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14 (COM-3) 3036

2020

(Held in March 2021)

COMMERCE

Paper : COM-3036 (Group-A)

(International Financial Management)

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions.

Answer all questions as directed.

1. Select the most appropriate answer from the multiple choices given against each of the following : 1×5=5

(i) An increase in the current account deficit will place _____ on the home currency value, other things equal.

(A) upward pressure

(B) downward pressure

(C) no pressure

(D) upward or downward pressure depending on the size of the deficit

(Fill in the blank)

Contd.

- (ii) If a bank's bid rate against US \$ is ₹ 74 and its ask rate is ₹ 76, its bid-ask spread percentage will be :
- (A) About 2.61%
 - (B) About 2.63%
 - (C) About 2.67%
 - (D) About 2.70%
- (iii) The aim of foreign exchange risk management is to —
- (A) maximize profit
 - (B) minimize losses
 - (C) know with certainty the quantum of future cash flows
 - (D) All of the above
- (iv) The firm producing and selling in domestic market only may face following risk(s), when the economy is opened.
- (A) Transaction risk
 - (B) Translation risk
 - (C) Operating risk
 - (D) All of the above
- (v) Which of the following are examples of currency controls ?
- (A) Import restrictions
 - (B) Prohibition of remittance of funds

(C) ceilings on granting credit to foreign firms

(D) All of the above

2. Answer the following in about **50** words each : $2 \times 5 = 10$

(a) Give *any two* reasons that contributed to the growth of Multinational financial environment.

(b) What is Spot Exchange Rate ?

(c) What do you mean by Convertibility of currency ?

(d) What is Translation exposure ?

(e) Define 'Global Depository Receipt'.

3. Answer *any five* of the following in about **200** words each : $5 \times 5 = 25$

(a) Discuss the finance functions in a Multinational Firm.

(b) Discuss the gains from International trade to the exporting country.

(c) Write a short note on Capital Account Convertibility.

(d) What is Balance Sheet Hedge ?

(e) What do you mean by Eurobond ?

(f) Write a note on the Gold standard of currency.

(g) What are the causes of Exchange rate fluctuations ?

(h) Discuss the methods to manage Transaction exposure.

4. Explain how the International trade and Multinational firms contributed to the growing importance of the International finance. 5+5

Or

Balance of Payments Account always agrees. Examine this critically. 10

5. What is International Liquidity ? Discuss the role of IMF in maintaining international liquidity. 3+7

Or

Explain the procedure of the issue of International bonds. 10

6. Who are the players in the foreign exchange market ? Discuss the role played by each of them in detail. 2+8

Or

Explain the relevance of Interest Rate Parity theory in the determination of exchange rate. 10

7. Distinguish between Economic exposure and Accounting exposure of Foreign Exchange. 10

Or

What initiatives should a firm take to cope with Operating exposure ? 10