

**MASTER OF BUSINESS ADMINISTRATION
(MANAGEMENT ACCOUNTING AND FINANCE)
(MBAMAFCI)**

00535

Term-End Examination

December, 2014

**MCNE-070 : INTERNATIONAL FINANCIAL
MANAGEMENT**

Time : 3 hours

Maximum Marks : 100

Note : Answer any *five* questions. All questions carry equal marks.

1. Explain the concept of 'Delta Hedge' using futures. In practice what are the difficulties in using a delta hedge ? How do interest rates affect the amount of currency futures used in delta hedge ? 20
2. What are onshore and offshore markets ? Explain the various factors, which govern the divergence between interest rates in the offshore and onshore markets in a currency. 20
3. Devaluation increases prices of exports in home currency but decreases them in foreign currency. Why ? Under what market conditions does this happen ? 20

4. What factors does one have to consider while investing internationally ? Distinguish between the characteristics of segmented and integrated markets. 20
5. Define trade barrier. What do you mean by discrepancies in international transactions ? Being an international business manager, how would you take steps to avoid them ? 20
6. Explain the monetary theory of exchange rates. How is monetary theory different from flow theory of exchange rates ? 20
7. In a free market, what factors influence exchange rates ? Which of them apply mainly to long run exchange rate behaviour and which to short run exchange rate behaviour ? 20
8. Write short notes on any **four** of the following : 4×5=20
- (a) Intra-commodity Spread
 - (b) Financial Swaps
 - (c) International Licensing
 - (d) Foreign Exchange Options
 - (e) International Cost of Capital
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