MBSC-4.2A

Sl.No. : **Total No. of Pages : 3**

IV Semester M.B.A. Degree Examination, November - 2024

(SLM Scheme, CBCS)

MANAGEMENT

International Financial Management (Elective-A)

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

SECTION - A

Answer any five questions. Each question carries five marks. **[5×5=25]**

Q1) Highlight recent development in global financial market.

Q2) What is economic exposure? How can it influence a company's long-term competitive position?

Q3) Define the key differences between forward contracts and futures contracts in the financial markets.

Q4) Given:

MXN/USD : Bid : 18.3000, Ask : 18.5000.

INR/USD : Bid : 82.0000, Ask : 82.2000.

Calculate the bid-ask spread percentage in both MXN/USD and INR/USD pairs.

Q5) What is balance of payments? Describe its components.

Q6) Define International fischer effect. If Real interest rate is 5% and rate of inflation change from 2% to 3%, what is the nominal interest rate as per international fisher effect.

Q7) Define 'Purchasing Power Parity (PPP)' and outline its significance in forecasting exchange rates.

SECTION - B

Answer any four questions. Each question carries ten marks. **[4×10=40]**

Q8) Evaluate the methods used to manage translation exposure in multinational corporations.

Q9) Firm AT Ltd. and NG Ltd., borrow at following rate. Firm AT Ltd., wishes to borrow at a fixed rate Firm NG LTd., wishes to borrow at floating rate. Assume debt and maturities are same. Firms agree to share gain equally. How much do they pay in the swap deal?

	AT Ltd.,	NG Ltd.,
Credit rating	AAA	BBB
Fixed rate	7%	8%
Floating rate	LIBOR+2%	LIBOR+4%

Q10) Brit Corporation imports from Keev International from Australia and need to pay 2 million Australian dollars in one year. The UK interest rate is 8% and Australian interest rate is 13%. The spot rate is 1AUD = GBP 0.56. One year forward rate is 1 AUD = GBP 0.52. Which hedging option is better?

Q11) Evaluate the impact of 'Capital Structure Decisions' on the value and financial performance of a multinational corporation.

Q12) Describe the participants in the forex market.

SECTION - C

Q13) Case (Compulsory): **[1×15=15]**

Glib Corporation a US based company has £1,00,000 payable. The current spot rate is 1£ = $1.20. 1year forward rate is 1.10. Interest rate is as follows. Deposit rate is 6% Borrowing rate is 7%. A call option on pound has exercise price of 1£ = $1.21 and premium of 1£ = $0.01.

Future spot rate was forecasted as follows.

Possible outcome	Probability
$1.21	30%
$1.22	40%
$1.23	30%

Which hedging option is better?

1) Forward hedge

2) Money market hedge

3) Currency option hedge

4) No hedge option