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School of Business

Master of Business Administration MBA Dual Specialization
Mid Term Examination - Mar 2024

Duration : 90 Minutes
Max Marks : 50

Sem IV - MBFI6017 - International Finance

General Instructions

Answer to the specific question asked

Draw neat, labelled diagrams wherever necessary

Approved data hand books are allowed subject to verification by the Invigilator

- 1) A bank quotes following; K5 (5)
 - Spot USD 1 = INR 83.5680/ 83.5780, 3 Months Swap Points 75/ 90
 - Spot DEM 1 = USD 0.5550 / 0.5588, 3 Months Swap Points 15/ 12Estimate 3 Months forward quote INR/ DEM.
- 2) Apply your expertise to elucidate the significance of analyzing a country's balance of payment data, given: the current account of the country indicating gradual improvement in export of visible items in last five years. K3 (6)
- 3) The government of a fictional country, "Econoland," introduces a series of incentives to promote exports and boost the economy. As part of these incentives, the government offers tax breaks, subsidies, and preferential loans to domestic companies engaged in exporting goods and services to foreign markets. Examine how does giving incentives for exports influence foreign exchange rate? K4 (8)
- 4) India has experienced continuous current account deficits since last two decades. Identify the main causes for the deficits? What would be the consequences of the continuous current account deficit? K3 (9)
- 5) The current spot exchange rate is \$1.95/£ and the three-month forward rate is \$1.90/£. On the basis of your analysis of the exchange rate, you are pretty confident that the spot exchange rate will be \$1.92/£ in three months. Assume that you would like to buy and sell £1,000,000. Explain the actions you need to take to speculate in the forward market? What is the expected dollar profit from speculation? K5 (10)
- 6) MNCs, such as Tesla, Amazon, Apple made extensive investments in India in recent years. a) Elaborate in your opinion, what forces are driving these investments in our country? b) Explain the major challenges which companies face when investing in India. K6 (12)