

**2023**

**MBA**

**4th Semester Examination**

**INTERNATIONAL FINANCIAL MANAGEMENT**

**PAPER : MBA-F-401/402**

*Full Marks : 80*

*Time : 3 hours*

*The figures in the right hand margin indicate marks.*

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

*Illustrate the answers wherever necessary.*

Answer from **both** the Groups as directed.

**GROUP—A**

Answer *any* **eight** questions from the following :

5×8=40

1. Briefly discuss the scope of International Financial Management. 5

( 2 )

2. Define 'Balance of Payments' (BOP). How does it differ from 'Balance of Trade'? 2+3=5
  
3. Discuss the role of SDR in international trade. 5
  
4. Define 'Forward Contracts'. State its features. 2+3=5
  
5. Write a short note on Comparative Advantage Theory of international trade. 5
  
6. Briefly discuss the different non-tariff barriers of international trade. 5
  
7. What is an option? Explain how it can be used for hedging? 2+3=5
  
8. Describe the meaning of transaction exposure. How is it connected to exchange rate risk? 2+3=5
  
9. With the help of a hypothetical example, draw the pay-off diagram for a call option buyer and call option writer. 2<sup>1</sup>/<sub>2</sub>+<sup>1</sup>/<sub>2</sub>=5

( 3 )

10. What is speculation? How can a buyer of a forward contract speculate? 5
11. Write a short note on ADR. 5
12. Discuss the importance of international finance in today's business scenario. 5

### GROUP—B

Answer *any four* questions from the following :

10×4=40

13. (a) What do you understand by 'at the money', 'out of the money' and 'in the money' call options?
- (b) An exporter wants to hedge its receivables using a put option that has an exercise price of ₹80.50 per dollar with a premium of ₹1.45 per dollar. It is mentioned that the spot rate at the time of receipt of the payment is likely to be ₹79/\$ (20% probability), ₹78.20/\$ (30% probability) and ₹81.50/\$. You are required to compute the expected cash flow. 3+7=10

14. (a) What are the differences between futures contract and forward contract?
- (b) Discuss the key issues that are considered in capital budgeting decisions. 6+4=10

15. AZ Ltd. is thinking of carrying out a project in USA that will require an initial investment of ₹1 crore. The project duration is four months. The following are the details of the project :

Year	PAT (₹lakhs)
1	30
2	45
3	48
4	65

The value of the machine that will be used in the project is ₹25 lakhs on which depreciation is charged at 20%. Assuming that the cost of capital is 12%, corporate tax rate is 25% and the withholding tax rate is 18%, compute the NPV of the project. How will your answer change if it is given that the salvage value is ₹7500?

Also, consider that the exchange rate (per dollar) in the four years is ₹80, ₹82.10, ₹78.10 and ₹79.50. 7+3=10

( 5 )

16. (a) Why is BPO important for a country?

(b) Discuss in brief the elements of BOP.

4+6=10

17. Explain the functions of International Monetary Fund (IMF). 10

18. Explain the following terms : 3+3+4=10

(a) Transaction Risk

(b) Translation Risk

(c) Economic risk in the context of Foreign Exchange Risk Management

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