

MASTER OF BUSINESS ADMINISTRATION
Third Semester
INTERNATIONAL FINANCIAL MANAGEMENT
(MBA – 21C)

Duration: 3Hrs.

Full Marks: 70

Part-A (Objective) =20
Part-B (Descriptive)=50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

1. Answer any five of the following questions in brief:

2×5=10

- a) What are the factors of translation or consolidation exposure?
- b) How the process of leads and lags work in case of depreciation of national currency?
- c) Is promoting private investment an objective of the World Bank?
- d) Mention the most important reason for collapsing of the gold standard.
- e) What do you mean by factoring?
- f) What is a Euro Certificate of Deposit?
- g) How is fixed exchange rate regime different from floating exchange rate regime?

2. Answer any five of the following questions:

3×5=15

- a) Explain cross credit swap with examples.
- b) Give a comparison between Risk covering in Forward and Money Markets.
- c) How is pegged exchange rate determined?
- d) What are the basic features of Euro equity?
- e) What are the various sources of international trade finance?
- f) What are the factors that influence cash flows in MNC capital budgeting.
- g) Write a note on the Nixon Shock.

3. Answer any five of the following elaborately:

5×5=25

- a) How hedging helps in foreign exchange risk management?
- b) An Indian importer is to pay US \$ 10,000 in 3 months' time to an American firm. The exchange rates are being quoted as follows:
Spot Rs. 64/US \$
3 months Forward Rs. 64.50/US \$
- i) What strategy should the Indian importer take?
- ii) What will be the implications if the spot rate on expiry of 3 months is Rs. 66/US \$
- iii) What will be the implications if the spot rate on expiry of 3 months is Rs. 62.75/ US \$.
- c) Why does an MNC go for global sourcing of equities? What are the different methods of sourcing equity in the international market?
- d) What are the different bonds traded in international financial market? Write basic features of any two of them.
- e) Discuss about 'Letter of Credit' and 'Bill of Exchange' as methods of payment in international trade.
- f) What do you mean by Pre- Shipment Finance? In what form Pre-Shipment Finance can be extended?
- g) How Cost of Capital differ for MNC's *vis – a vis* domestic firms.

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(The figures in the margin indicate full marks for the questions)

Duration: 20 minutes

Marks – 20

PART A- Objective Type

I. Choose the correct options from the following:

1×20 = 20

1. The amount to which future cash transactions of a firm dealing in international trade can be affected is known as
a) Translation Exposure b) Transaction Exposure c) Economic Exposure d) Exchange rate risk
2. In the foreign exchange risk management framework which step comes after risk estimation?
a) Hedging b) Stop loss c) Benchmarking d) Forecast
3. The process of reducing risk by reducing the number of transactions by a firm is called
a) Netting b) Leads & Lags c) Currency of invoice d) Swaps
4. The exchange of foreign currencies between a parent company and a bank in a foreign company is called
a) Export swap b) Back-to-back credit swaps c) Cross-credit swaps d) None of these
5. An instrument issued by bank on behalf of the importer is called
a) Letter of Credit b) Bill of Exchange c) Consignment d) Open Account
6. In Time draft method of payment in international trade the time of payment is
a) Before shipment b) When shipment is made c) On maturity of drafts d) At the time of sale
7. Which of the following is a type of pre-shipment finance?
a) Packing credit b) Export bills discounted
c) Advance against export bills d) Advance against claims

8. Which of the following factors influences multinational capital budgeting?
- a) Exchange rate fluctuation b) Blocked funds c) Tax laws d) All of these
9. A company limited issued 1000, 10% debentures of Rs. 100 each @ Rs. 95. What will be the cost of debentures before tax?
- a) Rs. 10 b) Rs. 10.53 c) Rs. 10.50 d) Rs. 11
10. What is the formula for calculating the cost of equity by dividend growth model approach?
- a) $k_e = R_f + B(R_m - R_f)$ b) $k_e = D/P_0 + g$ c) $k_e = k_s(1 - t)$ d) None of these
11. Which of the following is an influence of Corporate Characteristic?
- a) MNC Agency Problem b) Interest Rates in host countries
c) Strength of host country currency d) All of these
12. What is the motive for investing in international financial market?
- a) Economic conditions b) Exchange rate advantage
c) International Diversification d) All of these
13. The market for Eurodollars is known as
- a) Euro Market b) Eurocurrency market c) Euro Money Market d) None of these
14. Which one of the following is short term market?
- a) Eurocurrency Market b) Bond Market c) Equity Market d) All of these
15. Yankee Bond is issued by
- a) USA b) UK c) Canada d) Japan
16. The cost of equity can be calculated by
- a) Dividend growth model approach b) Security Market Line approach
c) Both d) None
17. Capital Budgeting is used to evaluate an organization's
- a) Long term investments b) Working capital management c) Cost of equity d) Cost of debt
18. The 'Nixon Shock' policy was launched on which date
- a) 15 August 1970 b) 15 August 1972 c) 25 August 1971 d) 15 August 1971
19. The members of the WTO meet regularly at which place?
- a) Geneva b) Paris c) London d) New York
20. When did the Eurozone crisis start?
- a) 2009 b) 2008 c) 2010 d) 2011