MBSC-4.2A

Sl. No.

IV Semester M.B.A. Degree Examination, May/June - 2026
MANAGEMENT
Elective-A : Finance
International Financial Management
(CBCS SLM Semester Scheme)

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

SECTION - A

Answer any Five questions. Each question carries 5 marks. **(5×5=25)**

1. How do financial derivatives help to hedge the risk in financial transactions?
2. How are internal hedging strategies different from contractual hedges?
3. Describe the different types of surveillances carried out by the IMF.
4. What is current account? What are the items shown in the current account?
5. Describe the significance of FDI in the modern globalized economic system. '
6. What are the major sources of international funds? Describe them briefly .
7. Explain the Bretton Woods system of exchange rates.

SECTION - B

Answer any Four questions. Each question carries 10 marks. **(4×10=40)**

8. Describe the main provisions of FEMA regarding regulation and management of foreign exchange in India.
9. "International financial management is a challenging task". Discuss.
10. Explain the absolute and relative versions of the PPP theory .
11. The following rates appear in the foreign exchange market:

	Spot rate	2 month forward
Rs./1 US$	Rs. 49.80/50.05	Rs. 50.50/51.00

a) How many dollars should a firm sell to get Rs.50.50 million after 2 months?

b) How many rupees does the firm require to pay to obtain US$ 6,00,000 in the spot market?

c) Are forward rates at premium or discount? Determine the percentage.

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12. From the following details, calculate the arbitrage possibilities.

Spot rate Rs.60.0020=$

Six months forward rate Rs.60.9010=$

Annualized interest rate on 6 month rupee: 12%

Annualized interest rate on 6 month dollar: 7%

13. An American importer has purchased goods worth Euro 15 lakh. Payments are to be made after 6 months. The spot rate of Euro is US$ 1.2800/Euro. The American importer expects depreciation of the dollar against the Euro in the coming months. A New York bank gives the 6 month forward rate as US$ 1.3381/Euro. If the American makes use of the forward rate to hedge its currency risk, what is his loss or profit under following circumstances:

Spot price of Euro after 6 months is US$ 1.2800/Euro

Spot price of Euro after 6 months is US$ 1.3962/Euro

Spot price of Euro after 6 months is US$1.2000/Euro.

SECTION - C

14. Case (Compulsory) **(1×15=15)**

As regards clearing and settlement of inter-bank dollar-rupee transactions, Clearing Corporation of India Limited (CCIL) offers a multilateral netting mechanism. As a central counterparty guaranteeing trade settlement, it interposes as a buyer in a defined trade through a process called novation, thereby giving rise to two contracts from the single original contract between the two parties. Live operations in this respect began in November 2002. While the US dollar leg of transaction is settled through CCIL's account with its settlement agent in the USA, the rupee leg is settled through the member banks' current account maintained with the RBI. This way banks get substantial cost benefit and time benefit concerning clearing and settlement of rupee-dollar transactions. On 7 August 2003 CCIL launched its foreign exchange trading platform (FX- CLEAR) to settle the foreign exchange transactions more smoothly.

Besides FX-CLEAR, there is also one more platform which is known as FX-Direct that offers real time order matching and negotiation modes for trading. Again, Reuters D2 and Reuters market data system bring unprecedented speed to data operations.

In December 2009, CCIL launched clearing and settlement for foreign exchange forward trade from the trade date in response to counterparty credit and settlement risks inherent in the product.

Questions:

a) Comment on the structure of Indian foreign exchange market.

b) Explain the different types of transactions.

c) How are the transactions settled and cleared?