



M.Com. (Semester – IV) Examination, April 2017
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) 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.
 - b) What are Blocked Funds ?
 - c) What is two-currency arbitrage in forex ?
 - d) Define Currency Risk.
 - e) Explain the term Sterilised Intervention.
2. Why did fixed exchange rate system failed ? 10
3. What is the impact of Globalisation on International Finance ? 10
4. Differentiate between International and Domestic Projects. Explain and illustrate various techniques of projects appraisal. 10
5. Briefly explain various short term and long term financing instruments available for international financing. 10
6. Explain and derive International Fisher's Effect. 10



7. Currently, the spot exchange rate is \$1.50/£ and the three-month forward exchange rate is \$1.52/£. The three-month interest rate is 8% per annum in the US and 5.8% per annum in the UK. Assume that you can borrow as much as \$15,00,000 or £ 10,00,000.

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- Determine whether the interest rate parity is currently holding.
- If the IRP is not holding, how would you carry out covered interest arbitrage? Show all the steps and determine the arbitrage profit.
- Explain how the IRP will be restored as a result of covered arbitrage activities.

8. Describe various international instruments transacted in the global capital market.

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9. 'Stock indices are benchmarks that are used to gauge the performance of a group of stocks. There are different types of indices and each of them is unique in its own way.' Justify the statement with respect to the importance of International Equity Benchmarks.

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