Roll No. Total No. of Pages : 02

Total No. of Questions : 15

MBA (2015 to 2017) (Sem.–4)

INTERNATIONAL FINANCE

Subject Code : MBA-926

M.Code : 71385

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTION TO CANDIDATES :

1. **SECTION-A contains SIX questions carrying FIVE marks each and students have 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 students have to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY carrying EIGHT marks.**

SECTION-A

Q.1 Why do some people demonstrate against globalization when it is supposed to be good for the economic welfare of nations?

Q.2 What are the different factors influencing exchange rates? Explain.

Q.3 Who are the major participants in the foreign exchange market?

Q.4 Hedging is the covering of risk, whereas speculation is the deliberate assumption of risk. Why then is the decision to hedge or not to hedge regarded as a speculative decision?

Q.5 Discuss the monetary/non-monetary method of translation exposure.

Q.6 What are sources of short term external finance?

SECTION-B

UNIT-I

Q.7 Differentiate between domestic and international finance. What are that various challenges of the international finance?

Q.8 What is the international flow of funds? Discuss the various agencies that affect the international flow of funds.

UNIT-II

Q.9 Briefly explain the interest rate parity theory of exchange rate determination. Illustrate.

Q.10 Explain the implication of PPP for the real exchange rate? What is the rationale for using PPP as a currency trading rule?

UNIT-III

Q.11 Do firms hedge exposure to foreign exchange risk in practice? If so, what instruments/ techniques do they use? Explain in detail.

Q.12 Explain how price variation and the currency of invoicing can be used to hedge transaction exposure.

UNIT-IV

Q.13 Distinguish between Eurobonds and foreign bonds. Under what conditions foreign currency bonds are preferred even if they offer a lower rate of return (in foreign currency terms) than domestic bonds?

Q.14 Critically explain the working of World Bank.

SECTION-C

Q.15 You are given the following information :

Spot exchange rate (AUD/EUR)	1.60
One-year forward rate (AUD/EUR)	1.62
One-year interest rate on the Australian dollar	8.5%
One-year interest rate on the euro	6.5%

(a) Is there any violation of CIP?

(b) Calculate the covered margin (going short on the AUD).

(c) Calculate the interest parity forward rate and compare it with the actual forward rate.

(d) Calculate the forward spread and compare it with the interest differential.

(e) What would arbitragers do?

(f) If arbitrage is initiated, suggest some values for the interest and exchange rates after it has stopped and equilibrium has been reached.

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.