

[41004]

**M.B.A. DEGREE EXAMINATIONS**  
**FOURTH SEMESTER**  
**SPECIALIZATION: FINANCIAL MANAGEMENT**  
**Paper -IV: INTERNATIONAL FINANCIAL MANAGEMENT**  
**(W.E.F. 2016-17 Admitted Batch)**

**Time : 3 Hours**

**Maximum : Marks 75**

**SECTION - A**

**I. Answer any FIVE questions not exceeding one page each. (5×4=20)**

- 1) International Financial System.
- 2) Forex Derivatives.
- 3) Euro Bonds.
- 4) Foreign Direct Investment.
- 5) Features of Multinational transfer pricing.
- 6) Performance Measurement.
- 7) Framework of Adjusted present value.
- 8) What is Foreign Exchange Rate?

**SECTION - B**

**II. Answer All the questions not exceeding 4 pages each (5×8=40)**

1. a) Explain the significance of Eurocurrency and Eurobonds in detail.

**(OR)**

- b) Highlight the recent changes in International Monetary System.

2. a) How do importers and exporters use currency derivatives with suitable examples?

**(OR)**

- b) Distinguish between accounting exposure and operating exposure.

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3. a) What is GDR? And explain the detailed process for issue of GDRs.

(OR)

- b) What do you understand by special drawing rights (SDRs)? And explain its significance in international finance.

4. a) What is Risk? Explain risk involvement in foreign equity investment.

(OR)

- b) What is Net Present Value? And explain framework of Adjusted present value.

5. a) What is Financial Reporting? Bring out the salient features of consolidated financial reporting.

(OR)

- b) "Minimization of global tax liability is not the only objective of transfer pricing"  
Discuss.

### SECTION - C

(1×15=15)

### III. Case Study (Compulsory)

The interest rate in ABC country is 24 per cent per annum, whereas it is only 8 per cent per annum in the United States. You are considering investing \$ 10,000 for 180 days in ABC's securities but are concerned about the exchange risk. ABC's currency is Crown. You find the following quotations in the newspaper in U.S dollar terms:

ABC' country (crown)	\$ 0.1000
30-days forward	\$ 0.0980
90-days forward	\$ 0.0970
180-days forward	\$ 0.0950

#### Questions:

- a) Calculate the forward premium (discount) of the crown against the U.S dollar (based on the 180-days quotation)
- b) What is the net gain in U.S dollars from investing in ABC's securities relative to U.S securities if it is assumed that the exchange rate in 180 days equals today's spot rate?
- c) What is your net gain (or loss) from a covered position? (Ignore transaction cost).