MB-123A

Sl.No. : **Total No. of Pages : 2**

Fourth Semester M.B.A. Degree Examination, June - 2023
(Non CBCS) (SLM Scheme)
MANAGEMENT
International Financial Management (Elective - A)

Time : 3 Hours **Max. Marks : 80**

SECTION-A

Answer any Five sub-questions. Each sub-question carries Three marks.[5 × 3 = 15]

1) a) Briefly explain the importance of balance of payment.

b) Write a note on Purchasing Power Parity.

c) What are the features of international financial market?

d) Who is an arbitrageur? What is the arbitrage process?

e) Who are the participants in foreign exchange market?

f) Briefly explain International Tax Planning.

g) Find the one-month forward rate of US dollar if spot rate is Rs. 45.00 and the forward premium is 12 percent.

SECTION-B

Answer any Four questions. Each question carries Five marks. [4 × 5 = 20]

2) Elucidate the evolution of International Monetary System.

3) Compare and contrast the theories of exchange rate determination.

4) A bond with a face value of $ 1,000 has a coupon rate of 12 percent. The maturity is two years and the interest is paid half-yearly. The current market price of the bond is $ 900. Find out the yield to maturity.

5) Discuss International Fisher effect.

6) If the rate of inflation in India and the USA is 7 percent and 4 percent respectively and if interest rate in the USA is 6 percent, find the interest rate in India.

7) What are the different methods of evaluating international Investment Proposals?

SECTION-C

Answer any Three questions. Each question carries Ten marks. [3 × 10 = 30]

8) Explain the various segments of International financial market.

9) Explain the functions of facing exchange market.

10) What are the factors affecting exchange rates of a currency? Discuss.

11) The following are the rates of forward market deals of different maturity. Explain what should be the process of forward - forward swap.

One-month forward rate : Rs. 40.50/US $

Two-month forward rate : Rs. 41.10/US $

Three-month forward rate : Rs. 40.80/US $

12) How do the speculators operate in the market for currency options?

SECTION-D

13) Case (Compulsory): [1 × 15 = 15]

Suppose that the interest rate on a one-year bond (rupee denominated) in India is 14%. While a similar bond (HK - $ denominated) in Hong Kong pays 9% interest. The spot rate for HK $ is HK $ 0.1522/INR and the one year forward rate is HK$ 0.1455/INR.

Questions:

a) If you have a choice of investment, which one should your choice?

b) Give a note on Law of One price.

c) How International Rate Parity is related here?

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