

Register No:

Name:

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

FOURTH SEMESTER MBA DEGREE EXAMINATION(R,S), MAY 2024**(2021 SCHEME)**

Course Code : 21MBA246
Course Name : International Finance
Max. Marks : 60

Duration:3 Hours**PART A***(Answer all questions. Each question carries 2 marks)*

1. Outline the significance of the Bank of International Settlements (BIS) in the global financial system.
2. Define direct and indirect exchange rate quotation in foreign exchange markets.
3. Briefly explain evolution of money.
4. What is translation exposure?
5. List the participants of international markets and their roles.

PART B*(Answer any 3 questions. Each question carries 10 marks)*

6. Explain the evolution of the international monetary system, highlighting key milestones and changes over time.
7. Explain the different types of foreign exchange transactions commonly encountered in the Forex market.
8. Explain the Basket System of currency pegging.
9. Compare between futures and forwards.
10. Compare and contrast the International Equity Market and the International Bond Market in terms of their structure and function.

PART C*(Compulsory question, the question carries 20 marks)*

11. The Asian currency crisis of 1997 stands as one of the most significant financial upheavals in modern history, profoundly impacting Southeast Asia and reverberating across global markets. Beginning with the devaluation of Thailand's baht on July 2nd, 1997, the crisis swiftly engulfed neighboring nations, including Indonesia, South Korea, Malaysia, and the Philippines. What initially seemed like an isolated event in Thailand soon revealed deeper vulnerabilities within the region's economies, leading to a cascade of currency depreciations, plummeting stock markets, and severe economic contractions. The currency depreciations during the crisis were staggering, with the Thai baht losing approximately 40% of its value against the US dollar, marking the beginning of a domino effect that would sweep through the region. Indonesia's rupiah experienced an unprecedented drop of over 80%, while other currencies, including the South Korean won, Malaysian ringgit, and Philippine peso, also suffered significant devaluations. These rapid declines eroded confidence in the stability of regional currencies, exacerbating the crisis's severity. Stock markets bore the brunt of the crisis's impact, with indices such as Thailand's Stock Exchange of

Thailand (SET) and Indonesia's Jakarta Composite Index (JCI) witnessing precipitous declines. Investors panicked as market values plummeted, triggering a cycle of panic selling and further exacerbating the crisis. The once-booming economies of Southeast Asia suddenly found themselves grappling with widespread financial turmoil and investor distrust.

The economic repercussions of the crisis were profound and far-reaching. Indonesia, the hardest-hit nation, experienced a staggering 13% contraction in GDP in 1998, reflecting the severity of the economic downturn. South Korea and Thailand also suffered significant economic contractions, with GDP shrinking by approximately 7% each. Malaysia and the Philippines faced their own economic challenges, with GDP falling by around 7% and growth nearly stagnating, respectively. The crisis plunged millions into poverty and unemployment, underscoring the human toll of financial instability.

The Asian currency crisis of 1997 serves as a sobering reminder of the fragility of financial systems and the interconnectedness of global markets. It underscores the importance of vigilant oversight, prudent risk management, and proactive measures to mitigate systemic vulnerabilities. While the crisis inflicted immense economic hardship, it also spurred necessary reforms and laid the groundwork for greater financial stability in Southeast Asia and beyond.

1.Examine the fiscal and monetary measures that the governments and central banks of the affected countries could undertake as remedial actions in response to the Asian currency crisis 1997. (10Marks)

2.Evaluate the statement “Eastern Asian Countries' adherence to a fixed exchange rate system is believed to be a major factor that led to the Asian Currency Crisis” in the context Asian Currency Crisis 1997. (10 Marks)
