

Roll No.

Total No. of Pages : 02

Total No. of Questions : 15

**MBA (2016 to 2019) (Sem.-4)**  
**INTERNATIONAL FINANCE**

Subject Code : MBA-926

M.Code : 71385

Time : 3 Hrs.

Max. Marks : 60

**INSTRUCTION TO CANDIDATES :**

1. SECTION-A contains SIX questions carrying FIVE marks each and students have to attempt any FOUR questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and students have to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY carrying EIGHT marks.

**SECTION-A**

- Q.1 Why do some people demonstrate against globalization when it is supposed to be good for the economic welfare of nations?
- Q.2 What are the different factors influencing exchange rates? Explain.
- Q.3 Who are the major participants in the foreign exchange market?
- Q.4 Hedging is the covering of risk, whereas speculation is the deliberate assumption of risk. Why then is the decision to hedge or not to hedge regarded as a speculative decision?
- Q.5 Discuss the monetary/non-monetary method of translation exposure.
- Q.6 What are sources of short term external finance?

**SECTION-B**

**UNIT-I**

- Q.7 Differentiate between domestic and international finance. What are that various challenges of the international finance?
- Q.8 What is the international flow of funds? Discuss the various agencies that affect the international flow of funds.

## UNIT-II

- Q.9 Briefly explain the interest rate parity theory of exchange rate determination. Illustrate.
- Q.10 Explain the implication of PPP for the real exchange rate? What is the rationale for using PPP as a currency trading rule?

## UNIT-III

- Q.11 Do firms hedge exposure to foreign exchange risk in practice? If so, what instruments/ techniques do they use? Explain in detail.
- Q.12 Explain how price variation and the currency of invoicing can be used to hedge transaction exposure.

## UNIT-IV

- Q.13 Distinguish between Eurobonds and foreign bonds. Under what conditions foreign currency bonds are preferred even if they offer a lower rate of return (in foreign currency terms) than domestic bonds?
- Q.14 Critically explain the working of World Bank.

## SECTION-C

- Q.15 You are given the following information :

Spot exchange rate (AUD/EUR)	1.60
One-year forward rate (AUD/EUR)	1.62
One-year interest rate on the Australian dollar	8.5%
One-year interest rate on the euro	6.5%

- (a) Is there any violation of CIP?
- (b) Calculate the covered margin (going short on the AUD).
- (c) Calculate the interest parity forward rate and compare it with the actual forward rate.
- (d) Calculate the forward spread and compare it with the interest differential.
- (e) What would arbitragers do?
- (f) If arbitrage is initiated, suggest some values for the interest and exchange rates after it has stopped and equilibrium has been reached.

**NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.**