

Code No: MB1344/R13
MBA IV Semester Supplementary Examinations, April-2018
INTERNATIONAL FINANCIAL MANAGEMENT
Time: 3 Hours
Max. Marks: 60

*Answer Any FIVE Questions
All Questions Carry Equal Marks
Question No. 8 is Compulsory*

1. a Explain the evaluation of international financial system. (6M)
b What is the role and functions of International Monetary Fund? (6M)
2. a What is foreign exchange market? Explain its role and structure. (6M)
b Define balance of payments (BOP) and explain the recent trends in BOP (6M)
3. a Discuss about FDI and explain the motives and theories of FDI. (6M)
b Explain the evaluation of overseas investment proposal. (6M)
4. a What is currency derivatives? Explain the forwards, futures options agreements. (6M)
b Explain about international portfolio diversification. (6M)
5. a What is foreign exchange management risk? Explain different types of foreign exchange risks. (6M)
b Discuss the forward market hedge, option market hedge and money market hedge. (6M)
6. a What is international tax? Explain the different methods of international taxation. (6M)
b What is transfer pricing? Explain the types of transfer pricing. (6M)
7. a Discuss the multinational capital structure decision. (6M)
b Write about ADR and GDRs. (6M)
8. The current value of the S & P 500 index is \$ 1000. The value of portfolio is \$5 million. Beta of portfolio is 1.5. One futures contract is for delivery of \$ 250 times the index. (12M)
a) What position in futures contracts on the S & P 500 is necessary to hedge the portfolio?
b) Use the data for the value of the index and the future price of in the index, both 3 months ahead, to assess the performance of the stock index hedge by recording the gain on the futures position, the return on the market, the expected return on the portfolio, the expected portfolio value in 3 months(including dividends) and the total expected value of the position in 3 months .

Scenario	Value of index futures	Price of index
1	900	902
2	950	952
3	1000	1003
4	1050	1053
5	1100	1103

The current futures price is \$ 1010. The dividends rate on the index is 1% per annum. The risk free rate is 4% per annum.