



Name:

Enrolment No:

UPES

End Semester Examination, December 2023

Course: International Financial Management

Semester: 5<sup>th</sup>

Program: BBA with specialization Finance

Time: 03 hrs.

Course Code: FINC2014

Max. Marks: 100

Instructions:

SECTION A  
10Qx2M=20Marks

		Marks	CO
1	International finance mainly discusses the issues related with monetary interactions of at least _____. A. one country B. two or more countries C. five countries D. None of the above	2	CO1
2	Market in which currencies buy and sell and their prices settle on is called the (a) International bond market (b) International capital market (c) Foreign exchange market (d) Euro currency market	2	CO1
3	If purchasing power parity were to hold even in the short run, then: (a) real exchange rates should tend to decrease over time. (b) real exchange rates should be stable over time. (c) real exchange rates should tend to increase over time. (d) quoted nominal exchange rates should be stable over time.	2	CO1
4	Example of derivative securities includes (a) swap contract (b) option contract (c) futures contract (d) All of the above	2	CO1
5	Purchasing goods from a foreign country is called (a) Import (b) Entrepot	2	CO1

	(c) Export (d) Re-Export		
6	A floating exchange rate (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	2	CO1
7	Exchange rates (a) are always fixed (b) fluctuate to equate the quantity of foreign exchange demanded with the quantity supplied (c) fluctuate to equate imports and exports (d) fluctuate to equate rates of interest in various countries	2	CO1
8	What is the primary goal of International financial management? (a) To minimise the risk (b) To maximise the owner's wealth (c) To maximise the return (d) To raise profit	2	CO1
9	Interest-rate parity refers to the concept that, where market imperfections are few, a) the same goods must sell for the same price across countries. b) interest rates across countries will eventually be the same. c) there is an offsetting relationship between interest rate differentials and differentials in the forward spot exchange market. d) there is an offsetting relationship provided by costs and revenues in similar market Environments	2	CO1
10	The feature of currency option is that distinguishes it from other derivatives is a) It carries premium to be paid upfront b) It is optional to enter into the contract c) The buyer has only right but no obligation to execute the contract d) The seller has the right but no obligation to execute the contract	2	CO1
<b>SECTION B</b> <b>4Qx5M= 20 Marks</b>			
11	Why is it important to study 'International Financial Management'?	5	CO2
12	Briefly Explain the technique use for management of Transaction Exposure.	5	CO2
13	Explain International Money Market.	5	CO2
14	Briefly Describe Foreign Exchange Market.	5	CO2
<b>SECTION-C</b> <b>3Qx10M=30 Marks</b>			
15	An investor is all set to buy stocks worth Rs. 455. Annual returns from such an investment are expected to be around 9%. Beta factor, in this case, is 0.8. Risk-free rate is 5%. This investor expects the market to increase in value by 8% within this next year. Compute CAPM.	10	CO3

16	Altair international issues 10000 10% debenture of \$100 each at a discount of 5%. The rate of tax applicable to the company is 50%. Compute the cost of debt capital before tax and after tax.	<b>10</b>	<b>CO3</b>
17	Explain the agency problem of MNCs. Why might agency costs be larger for the MNC as opposed to a purely domestic firm?	<b>10</b>	<b>CO3</b>
<b>SECTION-D</b> <b>2Qx15M= 30 Marks</b>			
18	<p>You are just one week 'young' in your job as a treasury executive in a leading laptop trader in India. Earlier your company was sourcing assembled laptops from china, but with the incentives provided in the Budget 2023 by the Finance Minister of India, your company is planning to enter manufacturing market in India.</p> <p>Now, Your company is planning to source component and sub assemblies from Taiwanese firms. This will involve a lot of foreign exchange trading and contracts.</p> <p>Since you are from a leading business school in India, your CFO has asked you to make a presentation to the top management on various possibilities relating to for-ex market in India.</p> <p>Question: what is all that you would like to tell the top management, so as to established your credibility?</p>	<b>15</b>	<b>CO4</b>
19	'A Good understanding of futures, forwards, options and swaps is essential to take advantage of valuable financial risk management tools'. Elucidate with Examples.	<b>15</b>	<b>CO4</b>