Code No: 05MB403B

M.B.A IV Semester Supplementary Examinations, May 2009
INTERNATIONAL FINANCIAL MANAGEMENT
(For 2005-06 & 2006-07 Admitted Batches only)

Time: 3 hours **Max Marks: 60**

Answer any FIVE questions
All questions carry equal marks

1. What are the various challenges faced by a finance manager due to financial meltdown in the globalized era?

2. (a) What is the difference between Balance of Trade and Balance of payments?
   (b) What is the significance and importance of balance of payment surplus?

3. Explain the developments which led to floating exchange rate system.

4. Spot rate Rs 45.0020 =\$1
   6 months forward rate Rs.45.9010 =\$1
   Annualized interest rate on 6-month rupee:12%
   Annualized interest rate on 6-month dollar:7%
   Work out the arbitrage possibilities.

5. What is euro band market? How does international stock market operation is an important aspect to a MNC.

6. An Indian exporting firm Rs would like to cover itself against a likely depreciation of pound sterling.
   Receivables of Rs. £ 500,000
   Spot rate : Rs.66.00/ £
   Payment date : 3months.
   3-months interest rate India: 12% per annum
   3-months interest rate UK:5% per annum
   What should the exporter do?

7. Explain briefly about Purchasing Power Parity & Fisher effect.

8. (a) Estimate the lost of equity capital required to be earned on a foreign investment project.
      i. Systematic risk of foreign project is 1.2,
      ii. Risk-free rate of nature (R_f) is 12% and
      iii. Required rate of return on the market portfolio(Rm) consisting of all risky assets is 20%.
   (b) Distinguish between evaluation of foreign projects different from domestic projects.

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