

3M3012

Roll No. _____

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M. B. A. III Sem. (Main) Exam., Jan. 2016

Finance

M-311 International Financial Management

Time: 3 Hours

Maximum Marks: 70

Min. Passing Marks: 28

Instructions to Candidates:

- (i) The question paper is divided in two sections.
- (ii) There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based question which is **compulsory**.
- (iii) All questions carry **equal** marks.

1. NIL

2. NIL

SECTION-A

Q.1 Why should a corporate finance manager monitor balance of payment's developments? [14]

Q.2 Explain the following terms:

- (a) Bid Rate [3]
- (b) offer Rate [3]
- (c) Bid offer Spread [3]
- (d) Value Date [2]
- (e) Swap Transaction [3]

- Q.3 What is monetary approach to exchange-rate determination? What are its major predictions concerning exchange –rate movements? [6+8=14]
- Q.4 Explain the various considerations that enter into the decision to choose the currency, market and vehicle for long term borrowing. [14]
- Q.5 On a certain day the observed market rates implied that for a US MNC a domestic 90 day investment would yield 6.5% while a caused investment in INR would have yielded 7.5%. Why would such a discrepancy arise and persist? [14]
- Q.6 Write notes on:
- (a) Interest rate parity theory. [7]
 - (b) The balance of payments theory. [7]

SECTION-B

- Q.7 One of your clients have imported 5,000 pieces of an electronic item at a landed cost in Mumbai, of USD 50 each. They have the choice of paying for the goods immediately or in three month time. They have a overdraft limit where 10 percent rate of interest is charged. Compute which of the following methods would be cheaper to your client:
- (a) Settle now at current spot rate and pay interest of the over draft for three months.
 - (b) Pay in three months time with interest at 6 percent and cover the exchange risk forward for three months.

The rates one as follows:

Mumbai USD/INR 63.20-63.25

3-Month swap 25/35

Exchange commission may be ignored. [14]