

2022**M B A****4th Semester Examination****INTERNATIONAL FINANCIAL MANAGEMENT****(Specialisation : Financial Management)****PAPER—F-401/402***Full Marks : 100**Time : 3 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.**Answer all questions.***1. Answer any eight questions. 8×5****(a) What is SDR? Discuss the role of SDR in international trade. 2+3***(Turn Over)*

- (b) Distinguish between Absolute Advantage theory and Comparative Advantage theory of international trade.
- (c) Briefly discuss the role of finance manager of Multinational company.
- (d) Distinguish between direct and indirect quotation of exchange rate with an example.
- (e) With the help of the following bid and ask rate, calculate the cross rate between US\$ and UK£

₹/£ : 97.50 - 98.20

₹/\$: 77.25 - 77.90

- (f) Explain transaction exposure. Name the transactions on which such exposure arises. 3+2
- (g) What is an option? How is put option used for hedging risk? 2+3
- (h) Explain the following terms in the context of a call option : in the money, exercise price, exercise date, call option premium.

- (i) Explain with the help of an example, how a forward contract can be used by importers and exporters to hedge currency risk.
- (j) Discuss the role of international banks in financing for international projects.
- (k) Draw and explain the pay-off profile of a call option buyer.
- (l) Explain the terms-'economic exposure' and 'exchange rate risk'.

2. Answer any four questions.

4×10

- (a) Discuss the causes of disequilibrium in the Balance of Payment (BOP).
- (b) Discuss the role of IMF in promoting international trade.
- (c) Briefly discuss, the different types of risk involved in the international trade. How can we manage these risks?

5+5

- (d) Write down the differences between forward contracts and future contracts.
- (e) Discuss the different factors to be considered in international budgeting decisions.
- (f) (i) The following shows the transactions undertaken by Arjun td Ltd., and Indian-based company.

Transaction	Currency	Transaction amt.	Period of settlement
Purchase of goods	\$	1,50,000	3 months
Sale of goods	£	1,23,560	2 months
Purchase of goods	£	50,288	2 months
Purchase of goods	€	100,500	4 months
Interest received	£	24,280	1 month
Sale of goods	€	61,609	1 month
Interest received	\$	18,730	3 months
Sale of goods	€	49,500	4 months

You are required to determine the exposure (net) for different periods of settlement.

(ii) Following is the balance sheet of ST Ltd.,
the US subsidiary of an Indian parent –

Balance sheet of SP Ltd. as at 31.3.2022

Liabilities	US\$ ('000)	Assets	US\$ ('000)
Share Capital	2,500	Land and Building	1,000
Reserves	550	Investments	950
14% Deventures (maturity in 2030)	190	Sundry debtors	425
Loan from SBI (payable in 2025)	550	Stock	679
Interest outstanding on UCO Bank loan	45	Cash in hand	595
Sundry creditors	185	Other current assets	386
Other current liabilities	15		
	4,035	Total	4,035

The following information is further given.

The composite values of share capital and reserves are Rs. 10,00,000 and Rs. 4,00,000 respectively.

The current and historical rates are Rs. 77/\$ and Rs. 75/\$ respectively. You are required to apply the current / non-current method to determine the translation gain or loss. 4+6

[Internal Assessment - 20 Marks]
