

D 91572

(Pages : 2)

Name.....

Reg. No.....

THIRD SEMESTER M.B.A. DEGREE EXAMINATION, JANUARY 2021

(CUCSS)

M.B.A.

BUS 3EF 01/IB 01—INTERNATIONAL FINANCE

(2016 Admissions)

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.

Each question carries 1 weightage.

1. What is meant by adjustable peg ?
2. What are SDR ?
3. What are the components of Long term capital account in BOP ?
4. Differentiate between foreign exchange trading and arbitrage.
5. What is the purpose of interest rate swap ?
6. What are various kinds of exposure a MNC are subjected in the international market ?

(6 × 1 = 6 weightage)

Part B

Answer any four questions.

Each question carries 3 weightage.

7. Explain the concept of locational arbitrage and the scenario necessary for it to be plausible.
8. Why is an interest rate swap simpler to a future contract ?
9. Write a note on translation methods in international finance.
10. Discuss the methods of external hedging.
11. Differentiate between spot market and futures market.
12. Write a brief note on evolution of exchange rate theories.

(4 × 3 = 12 weightage)

Turn over

Part C

Answer any three questions.

Each question carries 4 weightage.

13. In currency swap, both the final principal and the periodic coupons are exchanged. Why is this unnecessary in an interest rate swap ?
14. Explain the international fisher effect. What is the rationale for the existence of the international fisher effect ?
15. On August 2, 2018 the DM was quoted \$0.3876/DM and the French franc was quoted \$0.2133/FF, in New York. If on this same date Paris was quoting FF 1.7500/DM and FF 4.6875 what are the incentives of arbitrage ?
16. Briefly explain the factors affecting the devaluation of Indian Currency.
17. Critically examine the IMF financing facilities and policies.

(3 × 4 = 12 weightage)

Part D

Answer the following compulsory question which carries 6 weightage.

18. Times Ltd will need USD 1200000 in 180 Days. It considers using a money market hedge. Its analyst develop the following information :
 - a) Spot rate of USD = 71.90.
 - b) 180 day deposit rate India 7.25% USA 6.5%.
 - c) 180 day borrowing rate India 10.5% USA 9.00%.

Suggest the outcomes and viability of the consideration.

(1 × 6 = 6 weightage)