



**MBA DEGREE EXAMINATIONS: MAY 2015**

(Regulation 2012)

Third Semester

**MASTER OF BUSINESS ADMINISTRATION**

MBA631: International Financial Management

**Time: Three Hours**

**Maximum Marks: 100**

**Case Study:-**

**PART A (1 x 20 = 20 Marks)**

1.
  - a. An Indian firm has imported machinery from an MNC in New York for USD 2 million. The firm is permitted to pay the amount six months from now. The interest rate is 10 per cent per annum in India and 8 per cent per annum in the United States. The current spot rate is USD/INR 45. The six months forward rate is USD/INR 46. How would the firm hedge its foreign currency exposure
  - b. The spot rate of the Singapore dollar in the United States is USD 0.64 and that of the INR is USD 0.0224. What should be the exchange rate of the Singapore dollar in India? If the Singapore dollar is quoted in India at SGD/INR 29, is there an arbitrage in this situation.

**Answer all the Questions:-**

**PART B (10 x 2 = 20 Marks)**

2. What is meant by gold standard exchange rate system?
3. What is meant by Deferred Payment in export-import trade?
4. What are the components of The Current Account in Balance of Payment?
5. List the two ways in which future contracts can reduce credit risk?
6. What is a Swaption?
7. Why factoring is important??
8. Define Currency Swaps.
9. What are Depository Receipts?
10. List the principles of trading followed by WTO
11. What is Sterilization?

**PART C (4 x 15 = 60 Marks)**

12. a) In a free market, what factors influence exchange rates? Which of them apply mainly to long run exchange rate behavior and which to short run exchange behavior

**(OR)**

- b) Explain in detail Fixed and Floating Exchange Rate systems. Describe how a central bank of a country influences the exchange value of its currency to the advantage of the country.

13. a) Discuss Pre-shipment and Post Shipment credit facilities offered by Indian Banking System

**(OR)**

- b) What are different kinds of Letters of Credit offered by Bank? Briefly explain each of them.

14. a) Relate the relationship between Current Account, Capital account and Reserve Account in BOP?

**(OR)**

- b) Define FDI and explain why firms invest abroad. Bring out in detail various theories to explain why and how FDIs are undertaken

15. a) Explain the features of Financial Swaps. What is Forward Rate Agreements (FRN) in the interest swap market? Explain with an example

**(OR)**

- b) Explain the major components of BOP. What could be the main causes for a current account deficit or surplus? Explain the relationship among the components.

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