MBSC - 4.2A

Sl.No. :

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Fourth Semester M.B.A. Degree Examination, October - 2025
(SLM Scheme) (CBCS)
MANAGEMENT
FINANCE
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) Briefly explain the main functions of the International Monetary System.

Q2) Explain the major components of Balance of payments.

Q3) Discuss the significance of translation exposure for multinational companies.

Q4) Describe the factors affecting country's spot exchange rate.

Q5) Explain the concept of Interest Rate Parity (IRP).

Q6) In August 2024 PX Ltd., made following assessment of foreign exchange rate.

USD/GBP	1.11	1.19	1.08	1.06
Probability (%)	25	30	25	20

Calculate the expected spot rate of January 2025.

Q7) Compute the bid/ask percentage spread for Mexican peso retail transactions in which the ask rate is $.22 and the bid rate is $.20. Briefly discuss the significance of bid ask spread in forex trading.

Section-B

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

Q8) Describe the basic functions of the Forex market. How does it facilitate international trade and investment?

Q9) A Foreign exchange trader found three quotes in three different countries.

1£ = € 1.20 1€=$ 1.06 l£ =$ 1.30

Does triangular arbitrage exist? Ignore transaction costs.

Calculate arbitrage gain assuming, £20,00,000

Q10) Discuss how geopolitical events and macroeconomic factors can affect forex markets.

Q11) Firm Force Ltds and Ace Ltd., borrow at following rate. Firm Force Ltd., wishes to borrow at a fixed rate Firm Ace 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?

	Force Ltd.,	Ace Ltd.,
Credit rating	AAA	BBB
Fixed rate	6%	7%
Floating rate	LIBOR +1%	LIBOR +3%

Q12) What are the determinants of foreign exchange rate? Explain.

Q13) Explain the participate in international financing markets.

Section-C

Q14) **Case (Compulsory)** **[1 × 15 = 15]**

VR corporation of India is considering a project in USA. Initial outlay is$ 100 million. The project has 3 years of life. Current spot exchange rate is ₹83 per USD. The risk free rate in USA is 8% and in India is 12%.

Cash inflow from the project is as follows: Million

Year	1	2	3
Cash inflow in ($)	60	80	90

Questions:

a) Calculate the NPV of the Project using i)Home currency approach ii) Foreign currency approach. Required rate of return in project is 14%.

b) Based on the available data and analysis, should the company invest in this project? Justify your recommendation with a detailed rationale.

