

MBA 3816

M.B.A. DEGREE EXAMINATION, JUNE 2007.

Fourth Semester

International Business

Paper XVI — GLOBAL FINANCIAL MARKETS AND INSTRUMENTS

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE of the following.

1. What are the decisions taken in the Brettonwood international financial conference?
2. Write short notes on European monetary system.
3. Explain the role of Euro Dollar in the international monetary system.
4. State the role of Asian Development Bank.
5. What are the regulatory systems available in the Euro Currency Market?
6. State the role of IBRD.

7. What are the forex risk?

PART C — (1 × 20 = 20 marks)

8. Write short notes on GDRs.

Case Study — Compulsory

PART B — (5 × 10 = 50 marks)

Answer any FIVE of the following.

9. What are the purposes of IMF?

10. Explain in detail about the fixed and floating exchange rate regimes.

11. State the role of financial intermediaries in international financial market.

12. Explain the global market hedging and speculation.

13. What are the salient features of money market instruments?

14. Explain the importance of Development Banks.

15. State the main features of Euro Bond and Euro Loans.

16. Why the global currency market is needed?

17. Kelly Finance Company wants to borrow \$200 million of the foreign currency equivalent for 5 years. The following alternatives are available.

(a) Borrow in Euros; Borrow in Euros at 8.5% p.a. with bonds sold at par. Expenses of the issue will be 2.0% of the amount borrowed. The current exchange rate is \$ 1.4500/E and the Euro is expected to depreciate against the dollar by 1.5% per year.

(b) Borrow in U.S. Dollars; Borrow in Dollars 6% p.a. with bonds sold at par. Expenses of the issue will be 2.5% of the amount borrowed.

(c) Borrow in Yen : Borrow in yen 5% p.a. The bonds will be sold at par and expenses would be 3.5% of the face value of the issue. The current exchange rate is ¥ 130,00/\$, and the yen is expected to appreciate against the dollar by 2% p.a.

Questions :

(i) Evaluate the cost of each alternative.

(ii) Give recommendation as to which source of debt capital is likely to be least expensive for the five year period.