Reg. No. | | | | | | | | |

MBA (PT) Degree VI Semester End Semester Examination - June, 2022

16-272-0634: International Finance

Time: 3 Hours

Max. Marks: 50

PART A

(Answer ALL questions. Each question carries 2 marks)

1. Define 'invisibles 'with respect to BOP of a country.
2. Give a brief note on transaction exposure.
3. Distinguish between direct quote and indirect quote.
4. List out any two functions of foreign exchange market.
5. Expand the terms: a) LERMS b) CAC

(5X2=10)

PART B

(Answer ANY FIVE Questions. Each question carries 4 marks)

6. Examine the major exchange rate management systems existing in global economy. Also state their relative merits and demerits.
7. Distinguish between currency forwards and futures. Who are the prime users of currency future markets?
8. What is meant by triangular arbitrage? Consider the following quotes: EUR/USD = 0.8017; USD/GBP = 1.3027; EUR/GBP = 1.1010. Examine the potential of triangular arbitrage, if a trader has 10000 USD with him.
9. Discuss the role and functions of international financial institutions.
10. Write notes on: a) Bid price b) Spread c) Unilateral transfers and d) Below the line.
11. Define 'foreign exchange control'. Critically examine the working of various monetary measures of exchange control.
12. What is meant by "balance of payment" account? Distinguish between the "balance on current account" and "capital" account. In which account remittances from family members from abroad would be accounted?

(5X4=20)

PART C

(Answer ANY TWO questions. Each question carries 10 marks)

13. a) Explain the term 'foreign exchange risk' and discuss 'currency option' as hedge instrument.

b) Company ABC purchased equipment worth 10 million USD from a US Inc. at the beginning of the year. The exchange rate at the time was USD = Rs.75. However, due to a weaker economy, the dollar strengthened against the rupee resulting in an exchange rate of USD = 76 at year-end. Determine the transaction gain/loss that Company ABC will report in its year-end income statement. Suppose one year currency call option (premium of Re.1) with a strike price of Rs. 75.50 is available, does the company hedge its position using option contract?

14. State the main theories of exchange rate determination. Do you think that current exchange rate policy of India is appropriate for a sustainable balance of payment?

15. Compare the performance of Indian economy during pre and post reform phase. How do the institutional developments help India to consolidate her foreign exchange reserves?

(2x10=20)

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