

Total No. of Questions: 6

Total No. of Printed Pages:3

Enrollment No.....



Faculty of Management Studies

End Sem Examination Dec-2023

MS5EF07 International Finance

Programme: MBA

Branch/Specialisation: Management /
Finance

Duration: 3 Hrs.

Maximum Marks: 60

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

- Q.1 i. International finance mainly discusses the issues related with monetary interactions of at least _____. **1**
(a) One country (b) Two or more countries
(c) Five countries (d) None of these
- ii. A floating exchange rate- **1**
(a) Is determined by the national governments involved
(b) Remains extremely stable over long periods of time
(c) Is determined by the actions of central banks
(d) Is allowed to vary according to market forces
- iii. Short term promissory notes are unsecured and not collateralized against securities, hence it is classified as- **1**
(a) Notes payable (b) Notes receivable
(c) Commercial paper (d) Commercial notes
- iv. The headquarter of Asian Development Bank is located in which of the following cities- **1**
(a) Jakarta (b) Singapore (c) Bangkok (d) Manila
- v. In the foreign exchange market, the _____ of one country is traded for the _____ of another country. **1**
(a) Currency; currency (b) Currency; financial instruments
(c) Currency; goods (d) Goods; goods
- vi. India's foreign exchange rate system is- **1**
(a) Free float (b) Managed float
(c) Fixed (d) Fixed target of band

[2]

vii.	According to the Purchasing Power Parity (PPP) theory-	1
	(a) Exchange rates between two national currencies will adjust daily to reflect price level differences in the two countries	
	(b) In the long run, inflation rates in different countries will equalize around the world	
	(c) In the long run, the exchange rates between two national currencies will reflect price level differences in the two countries	
	(d) None of these	
viii.	Covered interest rate parity occurs as the result of-	1
	(a) The actions of market-makers	
	(b) Interest rate arbitrage	
	(c) Purchasing power parity	
	(d) Stabilising speculation	
ix.	The foreign direct investment includes _____.	1
	(a) Intellectual properties (b) Human resources	
	(c) Tangible goods (d) Intangible goods	
x.	Which of the following is not a type of foreign exchange exposure?	1
	(a) Investment exposure (b) Translation exposure	
	(c) Transaction exposure (d) Economic exposure	
Q.2	i. What is international finance?	2
	ii. Describe different motives for international finance.	3
	iii. Explain floating and intermediate exchange rate regime.	5
OR	iv. Write any five reasons for financial crisis all over the world.	5
Q.3	i. What is the commercial paper?	2
	ii. What is the process of issue of GDRs and ADRs?	8
OR	iii. Describe international bonds along with its advantages and disadvantages.	8
Q.4	i. Explain Bid-Ask spread.	3
	ii. Compare forward and spot market.	7
OR	iii. What are the different factors that influence foreign exchange rates and how?	7
Q.5	i. Explain the purchase power parity theory.	4

[3]

	ii.	Briefly describe the asset market models of exchange rate determination.	6
OR	iii.	Explain the short-term theories of exchange rate determination.	6
Q.6		Attempt any two:	
	i.	Explain various strategies of managing economic exposure.	5
	ii.	Explain different modes of entry option for MNC.	5
	iii.	Describe the various methods of measuring translation exposure.	5

Marking Scheme

MS5EF07 (T)- International Finance (T)

Q.1	i)	International finance mainly discusses the issues related with monetary interactions of at least_____.	1
	a)	two or more countries	
	ii)	A floating exchange rate-	1
	(d)	Is allowed to vary according to market forces	
	iii)	Short term promissory notes are unsecured and not collateralized against securities, hence it is classified as-	1
	(c)	Commercial paper	
	iv)	The headquarter of Asian Development Bank is located in which of the following cities-	1
	(d)	Manila	
	v)	In the foreign exchange market, the _____ of one country is traded for the _____ of another country.	1
	(a)	Currency; currency	
	vi)	India's foreign exchange rate system is?	1
	B.	Managed float	
	vii)	According to the Purchasing Power Parity (PPP) theory- In the long run, the exchange rates between two national currencies will reflect price level differences in the two countries	1
	viii)	Covered interest rate parity occurs as the result of-	1
	(b)	Interest rate arbitrage	
	ix)	The foreign direct investment includes _____ .	1
	C)	Tangible good	
	x)	Which of the following is not a type of foreign exchange exposure?	1
	(a)	Investment exposure	
Q.2	i.	What is International Finance? (2 marks)	2
	ii.	Describe different motives for International Finance. (any three)	3
	iii.	Explain floating and intermediate exchange rate regime.(2.5 marks each)	5
OR	iv.	What are the various reasons for financial crisis all over the world. (any five)(1 mark for each point)	5

Q.3	i.	What is the commercial paper?	2
	ii.	What is the Process of Issue of GDRs and ADRs	8
		GDRs -4 Marks	
		ADRs-4 Marks	
OR	iii.	Describe international bonds along with its advantages and disadvantages.	8
		Meaning - 2 Marks	
		Advantages- 3 Marks ,	
		Disadvantages. -3Marks	
Q.4	i.	Explain Bid-Ask spread?	1 Each Marks 3
	ii.	Compare Forward and Spot Market.(7 points)	1 Each Marks 7
OR	iii.	What are the different factors that influence foreign exchange rates and how?(1 mark for each)	7 Factors 7
Q.5		Explain the purchase power parity theory?	4
	.	Briefly describe the asset market models of exchange rate determination	6
OR	i.	Explain the Short-Term Theories of Exchange Rate Determination.	6
Q.6		Attempt any two:	
	i.	Explain various strategies of managing economic exposure	5
		5 strategies for each 1Marks	
	ii.	Different modes of entry option for MNC.	5
		Five modes- 1Each Marks	
	iii.	Describe the various methods of measuring translation exposure	5
		5 methods 1Each Marks	
