



**K. K. Wagh Institute of Engineering Education and Research,
Nashik**

(An Autonomous Institute from A. Y. 2022-23)

**Model Answer
End-Sem Examination-I, Winter 2025**

Academic Year: 2025-2026	Semester: III
Class: PG-II	Program: MBA
Branch Code: 10	Pattern: 2024
Name of Course: International Finance	Course Code: 2410613B

Q. No.	Details	Max. Marks
Q.1	<p>Discuss the meaning, scope and importance of international financial management in the context of globalization. How does it differ from domestic financial management?</p> <ul style="list-style-type: none"> • Meaning/scope of int'l finance – 2 marks • Importance in globalization – 2 marks • Key differences from domestic – 2 marks 	[6]
Q.2	<p>Spot rate: USD/INR = 82.50. 3-month forward: USD/INR = 83.25. US 3-month interest rate = 5% p.a., India = 7% p.a.</p> <p>(i) Calculate annualized forward premium on USD. (ii) Check if covered interest parity approximately holds.</p> <ul style="list-style-type: none"> • Calculation of 3-month forward premium – 2 marks • Annualization of forward premium – 2 marks • Covered Interest Parity comparison and conclusion – 2 marks 	[6]
Q.3	<p>a) Define foreign exchange risk and explain why even firms with no direct foreign transactions face exchange rate exposure. Provide examples.</p> <ul style="list-style-type: none"> • FX risk definition – 2 marks • Any two indirect exposure examples – 6 marks <p>OR</p> <p>b) Explain internal techniques for managing FX risk: netting, matching, leading/lagging, re-invoicing. When is each appropriate?</p> <ul style="list-style-type: none"> • Four internal techniques defined – 4 marks (1 each) • Appropriateness explained – 4 marks <p>(c) Explain transaction exposure and methods used to measure transaction exposure.</p> <ul style="list-style-type: none"> • Meaning of transaction exposure – 3 marks • Sources of transaction exposure – 3 marks • Measurement methods / example – 2 marks <p>OR</p> <p>(d) Explain economic exposure and discuss why it is difficult to measure and manage.</p> <ul style="list-style-type: none"> • Meaning of economic exposure – 3 marks • Sources / impact – 3 marks • Measurement difficulty & management – 2 marks 	[16]
Q.4	<p>a) Discuss main steps in multinational capital budgeting. How are political risk and exchange rate risk incorporated?</p> <ul style="list-style-type: none"> • Any four capital budgeting steps – 4 marks • Political/FX risk treatment – 4 marks 	[16]



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	<p>OR</p> <p>b) Explain financial integration vs market segmentation. How do they affect MNC investment decisions?</p> <ul style="list-style-type: none">• Integration vs segmentation – 4 marks• Investment decision impact – 4 marks	
	<p>c) Explain ADRs and GDRs as instruments for raising international equity capital.</p> <ul style="list-style-type: none">• ADR explanation – 4 marks• GDR explanation – 3 marks• Benefits – 1 mark <p>OR</p> <p>d) Explain international bond instruments such as Eurobonds and foreign bonds.</p> <ul style="list-style-type: none">• Eurobonds – 4 marks• Foreign bonds – 3 marks• Advantages – 1 mark	
Q.5	<p>a) Explain functions of SWIFT and CHIPS in international payments. How do they improve efficiency and security?</p> <ul style="list-style-type: none">• SWIFT functions/features – 4 marks• CHIPS functions/features – 2 marks• Efficiency/security benefits – 2 marks <p>OR</p> <p>b) Discuss importance of KYC and AML in international finance. How do they affect cross-border banking?</p> <ul style="list-style-type: none">• KYC/AML definitions – 2 marks• Cross-border banking impact (3 points) – 6 marks	[16]
	<p>c) Explain major trade-related risks faced in international trade transactions.</p> <ul style="list-style-type: none">• Explanation of any four risks – 8 marks (2 marks each) <p>OR</p> <p>d) Explain the concept and working of Letters of Credit in international trade.</p> <ul style="list-style-type: none">• Meaning of LC – 3 marks• Working mechanism – 3 marks• Importance – 2 marks	