

**MBA Degree FT III/PT V Semester University End Semester Examination- November, 2023**

**21-371-0312/21-372-0512: - INTERNATIONAL FINANCE**

(Regular and Supplementary)

**Max. Marks: 50**

**Time: 3 Hours**

**Course Outcomes:** On completion of the course, the student will be able to:-

CO1	Enumerate the key concepts related to International Finance
CO2	The role of key finance organisations in the global economic system and international capital and foreign exchange market
CO3	Apply knowledge of foreign exchange hedging to identify and manage the foreign exchange risks faced by globally active firms
CO4	Key operations of foreign exchange market tools and strategies
CO5	Current conditions in developing emerging markets, and evaluate present and future opportunities and risks for international financial activities like Forex and financial flows
CO6	Framework to support successful decision-making in all relevant functions and financial activities within the competitively international environment

**BL – Bloom's Taxonomy:** (L1- Remember, L2 - Understand, L3 – Apply, L4-Analyse, L5-Evaluate, L6-Create)

**PART A**

*(Answer ALL questions. Each question carries 2 marks)*

Q. Nos.	Questions	Marks	BL	CO
1	What are the components of BoP?	2	2	1
2	A dealer in India quote INR 83/1USD. Convert this into indirect quotation.	2	3	4
3	A dealer quote INR 83.55/83.70 for one USD. Calculate the bid ask spread.	2	3	4
4	What is a forward rate agreement (FRA)?	2	1	2
5	What is meant by foreign direct investment?	2	1	2

**(5X2=10 marks)**

**PART B**

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

Q. Nos.	Questions	Marks	BL	CO
6	Who is an authorized dealer in foreign exchange? Explain different categories of ADs.	4	2	2
7	INR is trading at 85 against one USD. The cost of one tone steel in India is INR 75,000/-. What should be the price for one tone of same grade steel in the US, according to the purchasing power parity?	4	4	5
8	What is a Euro issue? Discuss various types of euro issues (instruments) used for raising funds from international markets.	4	2	4

9	Discuss the concept of hedging in currency market.	4	3	3
10	You are given the following direct quote: a. INR 84/1USD b. SGD 1.37/1USD Calculate the cross-currency rate for INR/SGD.	4	4	3
11	Discuss the basic option positions.	4	4	1
12	Discuss various factors that can contribute to positive scenario for FDIs in India.	4	2	5

(5X4=20 marks)

### PART C

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

Q. Nos.	Questions	Marks	BL	CO									
13	<p>Firm A and B have been offered the following rates per annum on a \$20 million 5-year loan</p> <table border="1" data-bbox="359 974 949 1108"> <thead> <tr> <th>Firm</th> <th>Fixed rate</th> <th>Floating rate</th> </tr> </thead> <tbody> <tr> <td>Firm A</td> <td>5.0%</td> <td>LIBOR+0.1%</td> </tr> <tr> <td>Firm B</td> <td>6.4%</td> <td>LIBOR+0.6%</td> </tr> </tbody> </table> <p>Firm A requires a floating rate loan; Firm B requires a Fixed rate loan. Design a swap that can benefit both firms. Ignore any intermediation/transaction costs.</p>	Firm	Fixed rate	Floating rate	Firm A	5.0%	LIBOR+0.1%	Firm B	6.4%	LIBOR+0.6%	10	5	5
Firm	Fixed rate	Floating rate											
Firm A	5.0%	LIBOR+0.1%											
Firm B	6.4%	LIBOR+0.6%											
14	<p>Discuss the possibility of a triangular arbitrage, given the following exchange rates: USD 1.054 /EUR, and AUD 1.369 /EUR. Assume, Kwiki Bank quotes USD 0.81 /AUD.</p>	10	4	4									
15	<p>Explain different types of risk exposure in international trade. Discuss basic approaches to manage these exposures.</p>	10	2	3									

(2x10=20 marks)

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