

2014

M. Com.

2nd Semester Examination

INTERNATIONAL BUSINESS FINANCE

PAPER — COM-204

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Unit—I

[Marks : 20]

1. Answer any two of the following questions : 5×2

(a) What is the importance of studying International Business Finance ?

(b) (i) Determine the Balance of Payment from the following information :

Import :

Goods Rs. 22,000 Cr.

Services Rs. 6,000 Cr.

(Turn Over)

Export :

Goods Rs. 22,000 Cr.

Services Rs. 3,000 Cr.

Foreign Institutional Investor :

Inflow Rs. 210 Cr.

Out flow Rs. 52 Cr.

Foreign Direct Investment :

In flow Rs. 2,700 Cr.

Out flow Rs. 410 Cr.

Remittance from Non-Resident Indians :

Rs. 570 Cr.

(ii) What do you mean by "errors and omission" in respect of Balance of Payments?

$3\frac{1}{2} + 1\frac{1}{2}$

(c) What is the purpose of establishing World Bank? Discuss the objectives of World Bank.

$1\frac{1}{2} + 3\frac{1}{2}$

(d) What are the functions of International Finance Corporation? What criticism may be levelled against the institution?

$3\frac{1}{2} + 1\frac{1}{2}$

2. Answer any *one* question from the following : 10×1

(a) Discuss the features of Social and Cultural Environment of International Business.

10

- (b) (i) What do you mean disequilibrium in Balance of Payments ?
- (ii) Discuss the measures that may be adopted to correct disequilibrium in balance of payments.
- 2+8

Unit—II

[Marks : 20]

3. Answer any *two* of the following questions : 5×2

- (a) Write a short note on translation exposure.
- (b) What do you understand by 'spot' and 'forward' markets ?
- (c) The following spot rates are given :
- In P1, Rs. 61/\$
- In P2, Rs. 101/£
- In P3, £ 0.585/\$

Calculate the percentage profit that can be earned through triangular arbitrage. Show necessary calculations.

- (d) Write a short note on the foreign exchange market.

4. Answer any *one* of the following : 10×1

- (a) Assuming US to be the domestic country and UK to be the foreign country, what will be the impact on the dollar-pound exchange rate if :
- (i) the interest rate in the US rises substantially with respect to that in the UK ?

- (ii) there is a rise in the inflation rate in the UK compared to that in the US ?
- (iii) there is a relative increase in the incomes of the US residents with respect to those in the UK ? 4+3+3

- (b) (i) Quality Ltd., an Indian based company has purchased goods worth ¥ 50,000 from Excel Co., a Beijing-based company. The credit period is three months. Since, the importer anticipates a depreciation of the Indian Rupee with respect to the Chinese Yuan, it wants to hedge using money market hedging. The following information is given :

	<i>Deposit rate</i> (% p.a.)	<i>Lending rate</i> (% p.a.)
India	8.50	10
China	5	7

The spot rate is : 1¥ = Rs. 9.60

Forward rate is : 1¥ = Rs. 9.85

You are required to compute the payables of the Indian importer as a result of the hedging strategy.

- (ii) Write a short note on 'parallel loans' as a hedging strategy.

[Internal Assessment : 10 Marks]