Roll No. | | | | | | | | | | | | Total No. of Pages : 03

Total No. of Questions : 10

MBA (Sem.–4)

INTERNATIONAL FINANCE & FINANCIAL DERIVATIVES

Subject Code : MBA-915-18

M.Code : 77814

Date of Examination: 19-05-2025

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

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains EIGHT questions carrying TWO marks each and students have to attempt ALL questions.**
2. **SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and students have to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.**

SECTION-A

1. **Write short notes on the following:**

   a. What is the role of the Bretton Woods system in international finance?

   b. Explain the factors that influence foreign exchange rates.

   c. Describe the Interest Rate Parity Theory.

   d. What are Global Depository Receipts (GDRs)?

   e. What is speculation and how does it differ from hedging?

   f. Explain the concept of swaps.

   g. What are different types of option trading strategies?

   h. Describe the regulatory framework for derivatives contracts in India.

SECTION - B

UNIT - I

2. What was Gold Standard? Explain the evolution of Monetary System from Gold Standard to Bretton Wood System.

3. Explain the structure of the foreign exchange market, identifying key participants. Discuss the role of the interbank market in determining exchange rates and ensuring liquidity.

UNIT - II

4. Explain Fisher Effect and International Fisher Effect. Elaborate the relationship between forward and future spot rate.

5. Explain the international financial instruments for raising funds. Differentiate between EURO Bonds and Foreign Bonds.

UNIT - III

6. What are future contracts? Explain pricing of future contracts.

7. Elaborate Black-Scholes Model of Pricing Option Contract. Explain different factors determining option pricing.

UNIT - IV

8. What are credits Derivatives? Elaborate Pricing Models of Credit Derivatives.

9. Explain different types of Exposures involved in International financial Market. Elaborate strategies to manage each type of Risk Exposures.

SECTION - C

10. Case study

Country X, an emerging economy, has been experiencing persistent trade deficits over the last five years. While its exports primarily consist of raw materials and agricultural products, its imports include high-value manufactured goods and energy resources. As a result, the country has been running a current account deficit, leading to increased borrowing from international markets. Additionally, fluctuations in Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) have caused instability in its financial account. The government is considering policy interventions such as export incentives, import restrictions and foreign exchange reserve management to improve its Balance of Payments (BoP). However, economists warn that excessive intervention might distort market forces and reduce investor confidence.

Questions:

a. What are the key components of the Balance of Payments (BoP)? How do current account and capital account imbalances impact economic stability?

b. Analyze the potential risks and benefits of imposing import restrictions to control trade deficits.

c. How does Foreign Capital Inflow (FDI and Foreign Portfolio Investment) influence the BoP? What strategies should Country X adopt to ensure sustainable capital inflows?

d. What role do exchange rate policies and foreign exchange reserves play in stabilizing a country's BoP? Should Country X allow a free-floating exchange rate or intervene in currency markets?

NOTE : Disclosure of Identity by writing Mobile No. or Marking of passing request on any paper of Answer Sheet will lead to UMC against the Student