REV-00
MBA/11/14

2015/12

MASTER OF BUSINESS ADMINISTRATION
Third Semester
INTERNATIONAL FINANCIAL MANAGEMENT
(MBA – 21 C)

Duration: 3Hrs. **Full Marks: 70**

Part-A (Objective) =20
Part-B (Descriptive) =50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins. **Marks: 50**

Answer the following questions:

1. Write short notes : (2×5=10)
   a) Lock Box
   b) Subsidiary Liquidity Management
   c) Subsidiary Revenue
   d) Subsidiary Dividend Payment
   e) Subsidiary Expense
2. What do you understand by Foreign Portfolio Investment? How is measurement of Returns done? What are the benefits of International Portfolio Investment? (2+3+5=10)
3. Explain the changing structure of International Financial Market. (2+3+5=10)
4. Calculate the Portfolio return and Portfolio risk, considering 25% investment in the new portfolio : (2+3+5=10)

Probability of occurrence of returns	Existing Portfolio (%)	New Portfolio (%)
0.20	9	12
0.30	12	15
0.50	10	9

5. There is 70% chance in London Money Market that with 11% interest rate, there will be depreciation of 2% in exchange rate. The rest probability is of having appreciated exchange rate of 4% while interest rate slightly decreasing to 10.5 %. Calculate the effective cost of borrowing. (2+3+5=10)

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Duration: 20 minutes **Marks – 20**

(PART A- Objective Type)

I. Choose the correct answer: **1×15=15**

1. Type of Bond that makes no coupon payments but instead is issued at a considerable discount to par value:
   a) Zero coupon bond c) Corporate bond
   b) Convertible bond d) Municipal Bond

2. MNC's must operate in at least:
   a) 4 countries c) 6 countries
   b) 5 countries d) 7 countries

3. Expropriation means:
   a) Seizure of property without compensation.
   b) Seizure of property after compensation.
   c) Seizure of property along with share of transfer.
   d) None of the above.

4. One of the following is not an advantage of Centralization process:
   a) Meet global objectives.
   b) Higher cost of funds.
   c) Achieve economies of scale.
   d) Avoid impact of currency depreciation.

5. Fronting Loan is:
   a) Parent – to – affiliate loan given by financial institution.
   b) An inter– firm loan.
   c) A development loan.
   d) None of the above.

6. The formulae for Portfolio Return :
   a) $R_p = R_aW_a + R_bW_b$
   b) $R_p = R_aW_a - R_bW_b$
   c) $R_p = (R_aW_a + R_bW_b)(1 - e)$
   d) $R_p = (R_aW_a + R_bW_b)(1 + e)$

7. High ratings and large in size, these bonds were first issued by World Bank :
   a) Global bond
   b) Euro Bond
   c) Foreign bond
   d) Straight Bond

8. Cost of Borrowing is determined by:
   a) $(1 + r_f)(1 + E_f) - 1$
   b) $(1 + E_f)(1 + e) - (1 - r_f)$
   c) $(1 - r_f)(1 - E_f) - 1$
   d) $(1 + E_f)(1 - e) - (1 + r_f)$

9. What is the expected standard deviation for a portfolio having expected value of $600 and variance of 16000 :
   a) 126.49
   b) 127.01
   c) 226.49
   d) 227.01

10. Post office boxes to which customers are instructed to send payment :
   a) Cash Box
   b) Cheque Box
   c) Lock Box
   d) Black Box

11. MNC's borrow from a source which has:
   a) Larger interest rate
   b) High fluctuating exchange rate
   c) Return is minimal
   d) Larger the Tax rate

12. In 1956, an institution was set up which gave out equity finance and loans without government guarantee:
   a) IFC
   b) MIGA
   c) IDA
   d) IBRD

13. World Bank comprises of:
   a) IFC + ICSID + MIGA
   b) IDA + IFC + IBRD
   c) IBRD + IFC
   d) IBRD + IDA + IFC + ICSID + MIGA

14. First Regional bank to be set up was in Asia in the year 1966:
   a) IFC
   b) World Bank
   c) Asian Development Bank
   d) Euro Bank

15. This term refers to outflow payments by the subsidiary to purchase raw materials or supplies :
   a) Subsidiary Revenues
   b) Subsidiary Sick Units
   c) Subsidiary Expenses
   d) Subsidiary Dividend Payment

II. Match the following: **1×5=5**

Part A		Part B
a) Portfolio Return	i.	$\{ \text{Cov } A_1A_2 \} \div (\sigma_1 \times \sigma_2)$
b) Return from Security abroad	ii.	$(1 + R) (1 + e) - 1$
c) Impact of exchange Rate	iii.	$R_p = R_aW_a + R_bW_b$
d) Correlation	iv.	$\{ 1 + (S_1 - S_0 + I) / S_0 \} \times (1 + e) - 1$
e) Covariance	v.	$\varepsilon P_t (A_{1t} - \bar{A}_1) (A_{2t} - \bar{A}_2)$

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