



K21P 0265

Reg. No. :

Name :



IV Semester M.Com. Degree (C.B.S.S. - Reg./Suppl. (Including Mercy
Chance)/Imp.) Examination, April 2021
(2014 Admission Onwards)

Elective-A : FINANCE

COM 4 E02 : International Financial Management

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part a), **3** marks for Part b) and **5** marks for Part c).

1. a) What are cross rates ?
b) The spot exchange rate between INR and USD is 47.13/USD and the one-month forward rate is 47.91/USD. Calculate forward premium or discount.
c) Describe briefly the methods of forecasting exchange rates.
2. a) What is Balance of Payment ?
b) Explain the concept of 'deficit and surplus' in the Balance of Payment.
c) Describe the structure of India's Balance of Payment Account.
3. a) What is meant by SDR ?
b) Describe the various exchange rate systems around the world.
c) Explain the functioning of IBRD.
4. a) What do you mean by foreign portfolio investment ?
b) Differentiate between FDI and FII.
c) Critically evaluate India's foreign investment policy.
5. a) Explain the International Fisher Effect.
b) What do you mean by convertibility of Indian Rupee ?
c) State the Portfolio Balance Model and its assumptions to exchange rate determination.
6. a) Explain the term 'CHIPS AND CHAPS'.
b) Describe how the SWIFT system works in an interbank transaction.
c) What is hedging by invoice currency ?

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7. a) Distinguish between foreign exchange exposure and foreign exchange risk.
b) What is interest rate exposure ?
c) Explain the methods by which interest rate exposure can be managed.
8. a) What do you mean by 'spread' ?
b) ICICI Mumbai quotes Rs. 26.45/65 for Australian Dollar. Compute Bid, Ask and spread. Also show what they would quote if it were an indirect quote.
c) A spot rate is DM = \$ 0.3302-10. Another spot rate is FF = \$ 0.1180-90
Compute direct quote of FF in Germany. (4×9=36)

SECTION – B

Answer the following questions. **Each** question carries **12** marks.

9. a) Describe the role played by IMF in resolving financial crisis in the global economic system.

OR

- b) The following are the interest rates and spot rates of exchange;
Spot rate : USD/INR 45.45/50. Interest rates in India: 10 – 10.25% p.a.
interest rates in the US: 07 – 7.25% p.a. If interest rate parity holds, what are the forward quotes ?

OR

- c) What is international liquidity ? What are the components of international liquidity ? Discuss the role of IMF in resolving the problem of international liquidity.

10. a) Describe the Purchasing Power Parity (PPP) Theory. Explain the forms of PPP theory.

OR

- b) What is international financial market ? Describe the important international money market and capital market instruments.

OR

- c) A New York bank is currently offering these spot quotes :
USD/JPY : 110.25/111.10;
USD/AUD : 1.6520/1.6530.
At the same time, a bank in Sydney is quoting : AUD/JPY: 68.30/69.00. Is there an arbitrage opportunity ? Consider this sequence of transactions :
a) Sell Yen, buy US dollars and then sell US dollars and buy Australian Dollars.
Do both these transactions in New York and
b) Sell the Australian Dollars for yen in Sydney ? (2×12=24)