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Name: .....

Reg.No: .....

**FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2024**

(CBCSS - PG)

(Regular/Supplementary/Improvement)

**CC19P MCM4 EF03 - INTERNATIONAL FINANCE**

(Commerce)

(2019 Admission onwards)

Time : 3 Hours

Maximum : 30 Weightage

**Part-A**

Answer any *four* questions. Each question carries 2 weightage.

1. What is an international money market?
2. What objective is expected to be achieved by IFC?
3. Define forward market.
4. What are embedded options?
5. Define futures market
6. What do you mean by blocked funds?
7. What is forfaiting?

**(4 × 2 = 8 Weightage)**

**Part-B**

Answer any *four* questions. Each question carries 3 weightage.

8. What are the guiding principles of lending by IBRD?
9. How is forward premium (or discount) calculated?
10. Explain the process of covered interest arbitrage.
11. Distinguish between current account convertibility and capital account convertibility.
12. What factors a MNC has to consider in short term financing decisions?
13. Two countries A and B produce only one commodity, say, rice. Suppose the price of rice in the country A is PA 2.5 and in the country B, PB 3.5.
  - (a) According to the PPP theory, what should PA : PB spot exchange rate be ?
  - (b) Suppose the price of rice over the next year is expected to rise to PA 3 and PB 4 in the countries A and B respectively. What should the one year PA : PB spot exchange rate be ?
14. A 3-year bond, with nominal value of Rs. 100, carries an interest of 6 per cent and is refundable at the end of its life. Calculate sensitivity in the interest rate.

**(4 × 3 = 12 Weightage)**

### Part-C

Answer any *two* questions. Each question carries 5 weightage.

15. Discuss the recent changes in global financial markets.
16. What is interest rate exposure? What are the methods techniques available for managing interest rate risk?
17. Define FDI. What are the advantages and disadvantages (costs and benefits) of FDI?
18. The current spot rate is Rs. 35.002 / \$. The 6 month forward rate is Rs. 35.901 / \$. Interest rates in India and USA are 12% and 7% p.a. respectively. Is covered interest arbitrage possible? Assume the investor can borrow Rs. 35.002 or \$ 1000.

**(2 × 5 = 10 Weightage)**

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