



K19P 0130

Reg. No. :

Name :

IV Semester M.Com. Degree (Reg./Suppl./Imp.) Examination, April 2019
(2014 Admission Onwards)
Elective – A – FINANCE

COM 4E02 : International Financial Management

Time : 3 Hours

Max. Marks : 60

SECTION – A

Answer **any four** questions in this Section. **Each** question carries **1** mark for Part (a), **3** marks for Part (b) and **5** marks for Part (c).

1. A) What do you mean by exchange rate determination ?
B) Explain the concept of international fisher effect.
C) Discuss how exchange rate is determined under purchasing power parity theory.
2. A) What do you mean by 'bid-ask' spread ?
B) How it is computed ?
C) Explain Swap transaction with suitable example.
3. A) What do you mean by over the counter market ?
B) Who are the participants of foreign exchange market ?
C) If the rate of exchange is
US \$2.000 – 2.0100/ Euro in Newyork
US\$1.9800 – 1.9810/ Euro in London
Explain how arbitragers will gain.

P.T.O.



4. A) Explain the term hedging.
 B) For what purpose it is used ?
 C) An Indian firm has receivables of \$10,000 due six months from now. The spot and forward Rates are follows :
- | | | |
|------------------------------|-------|-------|
| Spot exchange rate (Rs.1 \$) | 41.60 | 41.70 |
| Six months swap | 40.00 | 65.00 |
- The exporter does not want to have any uncertainty about the amount to be realized.
 How should he do ? How much amount can be realized for his receivables ?

5. A) What do you mean by mind parity in gold standard ?
 B) What are the different types of brokers operating in the market for currency futures ?
 C) Distinguish between forward contract and a future contract.
6. A) What do you understand by FII ?
 B) Distinguish between FII and FDI.
 C) Critically evaluate the FDI policy of India. (4×9=36)

SECTION – B

Answer the following questions. **Each** question carries **12** marks.

7. A) A year back, the exchange rate was Rs.40 per \$. As compared to the last year, rupee has appreciated by 10%. The inflation rate in India was 5% while it was 10% in US.
 a) What is the normal exchange rate today ?
 b) If PPP were to hold, what should be the exchange rate ?
 c) Has rupee appreciated or depreciated with respect to dollar in real terms and by how much ?

OR

- B) What are the distinguishing features of foreign exchange markets as compared to commodities markets for determining price as an intersection of demand and supply schedules ?
8. A) What do you understand by interest rate exposure ? Explain the different kinds of risks exposed by interest rate uncertainty.

OR

- B) Discuss the role and functions of IMF in international financial management. (2×12=24)