



CBCS SCHEME

22MBAFM403

USN

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Fourth Semester MBA Degree Examination, Dec.2025/Jan.2026 Global Financial Management

Time: 3 hrs.

Max. Marks: 100

- Note:** 1. Answer any *FOUR* full questions from Q.No.1 to Q.No.7.
 2. Question No. 8 is compulsory.
 3. M : Marks , L: Bloom's level , C: Course outcomes.

		M	L	C																	
Q.1	a.	Define International Finance.		3	L1	CO2															
	b.	Explain different methods of International Finance.		7	L2	CO2															
	c.	Explain risks and rewards of International Finance.		10	L2	CO2															
Q.2	a.	What is Direct Quote and Indirect Quote.		3	L1	CO1															
	b.	Identify whether the quotes are Direct or Indirect quote and provide the corresponding direct/indirect quote. i) HK\$1 = Rs. 5.50 ii) 1 Rs = ¥ 0.18 iii) £ 1 = Rs. 83.70		7	L3	CO2															
	c.	Convert the following rates into outright rates and indicate their spread. Also find annualized premium/discount.		10	L3	CO3															
		<table border="1" style="width: 100%; border-collapse: collapse; margin-left: 20px;"> <thead> <tr> <th></th> <th style="text-align: center;">Spot</th> <th style="text-align: center;">1-m</th> <th style="text-align: center;">3-m</th> <th style="text-align: center;">6-m</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Rs. /\$</td> <td style="text-align: center;">35.6300/35</td> <td style="text-align: center;">20/25</td> <td style="text-align: center;">25/35</td> <td style="text-align: center;">30/40</td> </tr> <tr> <td style="text-align: center;">Rs. /£</td> <td style="text-align: center;">35.2200/35</td> <td style="text-align: center;">40/30</td> <td style="text-align: center;">50/35</td> <td style="text-align: center;">55/42</td> </tr> </tbody> </table>						Spot	1-m	3-m	6-m	Rs. /\$	35.6300/35	20/25	25/35	30/40	Rs. /£	35.2200/35	40/30	50/35	55/42
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Rs. /\$	35.6300/35	20/25	25/35	30/40																	
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Q.3	a.	What is Fixed Rate and Floating Rate Regime?		3	L1	CO1															
	b.	Distinguish between Forward and Future Market.		7	L4	CO4															
	c.	From the following rate find out Rs/DM Relationship Rs/USD = 83.1000/3650 DM/USD = 1.5020/5100		10	L4	CO3															

Q.4	a.	What is Balance of Payments?	3	L1	CO1									
	b.	Demonstrate translation exposure? Explain the methods for evaluating translation exposure.	7	L2	CO2									
	c.	Interest rate in UK is 3% and in India it is 5% spot rate is 1£ = Rs. 75 ; 1 year Forward rate to 1£ = Rs. 84. Is there any opportunity for covered interest rate arbitrage can borrow £ 1000 or Rs. 10,000.	10	L3	CO3									
Q.5	a.	List out internal techniques of Hedging.	3	L1	CO2									
	b.	Explain the four international market financial instruments.	7	L2	CO2									
	c.	Rate of inflation in US is 4% and in India it is 11%. The current spot rate is \$ 0.0285. What is expected sport rate in next one year?	10	L3	CO3									
Q.6	a.	What are Forward Rate Agreements?	3	L1	CO1									
	b.	Based on the following information, find out whether there is an arbitrage possibility.	7	L3	CO3									
		<table border="1"> <thead> <tr> <th></th> <th>Bank X</th> <th>Bank Y</th> </tr> </thead> <tbody> <tr> <td>NZ\$ Bid rate</td> <td>\$ 0.635</td> <td>\$ 0.645</td> </tr> <tr> <td>NZ\$ ASK rate</td> <td>\$ 0.640</td> <td>\$ 0.650</td> </tr> </tbody> </table>		Bank X	Bank Y	NZ\$ Bid rate	\$ 0.635	\$ 0.645	NZ\$ ASK rate	\$ 0.640	\$ 0.650			
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	c.	An exporter in German expects depreciation of US\$. He wants to cover himself against this risk through money market hedging. Advise him whether he can hedge in money market. Assume his receivable is \$ 1,000,000. Three months rate of interest in Germany is 5% and in US it is 6% and the spot exchange rate is DM 1.481 = \$1.	10	L3	CO3									
Q.7	a.	What is International Fisher Effect?	3	L1	CO3									
	b.	In New York : 1\$ = 1.4122 AUD In London : 1\$ = 1.8188 CAD In Sydney : 1 AUD = 1.1011CAD. IS there any arbitrage benefit. Assume arbitrage hold 1000 AUD.	7	L3	CO3									
	c.	Following is the position of A Ltd., and B Ltd., <table border="1"> <thead> <tr> <th>Particulars</th> <th>Fixed</th> <th>Floating</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>6%</td> <td>L + 1%</td> </tr> <tr> <td>B</td> <td>9%</td> <td>L + 3%</td> </tr> </tbody> </table> <p>Co. A requires floating rate loan and Co. B required fixed rate loan. Structure a swap deal that the two Cos. will share the benefit equally assuming that the swap band wants 0.2% commission.</p>	Particulars	Fixed	Floating	A	6%	L + 1%	B	9%	L + 3%	10	L3	CO3
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A	6%	L + 1%												
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Q.8	<p>Case Study (compulsory)</p> <p>A hypothetical MNC is faced with a problem to choose between the following two options.</p> <ol style="list-style-type: none"> Continue to export every year 2,00,000 units of product at a unit price of US\$ 80, its variable cost per unit is \$45. Install a manufacturing unit to produce 5,00,000 units in the Country X – the destination for exports. <p>Setting up manufacturing of plant will involve an investment outlay of \$50 million. The plant is expected to have a useful life of 5 years with \$ 10 million salvage value. The MNC follows the straight line method of depreciation. To support additional level of activity investment will require additional working capital of \$5 million.</p> <p>Since the costs of production are lower in the Country X the variable cost of production and sales would be lower. i.e \$20 per unit, Additional fixed cost per annum are estimated at \$ 2 million. Further the forecasting selling price is lower, i.e \$70 per unit to sell 5,00,000 units. The MNC is subjected to 40% tax rate its cost of capital is 15%.</p> <p>Assume that there will be no variation in the exchange rate between the two Countries and profit can be repatriated, Advise the MNC regarding the financial viability of the proposal.</p>	20	L3	CO4
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