D4ACM2203 (2 Pages) Name............................
Reg.No..........................

FOURTH SEMESTER M. Com. DEGREE EXAMINATION, APRIL 2024
(Regular/Improvement/Supplementary)

COMMERCE
FMCM4E03 - INTERNATIONAL FINANCE

Time: 3 Hours **Maximum Weightage: 30**

Part A: Answer any *four* questions. Each carries *two* weightage.

Write short notes on:

1. International Capital Market.
2. Devaluation of currency.
3. Two-way quote.
4. Country Risk Analysis.
5. SWAP market.
6. Greenfield investment.
7. Transfer pricing.

(4 × 2 = 8 weightage)

Part B: Answer any *four* questions. Each carries *three* weightage.

8. Compare New York Money Market with Indian Money Market.
9. Briefly discuss the role of IMF in international liquidity.
10. What are the factors influencing foreign exchange forecasting?
11. a) What is cross exchange rate?

    b) The exchange rate between the Euro and US Dollar is € 0.8477 per $1. At the same time, the exchange rate between the Japanese Yen and US Dollar is ¥ 112.2145 per $1. What is the exchange rate between the Japanese Yen and Euro in terms of Japanese Yen per Euro?
12. Explain Asset Market Model of exchange rate. What are its limitations?
13. An Indian company has exported goods worth US $ 5 Million to a US firm, payable three months from now. At the same time, it has purchased from the US firm for US $ 3 Million, payable in the next three months. The spot rate is US$/₹ 70. What is the transaction exposure of the Indian company. Suppose the Indian Rupee appreciates against US Dollar and the exchange rate becomes US$/₹ 69 in three months period. What is the transaction loss to the Indian company?
14. Discuss the significance of International Receivables Management.

(4 × 3 = 12 weightage)

(P.T.O.)

Part C: Answer any *two* questions. Each carries *five* weightage.

15. What are the objectives and functions of World Bank? Critically evaluate the performance of World Bank.

16. Define transaction exposure. Explain the financial techniques for managing transaction exposure.

17. What is Equilibrium Exchange Rate? Discuss the various factors influencing exchange rate.

18. XYZ Ltd., an American company, is considering a new plant in Australia. The plant will cost 26 million Australian Dollar (AUD). Incremental cash flows are expected to be 3 million AUD per year for first three years, 4 million AUD for the next 3, 5 million AUD in years 7 to 9, and 6 million AUD in years 10 through 19, after which the project will terminate with no residual value. The present exchange rate is 1.90 AUD per US Dollar. The required rate of return on repatriated dollar is 16%.

    a) If the exchange rate states at 1.90, what is the project NPV?

    b) If AUD is appreciated to 1.84 for years 1-3, to 1.78 for years 4-6, to 1.72 for years 7-9, to 1.65 for years 10-19, what happen to the NPV?

(2 × 5 = 10 weightage)