

2022**M.Com.****4th Semester Examination****INTERNATIONAL FINANCIAL MANAGEMENT****PAPER—COM-402***Full Marks : 50**Time : 2 Hours**The figures in the 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 questions : 2×2****(a) Explain the terms : (i) Bid rate ; (ii) Offer rate.****(b) What is bid-ask spread ?***(Turn Over)*

(c) If the nominal rate of interest is 10% and the rate of inflation is 7%, what is the real interest rate ?

(d) What is arbitraging operation ?

2. Answer any *two* questions : 2×4

(a) Distinguish between spot market and forward market for foreign currencies.

(b) Explain the following terms :

(i) Hedging and (ii) Speculation.

(c) Explain, in brief, covered interest arbitrage.

(d) State the fundamental factors affecting exchange rate fluctuations.

3. Answer any *one* question : 1×8

(a) Explain the absolute and relative versions of the PPP theory.

(b) What do you mean by Fisher effect ? Is it true that interest rate differential equals inflation rate differential ? 5+3

Unit - II

(Marks : 20)

4. Answer any *two* questions : 2×2
- (a) What are the different types of exposure ?
 - (b) Name any two external techniques of managing exposure.
 - (c) Write the full form of ADR and GDR.
 - (d) What are External Commercial Borrowings ?
5. Answer any *two* questions : 2×4
- (a) How will you compute cash flows in the case of international capital budgeting ?
 - (b) Discuss how forward contracts are used for hedging.
 - (c) Write a short note on leading and lagging technique.
 - (d) What do you understand by put option and call option ?

6. Answer any one question :

1×8

- (a) What are the differences between future contract and forward contract ?
- (b) ABC Ltd., an Indian-based company exported goods worth \$1,00,000 to a US-based company with a credit period of three months. Fearing the appreciation of the domestic currency, the exporter wants to hedge its receivables.

The following details are given to you :

Spot rate : Rs. 74.50/\$

3 month forward rate : Rs. 71.80/\$

Interest rate in India per annum :

Deposit - 6.3%, Borrowing - 8.4%

Interest rate in USA :

Deposit - 4.8%, Borrowing - 6.6%

You are required to compute the cash in flow in the case of money market hedging.

[Internal Assessment — 10]
