

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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