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Fourth Semester MBA Degree Examination, Dec2019/Jan.2020 International Financial Management

Time: 3 hrs.

Max. Marks:80

**Note: 1. Answer any FOUR full questions from Q1 to Q7.
2. Question No. 8 is compulsory.**

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
2. Any revealing of identification, appeal to evaluator and /or equations written eg. 42+8 = 50, will be treated as malpractice.

- 1
 - a. Differentiate between forward contract and future contract. (02 Marks)
 - b. What is swap? Explain the various types of swaps. (06 Marks)
 - c. What is FDI? Explain the various factors affecting FDI. (08 Marks)

- 2
 - a. What is international fisher effects? (02 Marks)
 - b. Explain the various methods exchange rate regions. (06 Marks)
 - c. Prepare the BOP showing current account, capital account and official reserve account expressed in USD.
 - i) US exports 300\$ worth of goods and made the payment in foreign demand deposits
 - ii) US imports 225\$ worth of goods and pay for them by drawing its foreign demand deposits
 - iii) US pay \$ 15 to foreign as dividend drawn in US demand deposits
 - iv) An American buys stock worth \$60 using foreign demand deposits
 - v) US Government sells \$45 in gold for foreign demand deposits
 - vi) In a currency reports operation a US government uses its foreign demand deposits to purchase 8\$ worth from private foreigner in US. (08 Marks)

- 3
 - a. What is Euro bond market? (02 Marks)
 - b. SR is Rs.420010 P. Dollar 6 months Frate Rs.42,8020 then dollar is analyzed interest rate on Rs.12% on dollar 8% is there any arbitrage possibilities. Assuming you borrow. 1000 dollar or 10,000Rs. (06 Marks)
 - c. Define country risk? Explain the various techniques to handle country risk. (08 Marks)

- 4
 - a. What is Netting? (02 Marks)
 - b. Explain briefly purchase power parity and internist rate theory. (06 Marks)
 - c. Explain the types of disequilibrium in balance of payment. (08 Marks)

- 5
 - a. Differentiate between American and European option. (02 Marks)
 - b. From the following information. Calculate the outright rates indicating there spreads and also calculate premium/Discount over spot rate.

	Spot	Bidrate	Aslerate
	\$	0.02378	0.02370
1 month	\$	0.02372	0.02375
3 month	\$	0.02360	0.02373
6 month	\$	0.02354	0.02358

- c. Explain the various international business methods. (06 Marks)
 - (08 Marks)



- 6 a. What is BOP? (02 Marks)
 b. Explain the function of foreign exchange market. (06 Marks)
 c. You have called the Forex trade and Ask the quotation on the spot 1, 3, 6 months forward the trader responded as follow \$ 0.2479/81, 3/5, 8/7, 3/10.
 i) What does the mean interms of \$/Euro
 ii) If you wish to buy spot EURO how much you would pay in \$?
 iii) If you wants to purchase spot US\$ how much you could pay interms of EURO?
 iv) What is the premium/discount for 1, 3, and 6 months? (08 Marks)
- 7 a. What is forfeiting? (02 Marks)
 b. Explain the various methods of transaction exposure. (06 Marks)
 c. Following information is available for US \$ EURO.

Particular	US interest rate	Europe interest rate
No. of interest rate	4%	6%
Exp. Interest Rate	2%	8%
Spot rate	\$1.13	
1 year forward rate	\$1.1	

- i) According to PPP what is the export rate in 1-year time.
 ii) According to interest fisher method what is the export rate in year. (08 Marks)

8 CASE STUDY [Compulsory]

ABC manufactures Auto products in England it is wholly owned subsidiary of XYZ of USA. The functional currency for ABC is pounds which is currently selling at 1.5\$ P/pound. Reporting currency of the XYZ is US dollar. The non-consolidated financial statement of both as follows :

Particular	XYZ	ABC
	US\$	Pounds
Cash	9,000\$	2,000
A/C receivables	10,000\$	4,000
Inventory	8,000\$	2,000
Plant and equipment	10,000\$	6,000
Investment	4,500\$	-
Liabilities :		
Current liability	22,000	4,000
5 years term loan	-	4,000
Capital stock	9,000	2,000
Retained earning	9,500	4,000

- a. Prepare consolidated.
 b. What is the ABC Ltd. A/c exposure in \$ use current A/C methods of calculation. (16 Marks)
