

Time: Three Hours

Maximum Marks: 100

Note:

The paper is divided in three sections: SECTION-A, SECTION-B and SECTION-C. There are seven questions in SECTION-A. Students are required to attempt ANY FOUR. SECTION-B has 5 questions, attempt ANY THREE. All the questions of SECTION-C (Case Study) are compulsory.

SECTION – A (10 Marks each)

1. Differentiate between domestic financial management and international financial management.
2. What is Forex market? What are its important features?
3. What does balance of payment position of a country demonstrate? How this can be used by a finance manager?
4. If the exchange rate of INR/USD is 62.75 – 63.95 and that of INR/GBP: 87.15 – 89.64 then find the exchange rate of USD/GBP.
5. How forward market is different from spot market? Calculate annualized forward premium/discount on bid rate from the following quotation:
Spot rate (INR/EURO): 74.36 – 76.65 and three month forward rate (INR/EURO): 75.97 – 78.15
6. Explain purchasing power parity theory. Can it be used to forecast exchange rate, why?
7. What do you understand by translation exposure? What are the methods of translation?

SECTION – B (15 Marks each)

8. Write short notes on:
 - a) European Monetary System
 - b) Bretton woods system
 - c) Crawling peg

(5x3 = 15)
9. Discuss various methods of entering foreign market? What are the key features of these methods?

10. What do you understand by balance of payment statement? Discuss its components & importance.
11. What is foreign exchange risk? Discuss the methods of managing foreign exchange risk.
12. Discuss the issues involved in international investment decisions. What are the techniques used to evaluate international investment decisions?

SECTION C (15 Marks)

Case Study

13. Following information are available in Mumbai and London Market:
Spot rate : INR /GBP - 88.75
3-Month forward rate: INR /GBP - 92.55
3 month interest rate in money market:
Mumbai - 8 % pa
London - 5 % pa
Do you observe any arbitrage opportunity? Give reasons. Assume that you can borrow one million in any of these markets, what steps you will take to have arbitrage gains, if any?