DEPARTMENT OF MANAGEMENT
SCHOOL OF MANAGEMENT &BUSINESS STUDIES
JAMIA HAMDARD

Odd Semester Examination (Online) January 2021

MBA III Semester

Subject Name: International Financial Management MM: 75

Subject Code: MBA-GE-FM-05 Time: 03Hours

Email Id of the Examiner:sbeg@jamiahamdard.ac.in

Email Id of the Assistant Superintendent of Exams: assistant.superintendent.exams@gmail.com
Email Id of Dean: deanmanagement@jamiahamdard.ac.in

Note:

- Students have to submit the **Scannedhand written solutions**to the Examiner, Assistant Superintendent of Examination and Dean on the email ids as mentioned above.
- Students shall use **ruled white paper & blue ink** to write the solution. Each page must have a **serial number and the signature** of the student.
- An additional ½ an hour (30 Minutes) will be given to the examinees to scan the answer sheets, convert it into single PDF and upload it on the id's given on the question papers.
- If any two copies are found to be similar then both the copies shall be cancelled. Such students will be considered/ tried for unfair means.
- The attachedPDF shall be named as follows –
  Full Name-Enrollment Number-Course-Semester-Subject Abbreviation(Example: Rabia Shaheen-2017-334-032-MBA-III-QTM)and students shall also mention the same in subject line of the email& his/her answer copy also.
- Answer All Questions, each carry equal marks.

Q1: a) Discuss the reasons why firms go international. Also elaborate on the modes that a firm may adopt to go international.

b) Do you agree that floating exchange rate regime is a better option than the fixed exchange rate regime? Explain. (10+5)

Q2: With the help of suitable examples explain the following:

i) Two-point Arbitrage

ii) Cross Rates

iii) Broken Date forward contracts

Q3: Discuss the similarities and differences between forward contracts, future contracts and options.

b) On the basis of the following figures, find out the gain/ loss to the option seller assuming it a Put Option

Spot Rate on maturity: Rs. 73.00/ $, Rs. 73.20/ $, Rs.73.40/ $, Rs. 73.60/$, Rs. 73.80/$, 74.00/$

Strike Rate: Rs. 73.50/$

Premium: Rs. 0.10/ $

Also draw profit diagram. (9+6)

Q4: An Indian exporter exports goods worth $10,000 to the USA and it is expected to receive payments after 60 days. The exporting firm is expecting changes in the exchange rate and so it is think about selecting a particular alternative.

The following information is available:

a) Spot rate is ▯ 72.00/ $.
b) 60 day forward rate is ▯ 71.70/ $.
c) Interest rate on borrowing in India and the USA is 9% p.a.
d) Interest rate on investments is 8% p.a.
e) A 60-day call option is having a strike price of ▯ 71.60/$ and a premium of ▯ 0.05/ $.
f) A 60-day put option is having a strike price of ▯ 71.70/ $ and a premium of ▯ 0.05/ $.
g) Spot rate on 60th day is ▯ 72.10/ $.

Calculate the cash flow for the exporter in case of and suggest under these circumstances, which option is the best for the exporter.

1. No Hedge
2. Hedging in the forward market
3. Hedging in the options market
4. Hedging in the money market

Q5: Interest rate swaps are believed to benefit the firms involved. With the help of the following example, show how swaps are executed and firms involved in interest rate swaps benefit from it.

Companies X and Y are both seek funding of $10,000 at the lowest possible cost. Company X needs a fixed rate loan and Company Y needs a floating rate loan. They are offered the rates as follows:

	Fixed rate loan	Floating rate loan
Company X	10%	LIBOR + 2.5%
Company Y	7%	LIBOR + 1.5%

Design a swap assuming the financial intermediary keeps 0.5% and the remaining gain to be equally shared by the two companies.