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Total No. of Pages : 02

Total No. of Questions : 15

MBA(IB) (2015 to 2017) (Sem.-3)

INTERNATIONAL FINANCE

Subject Code : MBAIB-302

M.Code : 70765

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTION TO CANDIDATES :

1. **SECTION-A** contains **SIX** questions carrying **FIVE** marks each and students has to attempt **ANY FOUR** questions.
2. **SECTION-B** consists of **FOUR** Subsections : Units-I, II, III & IV. Each Subsection contains **TWO** questions each carrying **EIGHT** marks each and student has to attempt **ANY ONE** question from each Subsection.
3. **SECTION-C** is **COMPULSORY** carrying **EIGHT** marks.

SECTION-A

1. What are the factors affecting the flow of portfolio investment?
2. Why do countries normally worry more about the effective exchange rates rather than the bilateral exchange rates of their currencies? Why do they also worry more about real rather than nominal exchange rates?
3. Why is that even purely domestic firms can be exposed to foreign exchange risk?
4. What is international Fischer effect?
5. Compare and contrast centralized and decentralized cash management systems.
6. What do you mean by market segmentation? If international diversification is beneficial only if markets are segmented, then, why do portfolio managers diversify internationally in practice?

SECTION-B**UNIT-I**

7. What are the major developments that have shaped the present economic and financial environment? Discuss the challenges of international corporate finance.
8. Explain how the global financial crisis has changed international financial aspects.

UNIT-II

9. In what sense is PPP relevant to business operations? Explain how PPP can be derived from the supply and demand model of exchange rate determination.
10. Briefly explain the interest rate parity theory of exchange rate determination. Illustrate.

UNIT-III

11. Why is it difficult to hedge payables and receivables with long maturities using forwards, futures and options? What can be done about this problem?
12. How many types of risks are associated with foreign exchange? Explain by quoting suitable examples.

UNIT-IV

13. Differentiate between the foreign bond and Euro bond markets. Give the reasons for the popularity of Euro currency markets.
14. Discuss the various means whereby a firm may sell its newly issued shares to foreign investors.

SECTION-C

15. You are given the following information :

Spot exchange rate (CAD/GBP)	2.42
Six-month forward rate (CAD/GBP)	2.46
Canadian six-month interest rate	8% p.a.
UK six-month interest rate	10% p.a.

 - (a) Is there any violation of CIP?
 - (b) Calculate the covered margin from a Canadian perspective (going short on the CAD).
 - (c) Calculate the interest parity forward rate in direct quotation from a Canadian perspective and compare it with the actual forward rate.
 - (d) Calculate the forward spread and compare it with the interest differential from a Canadian perspective.
 - (e) What would arbitragers do?

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.