90267 M-691

Sl.No.

Total No. of Pages : 3

IV Semester M.B.A. Examination, May - 2017
(Scheme : 2011)
BUSINESS ADMINISTRATION
Elective - 6 - FM - International Financial Management

Time : 3 Hours **Max. Marks : 75**

SECTION - A

Answer all questions. Each question carries 6 marks. **[5 × 6 = 30]**

1. State the functions of IMF.

2. Discuss the impact of BOP and Inflation on exchange rate.

3. Explain the concept of parallel loans and currency swaps.

4. The following spot prices are observed in New York Market.

   USD / CHF = 1.6345/50

   USD / JPY = 125.35 / 45

   In Geneva Market;

   CHF/JPY Spot is quoted @ 74.65/85

   Is there any Arbitrage opportunity?

5. The US $ is selling in India @ Rs. 45.50. If the interest rate for 6 months borrowing in India is 8 % per annum and corresponding rate in USA is 2% per annum.

   a) Do you expect US $ to be @ premium or discount in Indian forward Market?

   b) What is the rate of forward premium or discount?

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SECTION - B

Answer any 3 questions. Each question carries 10 marks:[3 × 10 = 30]

6. Compare and contrast GDR and ADR.

7. Explain how a firm can manage its economic exposure.

8. Critically review the explanations offered for the emergence and popularity of financial swaps.

9. XYZ company has to make a payment of $ 1 million in 3 months time. You decide to invest that for 3 months and you are given the following information.
   US deposit rate is 8% per annum
   UK deposit rate is 10% per annum
   The spot exchange rate is $ 1.80 per Pound
   3 months forward rate is $ 1.788 per Pound.
   a) Where should the company invest for better return?
   b) Assuming that interest rate and spot exchange rate remains as above what forward rate would yield an equilibrium situation.
   c) Assuming that US interest rate, spot rate and forward rate remains as original, where would you invest, if the UK deposit rate increases by 4%?

10. Company A & B have been offered the following rates per annum fo $ 20 million 5 years loan.

Particulars	Fixed Rate	Floating Rate
Company A	12%	LIBOR + 0.1%
Company B	13.4%	LIBOR + 0.6%

Company A wants floating rate and company B wants fixed rate lo
Bank requires 0.1% commission per annum.
Design a swap deal and find out company's benefit.

SECTION : C

Compulsory

Case Study : **[15]**

11. Mithun textiles Ltd. places an order to buy a machinery with an American company. It will have to pay USD 2,00,000 after 180 days.

    Finance Manager of a company collects data from FOREX Market. The various findings are as follows:

    a) Spot Rate as today is Rs,50/USD.

    b) Possible Spot Rate after 6 months are estimated by consultant. INR 49.25/ USD & INR 49.75/USD.

    c) 180 days forward rate INR 49.50/USD.

    d) Interest Rate:- USA deposit rate 1.5% and borrowing rate is

       2% per annum.

       Indian deposit rate = 7.5% per annum

       And borrowing rate = 8% per annum

    e) A call option on dollar for 180 days has an exercise price of INR 49.50 with the premium of INR 0.10 per annum. Carry out comparative analysis of various outcomes.

       i. No hedge

       ii. Forward hedging

       iii. Money Market hedge

       iv. Option hedge

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