Fourth Semester Regular Examination – 2014

INTERNATIONAL FINANCIAL MANAGEMENT

BRANCH : MBA

QUESTION CODE : F 443

Full Marks – 70

Time : 3 Hours

Answer Question No. **1** & **2** *which are compulsory and any* **four** *from the rest.*
The figures in the right-hand margin indicate marks.

1. Answer the following questions :   2×10

    (a) What is a spot exchange rate ?

    (b) What is interbank market ?

    (c) Distinguish between direct quote and indirect quote.

    (d) What is a cross rate ?

    (e) Explain translation exposure of foreign exchange.

    (f) How is ADR different from GDR ?

    (g) What are the specialties international capital investment decisions ?

    (h) What are the features of international bond market ?

    (i) What is the nature of MNC ?

    (j) Are MNCA popular today ? Why and how ?

2. Suppose you have Rs.10 million for investment anywhere in the world without any
    restrictions you are considering to either invest in the US or in India. The interest
    rate on one year bond in India is 15 percent and one year bonds in the US is 10
    per cent. The current exchange rate is Rs. 60/- / US Dollar. What should be the
    one year forward rate so that you can earn the same return whether you invest in
    India or in the US ?   10

3. What is a foreign exchange market ? Who are the participants in a foreign
    exchange market ? What are their motivations ?   10

P.T.O.

4. What is the law of one price parity ? How is it applied to international finance ? Give an example. 10

5. What is a forward cover ? How does it provide a hedge against the foreign exchange risk ? Explain with example. 10

6. What are the various alternatives available to a firm to finance its international investments ? Explain two major methods of financing international operations. 10

7. Name the four international parity conditions. Explain each one briefly. 10

8. Write short notes on any **two** : 5×2
   (a) Foreign currency option
   (b) International Fisher Effect
   (c) LIBOR VS MIBOR.