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Roll No. Total No. of Pages : 03

Total No. of Questions : 17

MBA(Sem.–4)

INTERNATIONAL FINANCE & FINANCIAL DERIVATIVES

Subject Code : MBA-915-18

M.Code : 77814

Date of Examination : 17-07-22

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains EIGHT questions carrying TWO marks each and students have to attempt ALL questions.**
2. **SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and students have to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.**

SECTION-A

Write short notes on the following :

1. Discuss challenges of International Financial Management.
2. BOP
3. Direct Quote
4. PPP
5. ADR'S
6. Options
7. Derivatives
8. Transaction Exposure

SECTION-B

UNIT-I

9. Discuss nature and scope of International Finance? Elaborate recent changes in the subject of International Finance?

10. Write a note on :

    a. Gold Standard

    b. Economics and Monetary Union

UNIT-II

11. Explain PPP Theory in detail. Critically evaluate this theory.

12. Write a Note on:

    a. EXIM Bank

    b. World Bank

UNIT-III

13. What do you mean by Derivatives? Explain different types of derivatives and their importance.

14. Explain Option Contracts. Explain different option trading strategies.

UNIT-IV

15. What do you mean by swaps? Explain importance and Pricing Strategies of Swaps.

16. What is economic exposure? Explain measurement and management of economic exposure.

SECTION-C

17. When the euro was introduced in January 1999, the United Kingdom was conspicuously absent from the list of European Countries adopting the common currency. Although the previous labour Government led by Prime Minister Tony Blair appeared to be in favour of joining theeuro club, the current Tory Government was not in favour of adopting the euro and thus giving up monetary sovereignty of the country. Public opinion was also divided on the issue.

    Whether the United Kingdom will eventually join the euro club is a matter of considerable importance for the European Union as well as that of the United Kingdom. If the United Kingdom, with its sophisticated finance industry, joins, it will most certainly propel the euro into global currency status rivalling the U.S.Dollar. The United Kingdom for its part will firmly join the process of economic and political unionization of Europe, abandoning its traditional balancing role.

    a. Explain the problem discussed in the case study above.

    b. Explain the political and economic condition of United Kingdom at that time.

    c. Elaborate potential benefits and cost of adopting the Euro.

    d. Elaborate in your own words the Potential impact of British adoption of the Euro on the International Financial System.

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Roll No.

Total No. of Questions : 10

Total No. of Pages : 03

MBA (Sem -4)

INTERNATIONAL FINANCE & FINANCIAL DERIVATIVES

Subject Code : MBA-915-18

M.Code : 77814

Date of Examinaiton : 04-05-2024

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

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2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and students have to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.

SECTION-A

1. **Write short notes on the following :**

   a) BOP

   b) Secondary Market

   c) Difference between Future and Forward

   d) GDR

   e) Fisher Effect

   f) Calendar Spreads

   g) Hedging Technique

   h) Country risk analysis

SECTION-B

UNIT-I

2. Write a short note on Bretton Wood System and Floating Rate System.

3. What are the various transaction conducted in the foreign exchange market? Explain.

UNIT-II

4. Explain the guidelines regarding External Commercial Borrowings (ECB).

5. What do you mean by Purchasing Power Parity (PPP)? Explain with the help of an example.

UNIT-III

6. What is the difference between exchanges traded derivative and OTC market derivatives?

7. What do you mean by option contracts? Explain spread including butterfly spread in detail.

UNIT-IV

8. What is economic exposure? Explain the significance of economic exposure in foreign exchange market.

9. What do you mean by credit derivative? Explain pricing model of credit derivative in detail.

SECTION-C

10. **Case Study:**

A Company's Expansion into Emerging Markets Background :

ABC Inc. is a US-based multinational company that produces and sells consumer electronics. The company has been experiencing slow growth in its home market and is looking to expand into emerging markets to increase its revenue and profitability. The company's management team has identified Brazil and India as potential markets for expansion.

Questions:

a) What factors should ABC Inc. consider when deciding to expand into emerging markets such as Brazil and India?

b) How can ABC Inc. assess the political and economic risks associated with doing business in Brazil and India?

c) What are the potential financial risks associated with expanding into emerging markets?

d) What measures can ABC Inc. take to ensure that its expansion into emerging markets is sustainable and profitable in the long term?

