

**A12**

**Sreenidhi Institute of Science & Technology**

(An Autonomous Institution)

**Code No:3Z440**

**MBA II - YEAR II – SEMESTER MAY 2015 (REGULAR)**

**INTERNATIONAL FINANCIAL MANAGEMENT**

**Time: 3 Hours Max. Marks: 60**

**Note : No additional answer sheets will be provided.**

**Part – A Max. Marks: 10**

**Answer all the QUESTIONS**

**Define/Explain:**

1. Valuation of Financial Assets.
2. How are options priced?
3. Differences between forwards and futures.
4. Interbank quotations.
5. Commercial paper.
6. Long run PPP.
7. Nominal Vs. Real exchange rates.
8. Incremental project cash flows.
9. Cost of capital vs. Minimum rate of return.
10. Arbitrage.

**Part – B Max. Marks: 50**

**ANSWER ANY FIVE. ALL QUESTIONS CARRY EQUAL MARKS.**

1. Explain the objectives of Multinational Financial Management. What are the various aspects of world economy which have given rise to International Financial Management?

2 (a) Distinguish between a trade deficit and current account deficit.

(b) What is meant by saying that balance of payments always equal to zero.

3 Explain the arguments for stable exchange rate. Distinguish between single rate and multiple rate.

4. Suppose that zero interest rates with continuous discounting are as given in the following table:

|  |  |
| --- | --- |
| Maturity(years) | Rate(Per cent per annum) |
| 1 | 3.0 |
| 2 | 3.5 |
| 3 | 4.0 |
| 4 | 4.2 |
| 5 | 3.8 |
| 6 | 3.4 |

Calculate the forward interest rates for the second, third, fourth, fifth and sixth years.

5 (a) Explain different internal hedging strategies with suitable examples.

(b) Explain clearly the distinction between exchange rate exposure and risk.

6. What do recent studies find about the validity of PPP? How have researchers overcome the earlier shortcomings? Discuss with international citations.

7 (a) Write in detail the short comings of NPV and IRR Methods, while evaluating Capital Budgeting for International Projects.

(b) Explain Foreign Direct Investment and its productivity which is evident from East Asian Economies.

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