M.Com. (Semester – IV) Examination, April 2016
(Accounting & Finance)
COO4A3 : INTERNATIONAL FINANCIAL MANAGEMENT (OA–18)

Duration : 3 Hours Max. Marks : 60

Instructions : *1) This paper consists of **Nine** questions carrying **equal** marks.*

*2) Question No. **1** consists of **5 compulsory** questions of **2** marks **each**.*

*3) Answer **any 5** questions from question **2, 3, 4, 5, 6, 7, 8** and **9**.*

*4) **Each** question carries **10** marks. Figures to the **right** indicate marks.*

1. Answer the following : **(5×2 =10)**

   a) What is Pegging of Currency ?

   b) Mention any two advantages of Cross Border listing of stocks.

   c) An importer buys pounds 62,500 in the future market at $1.850 per GBP for the purpose of hedge on 20th March. The maturity falls on 27th March. The spot exchange rate of US Dollar per GBP is as follows :
   21/3 : $ 1.852, 22/3: 1.855, 23/3:1.853, 24/3:1.853, 25/3:1.854, 26/3:1.855 and 27/3:1.858. Find out how much will be added to / subtracted from the margin money.

   d) Explain Balance Sheet Hedge.

   e) Briefly mention the characteristics of Euro-Credits.

2. Discuss the nature and scope of international financial decisions. 10

3. Briefly explain the role of World Bank and IMF in International Trade. 10

4. Why is capital budgeting analysis so important for multinational corporations ? 10

5. Examine different theories of exchange rate determination. 10

6. a) Explain Covered Interest Arbitrage. How is it different from Uncovered Interest Arbitrage ? 4

b) Work out the possibilities of arbitrage from the following data : 6

Spot Rate : Rs. 65.0020/US $

6-months forward rate : Rs. 65.9010 / US $

Annualised Interest Rate on 6 months rupee : 10%

Annualised Interest Rate on 6 months dollar : 8%

7. An Indian importer imports goods worth $ 62,500. He expects an appreciation of pound. So he goes for hedging the risk. The currency market has the following data : 10

a) Spot Rate on the date of contract Rs. 65.50 / GBP

b) Three-month forward rate Rs. 65.00 / GBP

c) Strike rate in a three-month call option Rs. 65.60/GBP with 5% premium

d) Strike rate in a three-month put option Rs. 65.80/GBP with 5% premium

e) Spot rate on the date of payment/maturity Rs. 65.90 / GBP

Will he go for a hedge ? If so, which of the options – forward market hedge or options market hedge – he will select ?

8. Explain the market structure and trading practices of International Equity Market. 10

9. What is the procedure of issuing Euro-Equities ? 10