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Total No. of Pages: 02

Total No. of Questions: 10

MBA (Sem. – 4)

INTERNATIONAL FINANCE AND FINANCIAL DERIVATIVES

Subject Code: MBA-915-18

M Code: 77814

Date of Examination : 16-01-2023

Time: 3 Hrs.

Max. Marks: 60

INSTRUCTIONS TO CANDIDATES:

1. **SECTION-A is COMPULSORY** consisting of EIGHT questions carrying TWO marks each.
2. **SECTIONS-B** consists of FOUR Sub-sections : Units-I, II, III & IV. Student has to attempt any ONE question from each Sub-section carrying EIGHT marks each.
3. **SECTION-C is COMPULSORY** carrying TWELVE marks.

SECTION-A

1. Write short notes on the following:
 - a) Balance of Trade
 - b) Central Bank SWAP
 - c) Difference between Put Option and Call Option.
 - d) VOSTRO account
 - e) GDR
 - f) Forfating
 - g) Black Scholes Model
 - h) Calendar Spreads

SECTION-B

UNIT-I

2. Explain in detail about the Bretton Woods and International Monetary Fund System.
3. What do you mean by Forex Market? What are the factors influencing foreign exchange rate?

UNIT-II

4. Write a brief note on External Commercial Borrowings and also explain the concept of ADR on the Indian Capital Market.
5. Explain the theory of Interest Rate Parity with suitable numerical example.

UNIT-III

6. What Trading Strategy creates a reverse calendar spread? Explain in detail.
7. What is meant by perfect hedge? Does a perfect hedge always lead to a better outcome than an imperfect hedge? Explain your answer.

UNIT-IV

8. Explain what a swap rate is. What is the relationship between swap rate and par yield?
9. Distinguish between Operating and Economic Exposure. Examine the different methods for the management of economic exposure.

SECTION-C

10. Case Study

Nantucket Travel Agency specializes in tours for American tourists. Until recently, all of its business was in the United States. It just established a subsidiary in Athens, Greece, which provides tour services in the Greek islands for American tourists. It rented a shop near the port of Athens. It also hired residents of Athens who could speak English and provide tours of the Greek islands. The subsidiary's main costs are rent and salaries for its employees and the lease of a few large boats in Athens that it uses for tours. American tourists pay for the entire tour in dollars at Nantucket's main U.S. office before they depart for Greece.

- a) Explain why Nantucket may be able to effectively capitalize on international opportunities such as the Greek island tours.
- b) Nantucket is privately owned by owners who reside in the United States and work in the main office. Explain possible agency problems associated with the creation of a subsidiary in Athens, Greece. How can Nantucket attempt to reduce these agency costs?

NOTE : Disclosure of Identity by writing Mobile No. or Marking of passing request on any paper of Answer Sheet will lead to UMC against the Student.