

Subject Code: MB1344/R13

M B A - IV Semester Regular Examinations, June - 2015

INTERNATIONAL FINANCIAL MANAGEMENT

Time: 3 hours

Max Marks: 60

Answer any FIVE of the following

All questions carry equal marks. Q.No.8 is compulsory

1. a) Explain the Evolution of International Financial System?
b) Explain the significance of Eurocurrency and Eurobonds?
2. a) Briefly explain the Foreign Exchange Management Act?
b) What do you mean PPP? How Fisher Effect is done?
3. a) Discuss about the foreign direct investment?
b) Explain the financial goals and barriers of MNC in India?
4. a) Explain the Forex Risk and country specific risk, describe how it effects the exchange rate?
b) Differentiate between transaction exposure vs translation exposure?
5. a) Explain International taxation methods?
b) What is transfer pricing? Explain the significance of TP?
6. a) Explain the role of IMF in international monetary system?
b) Discuss the role of ADRs and GDRs
7. a) Briefly explain Tarapore committee report on foreign exchange market?
b) Explain the International portfolio diversification system?

8) **Case Study:**

The interest rate in XYZ country is 24 per cent annum, whereas it is only 8 per cent annum in the United States. You are considering investing \$ 10,000 for 180 days in XYZ's securities but are concerned about the exchange risk. XYZ's currency is *crown*. You find the following quotations in the newspaper in U.S. dollar terms:

XYZ country (crown)	\$0.1000
30-days forward	0.0980
90-days forward	0.0970
180-day forward	0.0950

Questions.

- a) Calculate the forward premium (discount) of the crown against the U.S. dollar (based on the 180-day quotation).
- b) What is the net gain in U.S. dollars from investing in XYZ's securities relative to U.S. securities if it is assumed that the exchange rate in 180 days equals today's spot rate?
- c) Suppose the crown depreciates by 10 per cent relative to the dollar in the next 180 days: what is your net gain (or loss) from an uncovered position relative to investment in the United States?
- d) What is your net gain (or loss) from a covered position? (Ignore transaction cost).

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