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Total No. of Questions: 10 **Total No. of Pages: 02**

MBA (Sem. 4)
INTERNATIONAL FINANCE
Subject Code: MBA-926
Paper ID: A2531

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

INSTRUCTION TO CANDIDATES:

1. **Attempt FOUR questions from Section A. Each question carries FIVE marks.**
2. **Section- B consists of FOUR units, students are required to attempt at least ONE question from each unit carrying EIGHT marks each.**
3. **Section C is COMPULSORY carrying EIGHT marks.**

SECTION A

1.

I. What is the need of International Finance?

II. What are the limitations of factoring?

III. How forward differ from future?

IV. Discuss in detail benefits of Bretton wood system.

V. Define derivatives.

VI. What do you mean by risk management?

SECTION- B
UNIT-I

2. What do you mean by international finance? Discuss in detail nature, scope and recent changes and challenges in international financial management.

3. How sensitive is the value of the project to the threat of currency control and expropriation? How can the financing be structured to make the project less sensitive to these political risks?

UNIT-II

4. What is purchasing power parity? What are some reasons for deviations from purchasing power parity? Under what circumstances can purchase parity be applied?

5. What are the fundamental factor affecting exchange rates? Discuss in detail time series forecasting model.

UNIT-Ill

6. What are the fundamental factor affecting international risks? Discuss in detail role of hedging and speculation in international risk.

7. Discuss in detail basics of options. Why option is considered as price insurance contract? How mechanism of using European call/put options can be understood with the help of example? Discuss in detail stepwise assumption taken by Black-Scholes model to determine price for call option.

UNIT-IV

8. What do you mean by international financial sources of finance? Discuss in detail different methods with which financial resources can be mobilized internationally?.

9. Write down the following:
a) Euro Markets b) Foreign Market

SECTION C

10. (a) From the following information discuss in detail that how successfully cash and carry arbitrage is possible. If traders buy the goods for cash and carries it through to the expiration of the future contract:

Cash and carry gold arbitrage transaction assumed ruling prices for the analysis

	Rs
Spot price of gold per 10gm	4000
Future prices of gold per 10 gm (For delivery in one year)	4500
Interest Rate per annum	10 %

(b) Discuss in detail on the basis of following information how interest rate swaps are used to reduce Cost of Financing. How this is beneficial to each party involved in the process. Suppose that party A is in need of 10years debt financing desire fixed rate obligation. A can borrow at a floating rate of six month LIBOR S0bps or at a semiannual fixed rate of 11.25% . Party B also in need of 10yr debt financing desire floating rate obligation. Party B can borrow fixed rate of semiannual rate of 10.25 % and can borrow floating rate as six months. The SWAP dealer stands ready to enter a SWAP dealer stands ready to enter a SWAP. In both the cases the dealer's floating rate is six month LIBOR. If dealer is to be the fixed rate payer it will pay a SWAP Coupon of 10.40% and it requires a swap coupon of 10.50% semiannually