

M.B.A. III Semester (Main/Back) Examination, Dec. - 2016
M-311 (Major-I) International Financial Management

3 Hours

Maximum Marks : 70
Min. Passing Marks : 28

Instructions to Candidates:

The question paper is divided in two sections.

There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study/application base 1 question which is compulsory.

All questions are carrying equal marks.

Section - A

Explain the concept of Balance of Payments (BOP) and discuss the different accounts of BOP. Can a country run a current account deficit (Surplus) indefinitely? Give reasons. (14)

Write a short note on of the following:-

- Irrevocable confirmed letter of credit. (3)
- Syndicate Euro Currency Loan Market. (3)
- Transfer Pricing. (2)
- International Development Association (IDA). (3)
- Foreign Currency Accounts of Non Resident Indians. (3)

OR

ii) Centralized Cash Management System.

What do you understand by special Drawing Rights (SDRs)? Discuss its significance in International finance? (6+8=14)

(Contd.)

(1)

4. a) How are inflation rates and foreign exchange rates related? Illustrate with the help of an example. (6)
- b) Differentiate between accounting exposure and economic exposure. Discuss the principal translation methods of "Foreign Subsidiaries accounts". (8)
5. a) What is country risk? In what ways can India reduce the country risk if it wants to invest in steel industry in South Africa. (8)
- b) Explain the effects of measures taken to rectify the deficit Balance of payments positions on imports and exports? (6)
6. Examine the functions and working of World Bank. Discuss the usefulness of IBRD in facilitating and promoting long term investment in detail. (14)

Section - B

7. A country's current account balance is equal to its private savings surplus minus its government budget deficit. Assume that a country has a current account surplus of \$ 10,000. A government budget of \$1500, and private savings of \$ 12000. What is the country's private investment? Is the country saving more or less than is needed to finance its private investment and budget deficit? (14)



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Finance

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2. NIL

SECTION-A

- Q 1 Discuss recent trends and challenges in international financial management. [7+7=14]
- Q 2 Explain the concept of BOP? Discuss the types of disequilibrium in BOP? [4+10=14]
- Q 3 What do you understand by cost of foreign borrowing? Explain the component of cost of capital and state the reasons for difference in cost of capital across countries. [4+5+5=14]
- Q 4 What is operating exposure? Explain the tools of hedging the Operating exposure. [4+10=14]

[900]

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- Q 5 Define Currency derivatives. Discuss various types of currency derivatives. [4+10=14]
- Q 6 What are the recent trends in global foreign exchange market? Explain. [14]

SECTION-B

- Q 7 (a) An Indian firm exports goods worth Rs. 50 million to a firm in the United States. The U.S. firm pays from its bank account kept with the State Bank of India in Mumbai. What will be the BOP entries for this transaction? [7]
- (b) Describe Indian BOP trends? [7]
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