

Register No.: ..... Name.: .....

## **SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)**

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

**FOURTH SEMESTER MBA DEGREE EXAMINATION (R), MAY 2023**

**(2021 Scheme)**

**Course Code : 21MBA246**

**Course Name: International Finance**

**Max. Marks : 60**

**Duration: 3 Hours**

### **PART A**

***(Answer all questions. Each question carries 2 marks)***

1. List out the functions of an international financial Manager.
2. The inflation rate in India and the USA over the year are expected to be 6.5% and 3%, respectively. The current dollar-rupee exchange rate is Rs. 82.50/USD. The interest is likely to be 4% in the USA. What would be the expected nominal interest rate at the year end?
3. Define NEER and REER.
4. Compare call and put option.
5. What do you mean by Masala Bond?

### **PART B**

***(Answer any 3 questions. Each question carries 10 marks)***

6. Define BOP. How can Disequilibrium in the Balance of Payments be Corrected?
7. The exchange rate between the US Dollar and the Indian rupee is US \$ = Rs. 43.35. The inflation rates in India and USA are expected to be 7% and 3% respectively over the next 2 years. What would be the dollar-rupee exchange rate after 2 years? If the inflation rates in India and the USA are expected to average 6.5% and 4% over the year, respectively. The nominal interest rate in India is 11.75%. What would be the nominal interest rate in the USA?
8. Explain the context and outcome of the Bretton Woods conference. Narrate reasons for the collapse of the Bretton Woods system.

9. Firm A needs fixed-rate funds which are available to it at the rate of 10.50% to be computed half-yearly, but it has access to cheaper floating-rate funds available to it at LIBOR + 3%. Firm B needs floating rate funds available to it at a 6-month LIBOR flat but has access to cheaper fixed rate funds available to it at the rate of 9.50% to be computed half-yearly. Both principals are identical in size and maturity and are in the same currency. The LIBOR of firm A is 9.75% and that of firm B is 9.65%. Discuss suitable hedging instrument available for managing their risk.
10. "The role of EXIM Bank in international financial management is inevitable". Do you agree with this statement? Explain your answer with valid examples.

### PART C

***(Compulsory question, the question carries 20 marks)***

11. AD Limited is a subsidiary of an Indian manufacturer operating in the US. AD Limited Balance sheet in Dollars of 31st March is as follows: Historical rate:80 and current market rate:82

Liabilities	Amount \$	Asset	Amount \$
Accounts payables	100	Accounts Receivables	75
Loan	50	Cash	25
Share capital	250	Inventory	150
Retained earnings	100	Fixed assets	250
Total Liabilities	500	Total assets	500

- a) Estimate the gain or loss from the exposure under the Current/Non-current method (Marks:4)
- b) Estimate the gain or loss from the exposure under the Current Rate method (Marks:4)
- c) Estimate the gain or loss from the exposure under the Monetary/Non-Monetary method (Marks:4)
- d) Estimate the gain or loss from the exposure under the Temporal method (Marks:4)
- e) Compare and contrast ADR & GDR. (Marks:4)

\*\*\*\*\*