Register No.: .... Name.: ....

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

THIRD SEMESTER MBA DEGREE EXAMINATION (S), MAY 2022

(2020 Scheme)

Course Code : **20MBA243**

Course Name: **International Finance**

Max. Marks : **60** **Duration: 3 Hours**

PART A

(Answer all questions. Each question carries 2 marks)

1. List out the three main categories of the balance of payment.
2. What do you understand by direct quotes? Give an example.
3. Write a short note on paper currency standards.
4. State the meaning of time value of the option.
5. Compare ADR and GDR.

PART B

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

6. Examine the organizational structure and functions of International Monetary System.
7. Critically examine the impact of developments in the emerging foreign exchange markets.
8. Examine the purchasing power parity theory.
9. "Futures contracts are like forward contracts, recontracted daily". Explain.
10. Explain the types of International Bond Market.

PART C

(Compulsory question, the question carries 20 marks)

11. Suppose that the interest rate in XYZ Country is 24 per cent per annum, whereas it is only 8 per cent per annum in the United States. You are considering investing $10,000 for 180 days in XYZ's securities but are concerned about the exchange risk. XYZ's currency is crown. You find the following quotations in the newspaper in U.S. dollar terms:

XYZ Country (crown)	$0.1000
30-day forward	0.0980
90 –day forward	0.0970
180 – day forward	0.0950

a) Calculate the forward premium (discount) of the crown against the U.S dollar (based on the 180-day quotation). Marks (5)

b) What is the net gain in U.S. dollars from investing in XYZ's securities relative to U.S. securities if it is assumed that the exchange rate in 180 days equals today's spot rate? Marks (3)

c) As you are planning to invest $10000 in XYZ country and you are concerned with various risks, like exchange risk, recommend a hedging strategy using various currency derivatives? Marks (12)

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