

NEW

2017

M B A

4th Semester Examination

Subject : INTERNATIONAL FINANCIAL MANAGEMENT

(Specialization : Financial Management)

PAPER—F-401

Full Marks : 100

Time : 3 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

1. Answer any *four* questions : 4×5
- (a) Elucidate the structure of international financial management.
- (b) Explain the concept of 'marking to market' with example.

(Turn Over)

- (c) The direct spot quotations in New York and London are 1.9031/35 and 0.50/03, respectively. Calculate arbitrage profit per USD 10 million.
- (d) Distinguish between Real Exchange rate and Real Effective Exchange Rate.
- (e) A firm in India has 1 mn \$ payable on 9th Sept. 2016. Spot rate in March is \$|Rs.61.7892. The firm purchases Sept. future at \$|Rs.62.2342. If spot rate on 9th September is 62.50 Rs. per \$, What is the loss/profit of the firm ?
- (f) How can BOP disequilibrium be corrected through flexible exchange rate system ?

2. Answer any *two* questions : 2×10

- (a) Write a note on Bretton Woods System. 10
- (b) Forward ask-price on USD for January is \$|Rs.45 and, at the same time, the price of USD futures for delivery on 10th January is \$|Rs.45.75. How can an arbitrageur earn profit from such an opportunity ?

10

- (c) An Indian firm proposes to make a capital investment in USA. The expected net cash-flows of the project are presented below :

Year :	0	1	2	3	4	5
Cash Flows :	-23	5	10	10	10	15

(USD million)

- (i) Calculate the NPV if the expected rate of return is 25% on the investment.
- (ii) If inflation rates in India and USA are 6% and 4% respectively, calculate the NPV of the project in INR. 5+5

3. Answer any *four* questions : 4×5

- (a) State the usefulness of international banking.
- (b) 'There is no difference and similarity in Future and Forward markets'. Examine the validity of the statement.
- (c) Calculate $£|\$$ if $\$|€$: 0.7623 and $€|£$: 0.9824.
- (d) Narrate in brief the major factors that influence exchange rate in an open economy.
- (e) If risk premium is 10% and risk-free interest rate is 6%, estimated equity β is 0.90, Calculate cost of equity.

- (f) State the implications of current account deficit (CAD) in the long run for a country.

4. Answer any *two* questions : 2×10

(a) Explain the basic principles for cash-flow estimation in cross border investment decision. 10

(b) Using imaginary data, compute the payoff profile of a currency buyer of put option and call option. 10

(c) (i) Given spot exchange rate : \$|Rs.62.3571
 6-months forward rate : \$|Rs.61.2837
 Annualised interest rate (6-month) in US : 4%
 Annualised interest rate (6-month) in India : 8%
 Find out the possibility of arbitrage gain/loss, if any.

(ii) What is the role of a speculator in future currency market ? 7+3

[Internal Assessment : 20 Marks]
