PRN:		Course Code:	PBAFM306R

Second Year **M.B.A** Semester End Examination Winter 2024 000502

INTERNATIONAL FINANCIAL MANAGEMENT

Day and Date: Fri 29 NOV 2024 Max Marks: **50**

Time: 10:30AM To 12:30PM Duration: **02** hrs

Instructions: All questions are compulsory.

			Marks	Bloom's Level	CO
Q.1		**Attempt any two from the following**			
	a)	Discuss functions of International financial Management.	06	L2	CL01
	b)	A business is planning to expand its operations internationally. How would you apply your knowledge of financial risk management to mitigate potential foreign exchange risks?	06	L3	CL01
	c)	Analyse recent trends and emerging challenges in International financial Management.	06	L4	CL01
Q.2		**Attempt any two from the following**			
	a)	Interpret the primary functions of the International Monetary Fund (IMF).	06	L4	CL02
	b)	Explain the significance of international monetary system.	06	L2	CL02
	c)	Outline the stages of the international monetary system from 1875 to the present, highlighting major transitions and developments.	06	L4	CL02
Q.3		**Attempt the following**			
	a)	Explain the difference between spot transactions and forward transactions in Forex trading.	06	L2	**CL03**
	b)	Company X enters into an interest rate swap agreement with Company Y on a notional principal of $5,000,000. Company X agrees to pay a fixed interest rate of 3.5%, while Company Y pays a floating rate based on LIBOR, which is 2.5% in Year 1 and rises to 3.0% in Year 2. Questions: 1. How much does Company X owe Company Y in Year 1? 2. How much does Company Y owe Company X in Year 2? 3. What is the net payment between the two companies in each year?	07	L4	**CL03**
		or			
	b)	Company B is a U.S. importer that needs to buy machinery from Japan for ¥15,000,000. The current exchange rate is 110 JPY/USD. Questions: 1. How much will Company B need to pay in USD to purchase the machinery? 2. If the exchange rate changes to 115 JPY/USD before the purchase, how much will Company B need to pay in USD now? 3. How much additional USD will Company B need to pay due to the change in the exchange rate?	07	L4	**CL03**

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Q.4 **Attempt the following**

a)	Discuss Purchasing Power Parity Theory with its applications and limitations.	06	L2	CL04
b)	Country Z has the following capital account transactions for the year: • FDI Inflows: $250 million (foreign investments) • FDI Outflows: $80 million (domestic companies' investments abroad) • Portfolio Investment Inflows: $150 million (foreign purchases of stocks/bonds) • Portfolio Investment Outflows: $50 million (domestic investments abroad) • Other Investments Inflows: $100 million (loans from international banks) • Other Investments Outflows: $30 million (loans to foreign governments) **Questions:** 1. Calculate the net Foreign Direct Investment (FDI). 2. Calculate the net Portfolio Investment. 3. Calculate the net Other Investments. 4. Determine the overall Capital Account Balance for Country Z.	07	L4	CL04

or

b)	ABC Corporation, a manufacturing company based in Country A, has reported the following data for its Balance of Payments for the fiscal year: • Total Exports: $500 million • Total Imports: $600 million • Capital Inflows: $300 million • Capital Outflows: $250 million • Statistical Discrepancy: $50 million (in the negative, indicating a potential shortfall in recorded transactions) Questions: 1. Calculate the Current Account Balance for ABC Corporation. 2. Calculate the Capital Account Balance for ABC Corporation. 3. Determine the Overall Balance of Payments, considering the statistical discrepancy. 4. Discuss the potential impact of the statistical discrepancy on economic analysis.	07	L4	CL04

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