

Code No: 764AE

**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD**  
**MBA IV Semester Examinations, March/April - 2022**  
**INTERNATIONAL FINANCIAL MANAGEMENT**

Time: 3 Hours

Max.Marks:75

**Answer any five questions**  
**All questions carry equal marks**

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1. Examine the nature and scope of International Financial Management. [15]
2. Differentiate between domestic financial management and international financial management. Explain various methods of entry into international business. [15]
- 3.a) Examine the key features of fixed and flexible exchange rate system.  
 b) In what way the current system of exchange rate – market determined exchange rate and basket of currencies is different from earlier one. [7+8]
4. Explain on the basis of the following data: whether (a) Absolute version of PPP theory holds good? (b) Law of One Price holds good?

USA		
Unit	Goods	US \$ Price /Unit
4	Rice	1
20	Wheat	2

INDIA		
Unit	Goods	US \$ Price /Unit
20	Rice	40
10	Wheat	80

Exchange Rate Rs.75.645 / US \$ [7+8]

- 5.a) How do the exporters and importers hedge in the market for currency options?  
 b) An American importer importing goods from UK fears an appreciation in pound. Pound options are available at a strike price of \$1.830 / £, with a premium of \$0.03/£. The spot rate on the maturity rises to \$1.930/£. How will he compensate his loss? [7+8]
6. Find out the translation loss/gain on the basis of the following data applied by the Indian subsidiary to its parent unit in the USA.

(Amount –Rs. In millions)

Liabilities	Amount	Assets	Amount
Current Liabilities	400	Cash	100
Share capital	1000	Marketable Securities	100
Bonds	600	Debtor	200
Retained Earnings	400	Inventory	300
		Land and Building	600
		Plant and Machinery	800
		Furniture and Fixtures	300
Total Assets	2400	Total Liabilities	2400

Historical Rate = Rs.70/US \$, Current Rate = Rs.75.64/US \$.

[15]

7. Explore the relationship between Inflation, Interest rates and exchange rate with relevant examples. [15]
8. Elaborate the benefits of international investment from the viewpoint of optimisation of investment portfolios. [15]

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