

(DBUS41)

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M.B.A. DEGREE EXAMINATION, MAY – 2018**Third Year****D-INTERNATIONAL MANAGEMENT****International Financial Management (Optional)****Time : 3 Hours****Maximum Marks :70****SECTION - A****Answer any three questions.****(3 x 5 = 15)**

- Q1)** a) Finance function in MNCs.
b) Gold standard.
c) Determination of spot exchange rate.
d) International cash management.
e) FEDAI
f) NPV

SECTION - B**Answer any three questions.****(3 x 15 = 45)**

- Q2)** Explain the monetary approach to BOP adjustments.
- Q3)** Do you agree that floating exchange rate regime is a better option than the fixed exchange rate regime? Explain.
- Q4)** What is accounting exposure? Explain various methods of translation in detail.
- Q5)** What do you understand by transaction exposure? How it arise?
- Q6)** What should be the shape of optimal receivables policy?
- Q7)** Explain the different modes of payment in international trade.

SECTION - C
(Compulsory)

(10)

Q8) Case Study:

French importer has bought equipment from a US firm for US\$1 million on 1 March in the current year to be paid for in 3 months. The importer fears an appreciation of the US dollar. He decides to cover himself in the “Option market”. The information as follow:

Exchange Rate: FFr 5.00/US\$ or US\$0.20/FFr

Strike price: FFr 5.05/US\$

Maturity date: 1st June

Premium: 3 Percent

What type of option is involved? Explain how buyer will hedge his risk under “options contract” in various situations. i.e. under in-the-money, at-the-money and out-of-the money.

