

Total No. of Questions: 6

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Enrollment No.....



Faculty of Management Studies

End Sem (Even) Examination May-2019

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.

- Q.1 i. Which of the following is a legitimate reason for international investment? **1**
- (a) Dividends from a foreign subsidiary are tax exempt in the United States.
(b) Most governments do not tax foreign corporations.
(c) There are possible benefits from international diversification.
(d) International investments have less political risk than domestic investments.
- ii. A very first Financial crisis that took place in year 1636-37 is called as: **1**
- (a) Rose mania (b) Tulip mania
(c) Flower mania (d) None of these
- iii. The Asian Development Bank is a regional development bank established in year **1**
- (a) 1919 (b) 1965 (c) 1963 (d) 1966
- iv. The full form of LIBOR is: **1**
- (a) London Interbank Offered Rate
(b) London International Bank Offered Rate
(c) Low Interbank Offered Rate
(d) None of these
- v. The major players in foreign exchange markets are: **1**
- (a) Commercial banks (b) Corporates
(c) Exchange brokers (d) All of these

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vi.	In direct quotation, the unit kept constant is:	1
	(a) Local currency (b) subsidiary currency	
	(c) Foreign currency (d) None of these	
vii.	If purchasing power parity were to hold even in the short run, then:	1
	(a) Real exchange rates should tend to decrease over time;	
	(b) Quoted nominal exchange rates should be stable over time.	
	(c) Real exchange rates should tend to increase over time	
	(d) Real exchange rates should be stable over time	
viii.	The date of settlement for a foreign exchange transaction is referred to as:	1
	(a) Clearing date (b) Swap date	
	(c) Maturity date (d) Value date	
ix.	Which of the following is not a type of foreign exchange exposure?	1
	(a) Tax exposure (b) Translation exposure	
	(c) Transaction exposure (d) Balance sheet exposure	
x.	The impact of Foreign exchange rate on firm is called as	1
	(a) Operating Exposure (b) Transaction exposure	
	(c) Translation exposure (d) Business risk	
Q.2	i. Define International Finance.	2
	ii. Explain with example that 'Why a company would go for International Finance'?	8
OR	iii. Explain in detail various financial crisis that took place in history.	8
Q.3	i. What is Libor?	2
	ii. Write a note on following:	8
	(a) World Bank (b) Asian Development Bank	
OR	iii. Explain the process for issue of GDR and ADR in context of International Trade.	8
Q.4	i. Which are the factors that affect foreign exchange rate?	3
	ii. Explain the concept of Exchange rate quotation in detail.	7
OR	iii. What is Bid- Ask spread? Where it is used explain.	7

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Q.5	i. What is the meaning of Asset Market Models of Exchange Rate Determination? Explain.	4
	ii. Write a detailed note on short term theories of Exchange rate determination.	6
OR	iii. Critically examine Purchasing Power Parity Theory with the help of suitable examples.	6
Q.6	Attempt any two:	
	i. "An alternative to investing in foreign stock is to invest in the shares of domestic MNCs." Discuss. Are MNCs likely to provide a reasonable substitute for international portfolio investment?	5
	ii. Write a note on	5
	(a) Management of Transaction Exposure	
	(b) Management of Translation Exposure	
	iii. Explain in detail the concept of Foreign Direct Investment	5

Marking Scheme
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Q.1	i.	Which of the following is a legitimate reason for international investment? (c) There are possible benefits from international diversification.	1
	ii.	A very first Financial crisis that took place in year 1636-37 is called as: (b) Tulip mania	1
	iii.	The Asian Development Bank is a regional development bank established in year (d) 1966	1
	iv.	The full form of LIBOR is: (a) London Interbank Offered Rate	1
	v.	The major players in foreign exchange markets are: (a) Commercial banks	1
	vi.	In direct quotation, the unit kept constant is: (c) Foreign currency	1
	vii.	If purchasing power parity were to hold even in the short run, then: (d) Real exchange rates should be stable over time	1
	viii.	The date of settlement for a foreign exchange transaction is referred to as: (d) Value date	1
	ix.	Which of the following is not a type of foreign exchange exposure? (a) Tax exposure	1
	x.	The impact of Foreign exchange rate on firm is called as (a) Operating Exposure	1
Q.2	i.	International Finance.	2
	ii.	Why a company would go for International Finance At least four points 2 marks for each (2 marks * 4)	8
OR	iii.	Financial crisis that took place in history. At least four crisis 2 marks each (2 marks * 4)	8
Q.3	i.	Libor	2
	ii.	Write a note on following:	8
		(a) World Bank 4 marks (b) Asian Development Bank 4 marks	

OR	iii.	Process for issue of GDR and ADR 2 marks for each step (2 marks * 4)	8
Q.4	i.	Factors that affect foreign exchange rate Any three factors 1 mark for each (1 mark * 3)	3
	ii.	Concept of Exchange rate quotation Pointwise explanation 1 mark for each (1 mark * 7)	7
OR	iii.	Bid- Ask spread 2 marks Use Any five points 1 mark for each (1 mark * 5) 5 marks	7
Q.5	i.	Asset Market Models of Exchange Rate Determination Definition of model with explanation	4
	ii.	Short term theories of Exchange rate determination. Three theories 2 marks for each (2 marks * 3)	6
OR	iii.	Purchasing Power Parity Theory 4 marks Examples 2 marks	6
Q.6		Attempt any two:	
	i.	"An alternative to investing in foreign stock is to invest in the shares of domestic MNCs." Discuss. 3 marks Are MNCs likely to provide a reasonable substitute for international portfolio investment? 2 marks	5
	ii.	(a) Management of Transaction Exposure 2.5 marks (b) Management of Translation Exposure 2.5 marks	5
	iii.	Concept of Foreign Direct Investment	5
