

July-August 2016

Master of Business Administration (MBA) Examination
IV Semester

International Strategic Finance

Time : 3 Hours]

[Max. Marks : 80

Note : Attempt any four questions from Section A. Each question carries 15 marks. Section B is compulsory and carries 20 marks.

Section A

1. (a) "USD 1 = INR 60.34 and INR 1 = JY 1.645".
Does the above rates be interpreted as US economy is stronger than Indian economy and Indian economy is stronger than Japanese economy? Explain, how foreign exchange rates can be used to depict economic status of a country.
- (b) Explain Fisher's effect with an example.
2. (a) What factors influence 'Bid-Ask Spread' ?
- (b) Who are important participants in a Foreign Exchange Market? What are their roles?
3. Differentiate between :
 - (a) 'Temporal' and 'Current' method of Translation Exposure.
 - (b) Transaction and Economic Exposure.
4. How is capital structuring done in a Multinational Corporation? What are various long term and short term sources of funds available for an MNC?
5. (a) What are various types of country risks? How can they be reduced?
- (b) Describe the three components of 'Adjusted Present Value' Approach.
6. (a) What are various levels of ADR's? Describe their characteristics.
- (b) Differentiate between 'Euro Currency' and 'Euro Bonds'.
7. Write short notes on any three of the following :
 - (a) Bretton Wood System.
 - (b) Netting.
 - (c) Hedging.
 - (d) Interest Arbitrage.

Section B

8. Determine if there is an arbitrage opportunity. Determine the arbitrage, if any, if an investor have INR 6 Million to invest :

INR / USD	60.31 - 60.3425
INR / JY	0.6135 - 0.61385
USD / 100 JY	1.0025 - 1.0105
9. On 18th April, your export customer request you to book a forward contract for fixed delivery 2 months in respect of a 30 days bill for AUD 80,000.

Inter bank quotes in inter bank market are as under:

Spot USD 1 = 60.31 / 60.3425

Spot / May	800 / 1000
Spot / June	1100 / 1400
Spot / July	1300 / 1700
Spot / August	1400 / 1900
Spot / September	1700 / 2200

At Sydney, Australian Dollars were quoted as below:

Spot USD 1 = AUD	1.05 - 1.075
One Month	110 - 100
Two Month	132 - 120
Three Month	140 - 125
Four Month	152 - 135
Five Month	160 - 140

Transit period is 25 days, exchange margin is 0.15%. Determine the price to be quoted to the customer.

□□□