

**MASTER OF BUSINESS ADMINISTRATION  
(MAFCI)**

**Term-End Examination**

**June, 2014**

**MCNE-070 : INTERNATIONAL FINANCIAL  
MANAGEMENT**

*Time : 3 hours*

*Maximum Marks : 100*

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*Note : (1) Attempt any five questions.  
(2) All question carry equal marks.*

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1. Explain the key differences between futures and forward contracts on foreign currencies. 20
  
2. What is the essence of the monetary approach to exchange rate determination? What are its major predictions concerning exchange rate movements? 20
  
3. “The Eurocurrency markets have permitted countries to avoid monetary discipline and put off corrective action to address their BOP problems”. Comment and also discuss the various factors responsible for the emergence and growth of the Eurocurrency market. 20

4. Discuss the relationship between forward interest rates and future prices. Explain why the usual definition of 'basis' as the difference between the spot price and futures price is not applicable to interest futures. **20**
5. Explain the various dimensions of international working capital management that MNCs should consider in decision-making. Discuss the significance of Eurocurrency market. **20**
6. Discuss with suitable examples, translation, transaction and economic exposure as the foreign exchange hedging tools. **20**
7. Real exchange rate changes are measured by adjusting nominal exchange rate changes by inflation differentials, the latter in turn being measured by some price index such as WPI or CPI. It is said that a firm faces operating exposure only if real exchange rate change. Is this strictly true? Why or why not? **20**

8. Write short notes on **any four** of the following: **4x5=20**

- (a) Currency Swaps
- (b) International Leasing
- (c) Portfolio diversification
- (d) Global money market
- (e) Intercommodity Spread

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