power parity theory reflect, the purchasing power of a currency so purchasing power of parity reflect, the purchasing power of the currency. So, when you have a basket of goods which are identical in two different country and try to find what is the cost of the two the basket of goods in two country. The basket of good the exchange of this price reflect the purchasing power for the exchange of two currency the value of the two currency.

The question what determine the purchasing power? How you will determine? Though we have to take in a basket of basket of currency, basket of goods and services which have same quality, same kinds and try to find what is the value is best. Try to find what is the value in India suppose in India it cost 1000 Rupees in US it cost 50 50 Rupees or 100 Rupees 100 Dollar. Then 1 Dollar equal to 10 Rupees, that way you can find the, whether purchasing power exist or not purchasing of parity is exist or not? Similarly, question number 3, what is the two way fungibility?

In case of GDR and what are the benefit of having two way fungibility? As I mentioned two way fungibility is nothing but conversion of GDR into domestic equity and domestic equity to GDR. So, two way fungibility the benefit is there, the trading volume increases.

The benefit is there, the arbitrage between two equity reduces. Similarly, create liquidity in the system so two way fungibility try to address the issue of tradings, tradings volume, try to assess increase the liquidity, try to reduce the arbitrage opportunity. Since, this two way fungibility some kind of creation of liquidity in the system, it is benefit for the, both the benefit for the system.

Similarly, what are the question number 4? What are the adjustment need needed in NPV for making it suitable for evaluation of international capital budgeting decision? So, NPV method is domestic budgeting system. Domestic budgeting system, there is no there is no requirement of foreign currency. Inside a country you try to evaluate the project, what the, when you try to evaluate the project in an international market, then foreign currency fluctuation will come. The sovereign ratings are coming, then taxation systems are coming, then your capital budgeting and the cost of capitals are different countries.

All these factor need to be addressed to when try when you want to use NPV as a methods of international capital budgeting and taxation side, the cost of capital side, the foreign currency fluctuation side, the country rating side, sovereign rating side, political instability all these thing try to try to be factor in NPV itself to make the NPV a evaluating parameters or indictors for the international capital budgeting. Similarly, question number 5, while explaining various sources of international capital both short-term and long-term. Describe details the international capital asset pricing model. So, here you have to describe various sources of capital international capital. International capital like FII inflows, FDI inflow, long-term bond, short-term bond, US Dollar, Euro Dollar bond, samurai bond GDR, ADR issues.

All these are all these are international capital budgeting, capital what is called instrument for short-term and long-term borrowing. Similarly, you have medium top note, you have commercial paper commercial paper in foreign currency. So, all these are source long-term source short-term international capital international instrument of borrowings. Similarly, describe the details of international capital asset pricing model. As I mentioned earlier, international capital asset pricing model is applicable, when markets are segmented. Different market have different interest cost, different cost of capital so, that time the international capital asset pricing model is applicable. Here you have to you have to you have to estimate the international global beta.

I mentioned earlier that domestic beta depends upon domestic market. Global beta depends upon the global market. Here foreign currency fluctuation, foreign currency exchange rate, foreign currency instability everything needs need to be factor while estimating the global beta or international capital asset pricing model. You can refer to earlier discussion, what we have earlier about, while the session number session number you discuss the international capital asset pricing model. The session you can go through and see how we have designed international capital asset, pricing model before? After you write there, you answer their question from here. You go back to the session and see what way you discuss about international capital asset, pricing model.

Thank you.