Roll No. **Total No. of Pages : 02**

Total No. of Questions : 06

MBA (Campus) (Sem.–4)

INTERNATIONAL FINANCE

Subject Code : MBA-414

M.Code : 75076

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

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains SIX questions carrying TWO marks each and students has to attempt ALL questions.**
2. **SECTION-B consists of FOUR questions each carrying TEN marks each and student has to attempt ALL questions.**
3. **SECTION-C consists of ONE Case Study carrying EIGHT marks.**
4. **All Questions are Compulsory.**

SECTION-A

1. **Write briefly :**

   a. What is Balance of Payment?

   b. What is Gold standard?

   c. What is Exchange Rate?

   d. What is Interest rate parity?

   e. What is ADR?

   f. What is Swap?

SECTION-B

2. What are the factors that affect International trade flows?

3. Who are the major participants in foreign exchange market?

4. Explain the functions of EXIM bank of India.

5. What are option contract? What are the various kinds of option contracts?

SECTION-C

6. **Case study :**

Mahendra International (India) imported spares of an engine from a US manufacturer for \$5000 per annum at a price of \$2.5 per piece. The average exchange rate during 2001-02 was Rs.47.70/\$. The Indian company imported the spares also from a British manufacturer. In fact it had diversified its import in a view of reducing the risk associated with the supply. The import from the USA was competitive in view of the fact the same spares imported from the UK was slightly costlier. The American spares cost Rs. 119.25 per piece, while British spares cost Rs. 120 per piece. In 2002-03 US dollar appreciated to Rs. 48.40 with the result that the cost of American spares turned higher than the British spares. In the sequel of the appreciation of US dollar the Indian importer cut its demand from 200 pieces to 500 pieces. The loss to the US exporter was colossal. But at the same time, the Indian importer suffered a lot. It had to pay a higher price for the US spares in terms rupees. And also, it had to divert its import from the USA to the UK insofar as the pound sterling did not appreciate during this period. All this happened in the wake of the exchange rate changes.

Question :

a. Mention the loss borne by US exporter in the sequel of appreciation of dollar.

b. Measure how much loss the Indian importer had to bear after the dollar appreciation?

c. What strategy the Indian importer needs to follow to hedge the exchange rate risk?

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