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PG/IIIS/MBA/306G/24

MBA 3rd Semester Examination, 2024

MBA

(International Financial Management)

PAPER — MBA-306G

Full Marks : 100

Time : 3 hours

Answer **all** questions

The figures in the right hand margin indicate marks

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

GROUP — A

Answer any **eight** questions : 5 × 8

1. State the reasons for growth in international business.

(Turn Over)

2. Briefly state the salient features of the Bretton Woods System of exchange rates.
3. Discuss the significance of the BOP statement.
4. State in brief, characteristics of the Foreign Exchange Market.
5. Briefly state the role of different market participants in the foreign exchange market.
6. Make a comparison of Tier 1 and Tier 2 Forex Market Structure.
7. Briefly state the concept of Nominal, Real and Effective Exchange Rates.
8. Explain the absolute and relative versions of PPP theory.
9. (i) What is covered interest arbitrage ?

- (ii) The inflation rates in India and the USA over the years are expected to be 6.5% and 3% respectively. The current dollar-rupee exchange rate is Rs. 82.50/US\$. The interest is likely to be 4% in the USA. What would be the expected nominal interest rate at the year end ? 3 + 2

10. Briefly state the different types of foreign exchange exposure.

11. A has floating-rate funds on which it is paying LIBOR+0.3 per cent. But it could borrow fixed rate debt at 10.50 per cent to be computed half-yearly. B has fixed-rate debt on which it is paying 9.50 per cent. But it could borrow floating rate funds at 6 months LIBOR flat. Can these two counterparties go for interest-rate swap ? If so, indicate the gains accruing to them including swap dealer.

12. NPV method is better than the IRR method for international capital budgeting. Explain.

GROUP – B

Answer any **four** questions : 10 × 4

13. (i) What do you mean by International Financial Environment ?

(ii) Country X had the following transactions during a financial year (in million USD) :

Category	Amount
Merchandise Exports	500
Merchandise Imports	700
Services Exports	300
Services Imports	200
Current Transfers (Net)	50
Foreign Direct Investment (FDI) Inflows	150
Portfolio Investment Outflows	100

(5)

Category	Amount
Loan Borrowings	200
Loan Repayments	50

Required :

1. Calculate the Current Account Balance.
2. Calculate the Capital Account Balance.
3. Determine if the Balance of Payments (BOP) is in surplus, deficit or balanced (assume no changes in reserves).

5 + 5

14. Discuss the role of Finance Manager in Global Context.

15. Write notes on :

(i) Arbitrage

(ii) Hedging.

16. Describe the factors affecting exchange rate fluctuations.

17. Discuss about

- (i) Leads and lags
- (ii) Parallel loans as natural hedging techniques.

18. (i) Briefly state the different sources for International Funds.

- (ii) A project involves initial investment for \$50,00,000. The net cash inflow during the first, second and the third year is expected respectively \$30,00,000, \$35,00,000 and \$20,00,000. At the end of the third year, the scrap value is indicated at \$10,00,000. The risk-adjusted discount rate is 10 per cent. Calculate NPV.

[Internal Assessment — 20 Marks]
