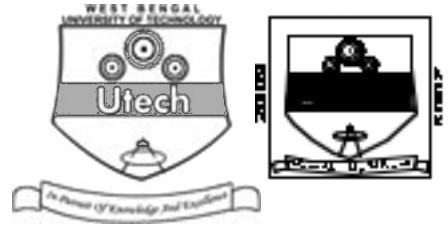


**CS/MBA(SUPPLE)/SEM-4/FM-405/09
INTERNATIONAL FINANCE (SEMESTER - 4)**



1.
Signature of Invigilator

2.
Signature of the Officer-in-Charge

Reg. No.

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Roll No. of the Candidate

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**CS/MBA(SUPPLE)/SEM-4/FM-405/09
ENGINEERING & MANAGEMENT EXAMINATIONS, JULY - 2009
INTERNATIONAL FINANCE (SEMESTER - 4)**

Time : 3 Hours]

[Full Marks : 70

INSTRUCTIONS TO THE CANDIDATES :

- This Booklet is a Question-cum-Answer Booklet. The Booklet consists of **32 pages**. The questions of this concerned subject commence from Page No. 3.
- In **Group – A**, Questions are of Multiple Choice type. You have to write the correct choice in the box provided **against each question**.
 - For **Groups – B & C** you have to answer the questions in the space provided marked 'Answer Sheet'. Questions of **Group – B** are Short answer type. Questions of **Group – C** are Long answer type. Write on both sides of the paper.
- Fill in your Roll No. in the box** provided as in your Admit Card before answering the questions.
- Read the instructions given inside carefully before answering.
- You should not forget to write the corresponding question numbers while answering.
- Do not write your name or put any special mark in the booklet that may disclose your identity, which will render you liable to disqualification. Any candidate found copying will be subject to Disciplinary Action under the relevant rules.
- Use of Mobile Phone and Programmable Calculator is totally prohibited in the examination hall.**
- You should return the booklet to the invigilator at the end of the examination and should not take any page of this booklet with you outside the examination hall, **which will lead to disqualification**.
- Rough work, if necessary is to be done in this booklet only and cross it through.

No additional sheets are to be used and no loose paper will be provided

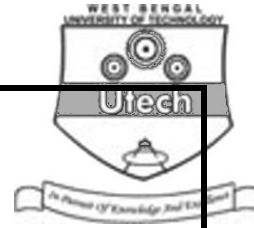
FOR OFFICE USE / EVALUATION ONLY

Marks Obtained

Question Number	Group – A								Group – B				Group – C				Total Marks	Examiner's Signature
Marks Obtained																		

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Head-Examiner/Co-Ordinator/Scrutineer

S-52015 (18/07)



DO NOT WRITE ON THIS PAGE



INTERNATIONAL FINANCE
SEMESTER - 4



Time : 3 Hours]

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10
- i) The exchange system followed in India is known as
- a) Fixed peg system
 - b) Crawling peg system
 - c) Managed floating system
 - d) Independent floating system.
- ii) IMF stands for
- a) International Money Flow
 - b) International Monetary Fund
 - c) Indian Monetary Flow
 - d) International Money (Exim) Flow.
- iii) Classical economists viewed that BOP adjustment
- a) was automatic
 - b) was possible through devaluation
 - c) both (a) and (b)
 - d) none of these.
- iv) Floating rate is determined by
- a) Government of the country
 - b) On the basis of value of some other currency
 - c) By the interaction of demand and supply of the currency
 - d) None of these.



v) If an importer has to buy US dollars from the bank, he has to buy it at the

- a) Buying rate of the bank
- b) Selling rate of the bank
- c) Average of (a) & (b)
- d) None of these.

vi) The forward market is especially well-suited to offer hedging protection against

- a) Translation risk exposure
- b) Transaction risk exposure
- c) Political risk exposure
- d) Taxation.

vii) In which option does the buyer get the right to buy the underlying asset ?

- a) Call option
- b) Put option
- c) American option
- d) European option.

viii) What are the motives behind a swap transaction ?

- a) Quality spread
- b) Interest risk management
- c) Currency risk management
- d) All of these.

ix) China hedges its currency with its other currency,

- a) Hong Kong Yuan
- b) Hong Kong Macaw Pataka
- c) Hong Kong Dollar
- d) Hong Kong Pound.



- x) Which of the following is a legitimate reason for international investment ?
- a) Dividends from a foreign subsidiary are tax exempted in the United States
- b) Most governments do not tax foreign corporations
- c) There are possible benefits from international diversification
- d) International investments have less political risk than domestic investments.
- xi) Interest-rate parity refers to the concept that, where market imperfections are few
- a) The same goods must be sold for the same price across the countries
- b) Interest rates across the countries will eventually be the same
- c) There is an offsetting relationship between interest rate differentials and differentials in the forward Spot exchange market.
- d) There is an offsetting relationship provided by costs and revenues in similar market environments.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following.

3 × 5 = 15

2. Briefly explain the procedure to be completed for GDR issues.
3. Write with examples the process of interest rate swap.
4. Describe the arms length method of transfer pricing.
5. Briefly describe the method of calculation of BOP of a nation.
6. What do you mean by Special Drawing Rights (SDR) ?



GROUP – C

(Long Answer Type Questions)

Answer any *three* questions.

3 × 15 = 45

7. a) What do you understand by foreign exchange market ?
 b) State the major participants in Forex Business.
 c) Discuss in brief the features or characteristics of Foreign Exchange Market.
 d) Briefly state about the various types of exchange rates based on delivery.
- 3 + 4 + 4 + 4
8. a) Explain how swaps can be useful for managing risks.
 b) What are the different factors influencing the exchange rate for a currency ?
- 8 + 7
9. Translate the following Balance Sheets of the two subsidiaries of ABC Inc. (a US MNC) into US dollars, using Monetary, Non-monetary and the Current methods of translation :

Assume the following exchange rates :

12/31/2008	£1.00 = US \$ 1.40	US \$ 1.00 = FF 7.25
12/31/2008	£1.00 = US \$ 1.05	US \$ 1.00 = FF 9.00

Show also how the parent company will reflect the exchange gains (losses) in its consolidated statements, using the monetary and non-monetary methods as against the current method.

$2 \times 7 \frac{1}{2}$



10. a) What are the various Internal Hedging Strategies adopted by a company having a number of Subsidiaries in different countries ?
- b) The six-month rate of Canadian \$ is 9% when the six-month interest for the US \$ is 6.75%. At the same time the spot Canadian \$ quotation in New York is US \$ 0.9100 and the six-month forward rate is US \$ 0.9025.
- i) Is interest rate parity holding ? Why ?
- ii) If not, how could advantage be taken of the situation ?
- iii) If a large no of operators decide to do the arbitrage suggested under (b), what will be the effect upon spot and forward quotations and upon interest rates for the two currencies ? 5 + (3 + 4 + 3)
11. a) What do you understand by Foreign Exchange Exposure ? What are the different types of Exposure ?
- b) Why do the companies involved in international trade have to hedge their foreign exchange exposure ? 8 + 7
12. Write short notes on any *two* of the following : $2 \times 7 \frac{1}{2}$
- a) Purchasing Power Parity Theory.
- b) Asian Development Bank
- c) International Financial Corporation
- d) Participants in Foreign exchange market.

END