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Roll No. ....

**MB-402(F1)**

**M. B. A. (FOURTH SEMESTER)**

**MID SEMESTER**

**EXAMINATION, May, 2023**

**INTERNATIONAL FINANCIAL  
MANAGEMENT**

**Time : 1½ Hours**

**Maximum Marks : 50**

- Note :** (i) This question paper contains two Sections-Section A and Section B.
- (ii) Both Sections are compulsory.
- (iii) Answer any two sub questions among (a), (b) & (c) in each main question of Section A. Each sub question carries 10 marks.
- (iv) Section B consisting of Case Study is compulsory. Section B is of 20 Marks.
1. (a) Define political risk in international financial management and explain its

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(2)

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impact on multinational corporations. Provide examples to illustrate the concept of political risk. (CO1)

(b) Evaluate the role of the International Monetary Fund (IMF) in promoting financial stability and growth in the global economy. Analyze the methods and strategies employed by the IMF to achieve its goals. (CO3)

(c) Describe the functions and responsibilities of the International Monetary Fund (IMF) in international financial management. Compare and contrast the roles of the IMF and other international financial organizations in managing global financial systems. (CO4)

2. (a) Define foreign direct investment (FDI) and identify its advantages and disadvantages for multinational corporations. Analyze the factors that affect the success of FDI and recommend strategies for maximizing its benefits while minimizing its drawbacks. (CO1)

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(b) Define cultural differences and explain their impact on international financial management. Evaluate the ways in which multinational corporations can overcome cultural barriers and adapt their strategies to different cultural contexts. Provide examples to support your arguments.

(CO2)

(c) Explain the concept of foreign exchange rates and their impact on the profitability of multinational companies. Analyze the factors that influence foreign exchange rates and evaluate the strategies that multinational corporations can use to manage foreign exchange risk. (CO3)

3. (a) Compare and contrast the features of forward contracts and futures contracts, and explain how they are used in international financial management ?

(CO1)

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(b) Analyze the factors that contribute to the globalization of financial markets and evaluate their impact on international financial management. (CO2)

(c) Evaluate the role of cultural differences in international financial management decisions. Analyze the challenges that arise from these differences and recommend strategies for addressing them.

(CO4)

**4. Case Study :** 20 Marks (CO5)

You are a financial analyst at a multinational corporation, and your job is to monitor exchange rates and help your company manage currency risk. You have been asked to analyze the current state of the foreign exchange market and make recommendations for your company's currency strategy.

(a) Create a currency risk management strategy using spot and forward exchange

(5)

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rates. Provide examples of how spot and forward exchange rates can be used to manage currency risk.

(b) Develop a forecast of exchange rate movements using Purchasing Power Parity (PPP). Evaluate the effectiveness of PPP as a tool for forecasting exchange rate movements and explain the assumptions underlying the PPP theory.