

**MBA 3rd Semester Examination, 2023**

**MBA**

*(International Financial Management)*

PAPER — MBA-306(G)

*Full Marks : 80*

*Time : 3 hours*

*The figures in the right hand margin indicate marks*

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

**PAPER — MBA-306(G)**

**GROUP—A**

Answer any **eight** questions of the following :

5 × 8

1. Describe the fundamental factors affecting exchange rate fluctuations.

2. State the significance of balance of payment of a country.
3. Explain the role of different market participants in the foreign exchange market.
4. (i) What are cross rates ? Illustrate with examples.  
(ii) Find Rs. /Euro exchange rate if the two exchange rates are :  
(I) Rs. 68.75 – 69.15 /US\$; and  
(II) Euro 0.83 – 0.84 /US\$.
5. Discuss any three important forex dealings. 3 + 2
6. Distinguish between conventional Financial Management and International Financial Management.
7. Distinguish between spot market and forward market for foreign currencies.

8. Write short notes on :
- (i) GDR and
  - (ii) ADR.
9. Briefly explain Leading and Lagging as important hedging strategies.
10. State the assumptions of Black-Scholes Model for option valuation.
11. A project involves initial investment for Rs. 5000000. The net cash flow expected during the first, second and the third year are Rs. 3000000, Rs. 3500000 and Rs.2000000 respectively. At the end of the third year, the scrap value is Rs. 1000000. The risk-adjusted discount rate is 10%. Find out the NPV of the project.

12. (i) How would you calculate Weighted Average Cost of Capital ?

(ii) A French subsidiary operating in Africa has cost of equity of 15% it is estimated that repatriation will cause incremental taxes in Africa and France to the tune of 20% and transfer cost on remittance is likely to be 1 percent. Determine the cost of retained earnings. 2 + 3

### GROUP – B

Answer any **four** questions of the following :

10 × 4

13. Briefly state the factors leading to fast strides in international financial functions.

14. Explain the absolute and relative versions of the PPP theory.

15. Explain the different types of foreign exchange exposure.

16. (i) The inflation rates in India and USA over the year are expected to be 7.5% and 4% respectively. The current dollar-rupee exchange rate is Rs. 69.15/US \$. The interest is likely to be 5% in the USA. What would be the expected nominal interest rate at the year end ?

(ii) The current exchange rate between the US dollar and the Indian rupee is US \$ = Rs. 69.15. The inflation rates in India and the USA are expected to be 7.5% and 4% respectively, over the next two years. What would be the dollar-rupee exchange rate after two years ?

5 + 5

17. (i) Briefly describe the phenomenon of currency appreciation and currency depreciation with suitable illustration.

- (ii) Forward premiums for the US dollars (in paise per US \$) are given below :

Month	Exporters	Importers
April	17	18
May	32	33
June	44	46
July	57	59
August	68	70

The spot rate for the US dollar : 68.75 (bid rate) and 69.15 (offer rate).

Find out forward rates for the different months.

5 + 5

18. Write short notes on :

5 + 5

(i) Forward Rate Differential, and

(ii) Covered Interest Arbitrage.