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MBA (Sem.–4)

INTERNATIONAL FINANCE & FINANCIAL DERIVATIVES

Subject Code : MBA-915-18

M.Code : 77814

Date of Examination: 11-12-2024

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

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3. **SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.**

SECTION-A

Write a Short note on the following :

1. BoP
2. International Finance
3. GDR's
4. Foreign Bond
5. Forward Contract
6. Put Option
7. Swaps
8. Derivatives

SECTION-B

UNIT-I

9. Why is it important to study IFM? How is international financial management different from financial management?

10. Who are the market participants in the foreign exchange market. How are foreign exchange transactions between International banks are settled.

UNIT-II

11. What do you mean by Interest Rate Parity? Discuss the implications of interest rate parity for exchange rate determination.

12. Describe the difference between foreign bonds and Eurobonds. Also discuss why Eurobonds makeup the lion's share of the international bond market

UNIT-III

13. Differentiate between forward and future contracts. How to determine the price of future contract?

14. What is meant by Protective Put? What position in call option is equivalent to a protective put?

UNIT-IV

15. What do you mean by Credit Derivatives? How price is determined of Credit Derivatives?

16. What do you mean by Transaction Exposure? Explain strategies of managing transaction Exposure.

SECTION-C

17. **Case study :**

Following such high-profile corporate scandals as Enron and Worldcom in the United States, European business executives smugly proclaimed that the same cannot happen on their side of the Atlantic as Europe does not share America Laissez-faire Capitalism. Unfortunately, however,- they proved wrong quickly when Parmalat,"a jewel of Itaiian Capitalism, collapsed spectacularly as a result of massive accounting frauds.

Parmalat was founded in 1961 as a dairy Company. Calisto Tanzi, the founder transformed Parmalat into a national player by embarking on an aggressive acquisition program in the 1980s when local governments of Italy privatized their municipal dairies. While solidifying its dominant position in the Italian Home Market, Parmalat aggressively ventured into International Markets during the 1990s, establishing operations in 30 countries throughout the Americas, Asia/ Pacific and Southern Africa. To finance its rapid expansion, the company borrowed heavily from international banks and investors. Worldwide sales of Parmalat reached €7.6 billion in 2002 and its aspiration to become the Coca-Coal of milk seemed within reach. However, things began to-unravel in 2003

Parmalat first defaulted on a $185 million debt payment in November 2003, which promoted a scrutiny of the firm's finances. Auditors and regulators soon found that a $4.9 billion cash reserve supposedly held in a Bank of America account of Cayman Island subsidiary of Parmalat actually did not exist, and the total debt of the Company was around € 16 billion more than the double the amount (€7.2 billion) shown on the balance sheet. Italian investigators subquently discovered that Parmalat managers simply invented assets to cover the Company's debts and falsified accounts over a 15-year period. Following the discovery of massive frauds, Parmalat was forced into bankruptcy in December 2003. Calisto Tanzi, founder and former CEO, was arrested on suspicion of fraud, embezzlement, false accounting and misleading investors. The Parmalat Saga represents the largest and most brazen corporate fraud in European History and is widely dubbed as Europe's Enron.

Enrico Bondi, a new CEO of Parmalat, filed a $10 billion lawsuit against Citigroup, Bank of America and former auditors Grant Thornton and Deloitte Touche Tohmatsu, for sharing responsibility for the company's collapse. He also filed legal actions against UBS of Switzerland and Deutsche Bank for the transactions that allegedly contributed to the collapse of Parmalat. Bondi has alleged that Parmalat's foreign enablers including international banks and auditors, were complicit in the frauds. He maintained that they knew about Parmalat's fraudulent finances and helped the company to disguise them in exchange for fat fees. Bondi effectively declared war on parmalat's Bankers and creditors.

Questions :

a) How was it possible for Parmalat managers to cook the books and hide it so long?

b) Investigate and discuss the role that International Banks and auditors might have played in Parmalat's Collapse?

c) Study and discuss Italy's Corporate governance regime and its role in the failure of Parmalat.

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