

PART B — (5 × 16 = 80 marks)

11. (a) What is meant by Balance of Payment disequilibrium? Explain in depth the various factors which cause Balance of Payment disequilibrium. (16)

Or

- (b) (i) Why is it useful to examine a country's balance of payments data? How does it differ from balance of trade? (8)
- (ii) Discuss the various contents of terms of trade. What are the important factors which influence the terms of trade? (8)
12. (a) Give a critical account of exim policy of India. (16)

Or

- (b) Write a detailed note on (i) pre-shipment and post-shipment finance (ii) Deferred payment terms (iii) Financing methods for import of capital goods. (16)
13. (a) (i) What are foreign exchange markets? What are their functions? How are these functions performed? What are the four different levels of participants in foreign exchange markets? (10)
- (ii) Explain how foreign exchange rates are determined. (6)

Or

- (b) Your company has to make a US \$ 1 million payment in 3 months time. The dollars are available now. You decide to invest them for 3 months and you are given the following information :
- The US deposit rate is 8% p.a.
 - The sterling deposit rate is 10%
 - The spot exchange rate is \$ 1.80/pound
 - The 3 months forward rate is \$ 1.78/pound
- (i) Where should your company invest for better returns?
- (ii) Assuming that the interest rates and the spot exchange rate remain as above. What forward rate would yield an equilibrium situation?
- (iii) Assuming that the US interest rate and the spot and forward rates remain as in the original question, where would you invest if the sterling rate were 14% p.a.?
- (iv) With the originally stated spot and forward rates and the same dollar deposit rate, what is the equilibrium sterling deposit rate? (16)

14. (a) Explain in depth the various financing options available to an exporter of goods and services. (16)

Or

- (b) Explain the following documents of international trade — (i) Financial documents (ii) Transport documents (iii) Risk covering documents (iv) Export declaration form. (16)
15. (a) Give an in depth account of the important export promotion measures in India. What are the limitations of India's export promotion schemes? (16)

Or

- (b) Describe the salient features of – EPZ, EOU, SEZ and examine their problems. (16)