

Reg. No.

--	--	--	--	--	--	--	--	--	--



**MBAS 554**

**IV Semester M.B.A. Degree Examination, May/June 2019**

**BUSINESS ADMINISTRATION**

**International Financial Management**

Time : 3 Hours]

[Max. Marks : 70

**Instructions :** Answer all sections. Marks are indicated against each section.

**SECTION – A**

Answer **any two** questions. Each question carries **10** marks. Answer to each question should not exceed **5** pages. **(2 × 10 = 20)**

1. Elucidate the evolution of international monetary system from the days of Bimetallism to recent times.
2. Explain each of the major types of international financial market instruments, noting their distinguishing characteristics and advantages.
3. Write a note on :
  - (a) International Working Capital Management and
  - (b) International Transfer Pricing.

Sri Dharmasthala Marjaneetheshwara  
College of Business Management, Mangalore  
Post Graduate Centre for Management  
Studies and Research Library

**SECTION – B**

Answer **any three** questions. Each question carries **12** marks. Answer to each question should not exceed **6** pages. **(3 × 12 = 36)**

4. Explain the various methods of foreign currency translation. Discuss the determinants of operating exposure.
5. Describe the significance of country risk analysis. Explain the different techniques to assess country risk.
6. Write short notes on :
  - (a) International Investment Decisions
  - (b) International Fisher effect, and
  - (c) Eurobonds

**MBAS 554**



7. TEK has imported components from its Joint venture in Japan, Sony-TEK, with payment of ¥ 8 million due in 6 months. City Bank has offered TEK the following Quotes :

Spot rate	
Six-month forward rate	¥ 108.20/\$
Six-month yen deposit rate	¥ 106.20/\$
Six-month dollar interest rate	1.250 per year
Six-month call option on yen at a strike price of ¥ 108/\$	2.5%
TEK's weighted average cost of capital	9.80%

Required :

- (a) What are the costs of each alternative?
  - (b) What are the risks of each alternative?
  - (c) Which alternative should TEK choose if it is willing to take a reasonable risk and has a directional view that yen may be depreciating versus the dollar during the next six months?
8. (a) Describe the concepts of cross hedging and currency diversification.
- (b) Assume that inter-affiliate cash flows are uncorrelated with one another. Calculate the standard deviation of the portfolio of cash held by the centralized depository for the following affiliate members.

Affiliate	Expected transactions (in \$)	Standard deviation (in \$)
USA	100,000	40,000
Canada	150,000	60,000
Mexico	175,000	30,000
Chile	200,000	70,000

**SECTION - C**

This section is Compulsory. It carries **14** marks. Answer to the question should not exceed **6** pages. **(1 × 14 = 14)**

9. Suppose that you are a U.S. based importer of goods from the United Kingdom. You expect the value of the pound to increase against the U.S. dollar (USD) over the next 30 days. You will be making payment on



a shipment of imported goods in 30 days and want to hedge your currency exposure. The U.S. risk-free rate is 5.5% and risk-free rate in U.K. is 4.5%. These rates are expected to remain unchanged over the next month. The current spot rate is \$ 1.5.

- (a) Indicate whether you should use a long or short forward contract to hedge the currency risk.
- (b) Calculate the no-arbitrage price at which you could enter into a forward contract that expires in 30 days.
- (c) Move forward 10 days. The spot rate is \$ 1.53. Interest rates are unchanged. Calculate the value of your forward position.

---

Sri Dharmasthala Manjunatheshwara  
College of Business Management, Mangalore  
Post Graduate Centre for Management  
Studies and Research Library