CB
Batch 2021-22

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MASTER OF BUSINESS ADMINISTRATION (M.B.A.)

EXAMINATION : DECEMBER - 2022

SEMESTER - III

Sub: International Financial Management (MFM307)

Date: 24/12/2022 Total marks: 60 Time: 10.00 am To 12.30 pm

SECTION – I

Q. 1. Fill in the blanks. **(5)**

1. Hedging is used by companies to ……………….
   a) Decrease the variability of tax paid
   b) Increase the variability of expected cash flows
   c) Decrease the spread between spot and forward market quotes
   d) Decrease the variability of expected cash flows
2. The concept Financial Management is …………………
   a) Profit maximization
   b) Organization of funds
   c) All features of obtaining and using financial resources for company operations
   d) Effective Management of every company
3. A simultaneous purchase and sale of foreign exchange for two different dates is called
   a) Currency Devalue
   b) Currency Mapping
   c) Currency Swap
   d) Currency Tapping
4. An arbitrageur in foreign exchange is a person who ……………
   a) earns illegal profit by manipulating foreign exchange
   b) causes differences in exchange rates in different geographic markets
   c) simultaneously buys large amounts of a currency in one market and sell it in another market
   d) None of the above
5. A floating exchange rate is …………………
   a) determined by the national governments involved
   b) remains extremely stable over long periods of time
   c) is determined by the actions of central banks
   d) is allowed to vary according to market forces

Q. 2. Answer the following. (Any Two) **(20)**

1. Explain Macro-economic factors affecting exchange rate
2. Hedging & forward deals
3. Risk in International Projects
4. Present exchange rate system reforms of international monetary system

Q. 3. Write notes on. (Any Two) **(10)**

1. Spot and forward rates
2. Portfolio balancing model
3. IMF role international liquidity

SECTION – II

Q. 4. Case Study **(15)**

The growing strength of India's BoP observed in the post reform period since the crisis of 1991 continued in 2005-2006. This growing strength was inspite of a widening current account deficit to the tune of US dollar 9.2 million that is equivalent to 1.1 per cent of GDP in 2005-2006. Rising foreign investment together with a sharp revival of inflows of non-resident deposits maintained a strong balance in the capital account visà- vis high level of reserves. Given such robust external position R.B.I. had deemed it opportune to revisit the issue of full Capital Account Convertibility. An insight into India's BoP Capital Account is possible with the following table. In this scenario, Indian companies hand holdings with international agencies (taxing loans & equity partnership) plans to make huge investments in retails and infrastructure. Also many companies are boosting up their foreign country operations. They are less perturbed about the rising inflation rate interest rate or the other tight money measures adopted by the Government. This could be due to favourable consolidation exposure and the opportunity in covering their risk in currency future market.

Questions :

1) What is trade deficit?
2) What according to you would be the reason for India's growing trade deficit.
3) What are the tight money policy measures used in India in the recent past?

Q. 5. Answer the following: **(10)**

a) What are the different components of BOP?

OR

b) Explain in detail : International Capital Market Instruments