

MANAGEMENT PROGRAMME

Term-End Examination

June, 2007

MS-45 : INTERNATIONAL FINANCIAL MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

Note : *This question paper consists of two Sections, Section A and Section B.*

Section A *is to be attempted by students who were registered for the course prior to January 2006.*

Section B *is to be attempted by students who have been registered for the course from January 2006 onwards.*

*Attempt any **five** questions. All questions carry equal marks.*

SECTION A

1. What are the sources of key interaction between the foreign transaction of a country's economy and its domestic sector ?
2. Explain the Capital, Technology, Management Approach to theory of Foreign Direct Investment.
3. Discuss the various unique markets of international financial system. Also explain the instruments used in these markets.
4. "At the heart of determination of foreign exchange rates are the law of one price and the purchasing power parity theorem." Discuss this statement with suitable examples of US\$/Rs. rate.
5. Explain the various techniques of managing foreign exchange risks.
6. Explain the role and functions of Export Import Bank of India. Also explain its various lending programmes.
7. What do you mean by short term capital flows ? Explain the motives behind short term capital flows.
8. How does the international financial system differ from domestic financial system ? Explain.

SECTION B

1. Explain in detail how the international financial structure has evolved over a period of time.
2. Explain the various options available under the present system of exchange rate management.
3. Explain the interest rate parity and the reasons for deviation from it.
4. Write short notes on the following :
 - (a) Currency Futures
 - (b) Currency Swaps
 - (c) Arbitrage
 - (d) Tax havens
5. What do you mean by External Commercial Borrowings (ECBs) ? What is the procedure for raising ECBs ? Explain.
6. Why does the cost of capital for MNCs differ from that of the domestic firms ?
7. Explain the various issues involved in foreign investment analysis.
8. What are the specific considerations that a MNC must consider while formulating its working capital policy ? Discuss fully.