M.Com. (Sem.–3)

INTERNATIONAL FINANCIAL MANAGEMENT

Subject Code : MCOPAF 312-18
M.Code : 76832
Date of Examination : 24-12-22

Time : 3 Hrs.   Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.**

2. **SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.**

3. **SECTION-C is COMPULSORY and consists of ONE Case Study carrying TWELVE marks.**

SECTION-A

1.   a.   What is the need of International Finance?

     b.   What are the limitations of factoring?

     c.   How forward differ from future?

     d.   Discuss in detail benefits of Bretton wood system.

     e.   Define Derivatives.

     f.   What do you mean by Nominal and Real exchange rates?

     g.   What do you mean by International bond market?

     h.   What do you mean by Risk management?

SECTION-B

UNIT-I

2. What do you mean by International finance? Discuss in detail nature, scope and recent changes and challenges in international financial management.

3. How sensitive is the value of the project to the threat of currency control and expropriation? How can the financing be structured to make the project less sensitive to these political risks?

UNIT-II

4. Discuss in detail methods with which we can mobilise financial resources from international primary market also describe its current scenario.

5. Define the term 'equity'. Discuss the various forms of equity in the context of business.

   ''*A financial engineer needs to be thoroughly well-versed in those financial instruments that are useful in designing solutions to the kinds of problems in which he or she deals.*'' Imagining yourself as a financial engineer specializing in equity-related instruments, describe the various instruments that should form a part of your knowledge base.

UNIT-III

6. What are the fundamental factor affecting international risks? Discuss in detail role of hedging and speculation in international risk.

7. Discuss in detail history and economic rationale of swap. How currency, commodity and variants of swap structure can be designed to reduce cost, manage the risk and to increase the return of counterparties.

UNIT-IV

8. There are two projects A and B. A has a service life of one years. The initial cash outlay for both the projects assumed to be Rs. 20,000 each. The cash proceed from project A (at the end of first year) amounts to Rs, 24,000. The cash generated by project B at the end of fifth year is likely to be Rs. 40,200. Assume that the required rate of return is 10 percent. Compute and compare NPV and IRR of the two project

9. Discuss in detail theories of international capital structure with the help of examples.

SECTION-C

10. a) From the following information discuss in detail that how successfully cash and carry arbitrage is possible. If traders buy the goods for cash and carries it through to the expiration of the future contract:

Cash and carry gold arbitrage transaction assumed ruling prices for the analysis

Rs.

Spot price of gold per l0gm	4000
Future prices of gold per 10 gm	4500
(For delivery in one year)	
Interest Rate per annum	10 %

b) Discuss in detail on the basis of following information how interest rate swaps are used to reduce Cost of Financing. How this is beneficial to each party involved in the process. Suppose that party A is in need of l0 years debt financing desire fixed rate obligation. A can borrow at a floating rate of six month LIBOR 50bps or at a semiannual fixed rate of 11.25%. Party B also in need of l0yr debt financing desire floating rate obligation. Party B can borrow fixed rate of semiannual rate of 10.25 % and can borrow floating rate as six months. The SWAP dealer stands ready to enter a SWAP dealer stands ready to enter a SWAP. In both the cases the dealer's floating rate is six month LIBOR. If dealer is to be the fixed rate payer it will pay a SWAP Coupon of 10.40% and it requires a swap coupon of 10.50% semiannually