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THIRD SEMESTER M.B.A. DEGREE EXAMINATION, JANUARY 2024

(CUCSS)

M.B.A.

BUS 3EF 01/IB 01—INTERNATIONAL FINANCE

(2016 Scheme)

Time : Three Hours　　　　　　　　　　　　　　Maximum : 36 Weightage

Part A

*Answer **all** the following questions.*
Each question carries 1 weightage.

1. What is balance of payment ?

2. What is floating exchange rate system ?

3. What is purpose of Interest rate swap ?

4. What are SDR ?

5. What is Hedging ?

6. What is forward market ?

(6 × 1 = 6 weightage)

Part B

*Answer any **four** of the following questions.*
Each question carries 3 weightage.

7. Differencatite between current account and capital market in BOP.

8. Explain the Bretton woods system.

9. Explain the functions of IMF.

10. Discuss the methods of external hedging.

11. Explain the factors influencing exchange rates.

12. Explain the structure of foreign exchange market.

(4 × 3 = 12 weightage)

Turn over

Part C

Answer any **three** *of the following questions.*
Each question carries 4 *weightage.*

13. Briefly explain the purchasing power parity theory.

14. Explain the exchange rate mechanism in international monetary system.

15. Critically examine the IMF financing facilities and polies.

16. Briefly explain the foreign exchange derivatives.

17. On Jan 15 2020 the DM was quoted $0.4957/DM and the French franc was $0.3133/FF in New York. If on this date Paris was FF 1.8500/DM and FF 5.6875 what are the incentives of Arbitrage ?

$(3 \times 4 = 12 \text{ weightage})$

Part D

Answer the following question which carries 6 *weightage.*

18. Pearl India Limited will need USD 1300000 in 180 days. It considers using a money market hedge. Its analyst develops the following information.

    a) Spot rate of USD = 72.80

    b) 180 days' deposit rate in India 7.50 %, USA 6.75 %

    c) 180 day's borrowing rate in India 10.80 %, USA 9.25 %

    Suggest the outcomes and viability of the consideration.

$(1 \times 6 = 6 \text{ weightage})$