PVP 17

Code: 17BA4T5FA

II MBA - II Semester-Regular/Supplementary Examinations – September 2020

GLOBAL FINANCIAL MANAGEMENT

Duration: 3 hours Max. Marks: 60

SECTION - A

1. Answer the following: 5 x 2 = 10 M

a) Explain the role of IFM.

b) What is flexible exchange rate regime?

c) Explain Foreign exchange quotations.

d) What is currency put option?

e) Illustrate International capital budgeting.

SECTION – B

Answer the following: 5 x 8 = 40 M

2. a) Explain the concept of Balance of Payments (BOP) and discuss the different accounts of BOP. Can a country run a current account deficit (surplus) indefinitely? Give reasons.

(OR)

b) Discuss the distinguishing features of international finance.

3. a) Explain the exchange-rate systems function

i) gold standard ii) Par value iii) Crawling peg

iv) wide band v) Floating.

(OR)

b) “The International Monetary System”, as we have today, has evolved through several different exchange rate arrangements over a period of time’, comment.

4. a) What problems do you think you would face as a business trying to operate in two foreign exchange markets?

(OR)

b) Define interest Arbitrage, uncovered interest arbitrage and covered interest arbitrage. How is interest arbitrage covered in the forward market?

5. a) What are the functions of the futures market?

(OR)

b) When should a firm consider purchasing a call option for hedging?

6. a) Why is cost of capital different across countries ? Describe the factors contributing to differences in the risk-free rate and the risk premium.

(OR)

b) i) 'Centralized Cash Management is better than Decentralized Cash Management' Discuss

ii) Discuss the techniques used by the MNCs to optimize the Cash flows.

SECTION-C

7. Case Study **1x10=10 M**

Prime Minister N. Modi is right in advocating a phased movement to fall convertibility starting with Special Economic Zones (SEZs), we need to move along the convertibility highway, even if slowly. Our Economy is in take off stage and needs timely infusions of fixed and working capital. Since India is now an enterprise driven economy likes most others, the Rupee needs to become more convertible to reduce transaction costs. Fears of a Recurrence of the 1991 crisis, when our reserves were insufficient to finance 3 weeks imports are perhaps exaggerated. The currency has been ruling at below 47 to a dollar for the last 6 months. Investors and rating agencies are convinced that the India's growth story is here to stay. Their views determine flows of FDI & FPI in a big way. Current Account transactions no longer influence a country's BoP profile to the extent they did a couple of decades ago. Despite a ballooning trade deficit, our reserves have steadily increased over the years to 144 billion dollars.

Question:

a) Current Account Transactions no longer influence a country's B.O.P. Discuss.
b) What is Capital Account Convertibility?
c) What are the risks in Capital Account Convertibility in Indian context?
d) What is the present status of Capital Account Convertibility in India?