MB123A

Sl. No.

IV Semester M.B.A. Degree Examination, May/June - 2026

MANAGEMENT

International Financial Management (Elective-A)

(Non-CBCS Scheme)

Time : 3 Hours **Maximum Marks : 80**

SECTION - A

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

1. a) What do you mean by International financial market?

b) Who are the dealers of forex market?

c) What is meant by translation exposure?

d) Explain how the arbitrageurs will gain,

If the rate of exchange is:

US$ 2.000-2.0100/£ in New York

US$ 1.9800-1.9810/£ in London.

e) How do you calculate the cost of debt and cost of equity?

f) What are the features of floating for floating rate swap?

g) Write a detail note on Balance of Payments.

SECTION - B

Answer any Four questions. Each question carries Five marks. (4×5=20)

2. Discuss the nature of global capital flows in forex market.

3. Explain the various types of transactions in forex market.

4. What are determinates of exchange rate?

5. Write a note on multinational capital structure.

6. Discuss the discounting techniques of international capital budgeting.

7. Z Ltd. Is supplying its goods worth $1,00,000 to U.S Importer and the amount is payable after 4 months. The current spot rate is Rs. 75.50/ US$. It is expected that the rupee will appreciate in the next four months and would be quoted at Rs. 74.25. The importer accepts to pay immediately if 2% cash discount is offered by the Z Ltd.

Advice Z Ltd., As to whether the amount due is to be received immediately or after four months from the date of transaction.

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SECTION - C

Answer any Three questions. Each question carries Ten marks. (3×10=30)

8. Discuss nature and scope of global financial management.

9. A foreign exchange dealer has assumed the following information for a particular bank. Is there any covered interest arbitrage possibility (Assume investor invest $ 1,00,000)

Spot rate of C$=$0.70
90 days forward rate of C$=$0.69
90 days Canadian interest rate=5%
90 days US interest rate =3.5%

Calculate percentage of return if investor used covered interest arbitrage.

10. Enumerate the theory of Interest rate parity and purchasing power parity theory.

11. Discuss the hedging techniques for management of foreign exchange exposure.

12. Write note on:

a) Cash Management.
b) Interest rate caps.
c) Transfer pricing.
d) Swaps.

SECTION - D

13. Case (Compulsory). (1×15=15)

The Indian company imports the goods worth US$ 1,000. Indian company expects a change in the exchange rates. So he goes for hedging the risk from the following data to calculate a) No hedge, b) Forward hedge c) Money market hedge, d) Currency option hedge.

Spot rate is Rs. 75/US$
90 days forward rate is Rs. 74.50/US$
Interest rate on borrowing in India and USA is 5% p.a.
Interest rate on deposit or investment is 6% p.a.
A 90 days call option is having a strike price of Rs. 74.60/US$ and a premium of Rs. 0.05 per dollar.
A 90 days put option is having a strike price of Rs. 74.80/US$ and a premium of Rs. 0.05 per dollar.
Spot rate on the 90^{th} day is Rs. 74.80/US$.

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