



End Semester/Reappear (Semester IV) Examination May 2025

Programme: MBA

Course: International Finance

Course Code:11.671.5

Enrolment no. _____

Full Marks: 70

Time: 3 Hrs.

Q. No.	Questions	CO	Bloom Taxonomy Category	Marks
Section I				
1	Short Answer type questions.			
a	What is the significance of the foreign exchange market, and how do its various roles impact global financial stability and economic activities?	CO1	Apply	4 x 5 = 20
	or			
b	Differentiate between Balance of Trade and Balance of Payments. What is a BoP deficit?	CO1	Understand	
	or			
c	What are the various types of transactions in the foreign exchange market, and how do they function?	CO2	Understand	
	or			
d	The interest rate in the UK is 5% per annum, and the interest rate in Canada is 6% per annum. The current spot exchange rate is 1.8 CAD/GBP. Calculate the two-year forward exchange rate according to the interest rate parity theorem.	CO2	Apply	
	or			
e	Explain the features of futures contracts in the derivatives market. Also Explain its purpose.	CO3	Understand	
	or			
f	Describe 'RBI as the regulator of Foreign Exchange Market in India.'	CO3	Understand	
	or			
g	Explain the different types of Joint Ventures with the help of suitable examples.	CO4	Remember	
	or			
h	What does Capital Budgeting entail, and why is it essential for effective financial decision-making?	CO4	Understand	
	or			
Section II				
	Long Answer type questions.			
2	Define the concept of balance of payments (BoP) and its components. Explain how a country's BoP is calculated and interpreted. Discuss the implications of a surplus or deficit in the BoP.	CO1	Apply	3 x 10 = 30
	or			
3	How does International Finance operate, and what key factors contribute to its expansion in the global economic landscape?	CO1	Apply	
	or			
4	Critically evaluate the major theories of exchange rate determination. Discuss the key factors influencing exchange rate movements.	CO2	Evaluate	
	or			
5	"Purchasing Power Parity holds in the long run, but fails in the short run." Do you agree? Justify your answer by giving suitable explanation and analysis.	CO2	Analyse	
	or			

4	Discuss the role of the Securities and Exchange Board of India (SEBI) in regulating derivatives markets in India. Explain the measures taken by SEBI to ensure transparency, risk management, and investor protection.	CO3	Understand	
	or			
	How can businesses effectively manage foreign exchange risk, and why is it crucial to integrate risk management into their overall strategic planning?	CO3	Apply	
Section III				
	Application based questions			
5	Conduct a comprehensive review of the Net Present Value (NPV) approach in evaluating foreign investment projects. Evaluate the strengths and limitations of using NPV in project appraisal. Compare the results of NPV with IRR.	CO4	Analyse	1 x 20 = 20
	or			
	Critically analyze the key differences between domestic and multinational capital budgeting. How do exchange rate risk, political risk, and taxation affect investment decisions across borders?	CO4	Evaluate	

Course Outcomes

On completion of the Course, the students will be able to:

CO 1: Analyze investment opportunities in the international environment, Understand the role of International monetary fund in international trade the effects of Euro currency market and analyze the relationship between the Balance of payment and exchange rates.

CO 2: Understand foreign exchange market and the relationships between interest rates, spot and forward rates and expected inflation rates; understand exchange rates and why currency values fluctuate, basic theorems for exchange rate determination, and role of arbitrage in keeping the foreign exchange market efficient.

CO 3: Apply the knowledge of foreign exchange hedging to evaluate foreign exchange risks with options, futures and swaps and other techniques to manage foreign exchange risk exposure of firms.

CO 4: Evaluate cash flows in capital budgeting decisions, cost of capital and various investment techniques like net present value, payback period and accounting rate of return and understand the concept for designing an optimal capital structure as well as to analyze the factors that influence the dividend policy of a corporate firm.