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M. B. A. (Fourth Semester) Examination, 2020

(New Course)

(Specialization : Finance Management)

(Management Branch)

**INTERNATIONAL FINANCIAL MANAGEMENT**

*Time Allowed : Three hours*

*Maximum Marks : 80*

*Minimum Pass Marks : 32*

*Note : Answer as per instructions. All units carry equal marks.*

**Unit-I**

1. Write short notes on : (any two) 2×8 = 16

(i) International Monetary Fund

- (ii) Exchange rate regimes
- (iii) Special Drawing Rights

### Unit-II

2. Answer : (any two) 2×8 = 16

- (a) The New York four market offers following rates

USD / AUD : 1.6345 / 1.6350

USD / JPY : 125.35 / 125.45

In the Sydney market the AUD / JPY spot rate is  
74.65 / 74.85

What transactions should be exploited to execute  
arbitrage?

- (b) GBP / USD spot 1.5760 / 1.5765

6 month SWAP 15 / 10

Find 6 month outright forward rate.

Is USD at premium or discount explain.

- (c) Suppose today is September 7 and we have

GBP / USD spot 1.7075 / 1.7080

2 months swap 45 / 35

3 months swap 120 / 110

Calculate the outright rate for November, 23<sup>rd</sup>.

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- (d) Explain with illustration the absolute and relative version of purchasing power parity theory.

### Unit-III

3. Answer : (any two)  $2 \times 8 = 16$

- (a) What are currency futures? What are their features? How are they similar to and different from currency forward contracts?
- (b) Explain the elementary principles of option valuation.
- (c) A German firm has a receivable of 20 lakh USD on 30<sup>th</sup> April, expiring on 30<sup>th</sup> June.

It decides to hedge this exposure using Euro futures. The current Spot EUR/USD is 0.8725 and June futures are trading at 0.8690. Calculate the net gain for the firm if on 30<sup>th</sup> June the spot is 0.8810 and futures are at 0.8812. (Contract size EUR 1,25000).

### Unit-IV

4. Differentiate between risk and exposure. Explain different types of pound. 16

Or

Write short notes on currency and interest rate swaps.

**Unit-V**

5. How do bending and lagging strategies of exposure management work for imports and exports? 16

**Or**

Write short notes on setting and offsetting foreign exchange exports.