2018

M. Com.
4th Semester Examination

International Financial Management

PAPER – COM – 402

Full Marks : 50

Time : 2 Hours

Use separate sheet for each Unit

Candidates are required to give their answers in their own words as far as practicable.

UNIT – I

1. Answer any two questions of the following: 5 X 2

a) Write short note on the Foreign Exchange Market.

b) Define bid-ask spread and find out the bid rate if ask rate is Rs. 40.50/US $ and the bid-ask rate is 1.23 %.

c) (i) Distinguished between option forward swap and forward-forward swap.

(ii) A pound option put contract has strike rate of $1.820/£ and a premium of $0.08. Spot rate on maturity is $1.830/£. Find gain / loss of option buyer / option seller.

d) (i) Presently, the spot rate is Rs. 44.50/US$. A speculator feels that, after a week, US$ should appreciate to Rs. 44.60. What should he do if he has Rs. 10000 at his disposal?

(ii) Calculate the three months forward rate, if spot rate is Rs. 46.00/US$; interest rate in India and the USA is 6% and 3% respectively.

(Turn over)

2. Answer any one questions of the following: 10 X 1

a) (i) Briefly discuss any two factors which influence the exchange rate.
(ii) What do you mean by fisher effect? Is it true that the interest rate differential equals inflation rate differential? 5+5

b) (i) What is arbitraging? Mention the differences between covered and uncovered interest arbitrage.
(ii) The following are the rates of forward market deals of different maturity. Explain what should be the process of forward – forward swap.

One month forward rate	Rs. 40.50/US$
Two months forward rate	Rs. 41.10/US$
Three months forward rate	Rs. 40.80/US$

3+2+5

UNIT – II

3. Answer any two questions of the following: 5 X 2

a) Write a short note on Euro notes.

b) Find out the transaction gain / loss on the basis of the following data pertaining to India's Foreign Trade

Particulars	US$, Million	Japanese YEN, Million	Britain £, Million
Import	1250	650	800
Export	1150	625	850
Pre-change rate	Rs. 45/$	Rs. 0.40/Yen	Rs. 70/£
Post-change rate	Rs. 47/$	Rs. 0.41/Yen	Rs. 68/£

c) Discuss about Translation Exposure in brief.

d) Explain the cost of capital in Foreign Investment.

4. Answer any one questions of the following: 10 X 1

a) A project of the subsidiary with an initial investment of $10 million has a net operating Cash Flow of $5 million each for three years during the life time of the project and a salvage value of $3 million. The host Government permits the cash flow to the home country only after the lifetime of the project. But the subsidiary invests the fund at a rate of 12% till the actual outflow takes place.
Find the NPV assuming a discount rate of 10%. What would be NPV if the funds are not invested and there is no restriction on the outflow of fund? 5+5

b) (i) What do you understand by the term Hedging? Explain the concept of PARALLEL LOAN as a concept of hedging.
(ii) Write a brief note on any one mechanism for raising finance from abroad. 2+4+4

(*Internal Assessment :10 marks*)