

20P444

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Name:

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2022

(CBCSS - PG)

(Regular/Supplementary/Improvement)

CC19P MCM4 EF03 - INTERNATIONAL FINANCE

(Commerce - Elective Course)

(2019 Admission onwards)

Time: Three Hours

Maximum: 30 Weightage

Part A

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

1. Define FOREX market.
2. What is cash pooling?
3. What is conglomerate FDI?
4. What are embedded options?
5. What is LERMS?
6. Define arbitrage.
7. What do you mean by Euro commercial papers?

(4 × 2 = 8 Weightage)

Part B

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

8. Compare International Fisher Effect and IRP theory.
9. Define International Liquidity. Explain the role of IMF in International Liquidity.
10. The one-year interest rate in Country X is 6% and in Country Y is 15%. Suppose the spot rate between currency of Country X to currency of Country Y is 0.63. Find the forward rate between currency of Country X/currency of Country Y after 1 year.
11. Distinguish between current account convertibility and capital account convertibility.
12. What is Transaction Exposure? Explain the techniques of managing Transaction Exposure.
13. Calculate the operating cash flow on the basis of the following data.
 - a) Sales in the domestic market - \$ 10 million
 - b) Export - \$ 4 million
 - c) Replacement of parent's export - \$ 2 million
 - d) Parent's export of components to subsidiary- \$ 3 million
 - e) Royalty payment by subsidiary - \$ 0.5 million
 - f) Dividend flow to parent - \$ 0.5 million

14. You are given the following.

Spot Rate (SR) = Rs. 44.0030=\$1

6-month Forward Rate (FR) = Rs. 45.0010=\$ 1

Annualised interest rate on 6-month rupee = 12%

Annualized interest rate on 6-month dollar = 8%

Is there an arbitrage possibility?

(4 × 3 = 12 Weightage)

Part C

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

15. Define International Receivables Management. State its objectives. Discuss various techniques of International Receivables Management.

16. Calculate International NPV from the following information.

Year	CF
0	- € 10 m
1	€ 2.5 m
2	€ 3.0 m
3	€ 3.5 m

Firm's Home country: USA

Investment opportunity: Europe

Current Spot Exchange Rate: \$1.4252/ €

Risk Free Rate (USA) = 4.6%

Risk Free Rate (Europe) = 4.2%

Cost of Capital (USA) = 12%

Salvage value (at the end of Year 3) = € 6.5

17. Define exchange rate. Explain various theories of exchange rate.

18. Define international finance. Explain the classification of international financial markets.

(2 × 5 = 10 Weightage)
