

R15**Code No: 724AG****JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD****MBA IV Semester Examinations, December - 2019****INTERNATIONAL FINANCIAL MANAGEMENT****Time: 3hours****Max.Marks:75****Note:** This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A**5 × 5 Marks = 25**

- 1.a) Explain the Evolution of International Financial System. [5]
- b) Explain the concept of Balance of Payments (BOP). And discuss the different accounts of BOP. Can a country run a current account deficit (surplus) indefinitely? Give reasons. [5]
- c) Briefly explain the Foreign Exchange Management Act. [5]
- d) How does government influence exchange rate? Explain briefly. [5]
- e) Why are China and India emerging as attractive centers for foreign direct investment in recent years? [5]

PART - B**5 × 10 Marks = 50**

- 2.a) Briefly discuss why international trade takes place. Do factors affecting international trade also affect international capital movements? Explain.
- b) Explain the factors responsible for growing importance of International Financial Management. [5+5]

OR

- 3.a) The changing international financial system poses new challenge for financial managers in developing countries." Elaborate.
 - b) Explain with the help of an imaginary illustration, how capital budgeting decisions of any MNC may be different from domestic firms. [5+5]
4. Critically examine Purchasing Power Parity Theory with the help of suitable examples. [10]

OR

- 5.a) What do you mean by 'Foreign Exchange Market'? Discuss the role played by the main participants in this market.
 - b) Explain briefly and illustrate with an example, the chain method of making out cross rates. [5+5]
6. Explain the need for foreign exchange exposure management. Discuss the various external exposure management techniques that are to manage the exchange rate . [10]

OR

- 7.a) The exchange rate for Japanese Yen is \$0.0069 per Yen, and a call option has a strike price of \$0.0065. An investor has two Yen call options. If investor exercises the call option, how much profit would she realize?
- b) Explain briefly about quotes in spot and forward market. [5+5]

8. Discuss briefly the techniques available for currency risk management. [10]

OR

9. Suppose that the expected rates of inflation in Chile and United States are 33.1 percent and 10 percent, respectively and the spot price of the Chilean peso is \$0.0025.
- a) What are nominal interest rates necessary to produce expected real interest rates of 5 percent in each country?
- b) What expected value of the peso one year from now does the purchasing power parity theory imply?
- c) If someone offers to sell you pesos for delivery in one year, what will you be willing to pay? [10]

- 10.a) Distinguish between 'Foreign Direct Investment' (FDI) and 'Portfolio Investment' and discuss the different strategies of portfolio investment.

- b) Mention the recent amendments of EXIM policy. [5+5]

OR

11. Write a brief note highlighting special problems of developing countries in financing foreign trade. Also indicate possible ways out. [10]

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