

2016**M. Com.****2nd Semester Examination****INTERNATIONAL BUSINESS FINANCE****PAPER – COM –204*****Full Marks : 50******Time : 2 Hours******The figures in the right-hand margin indicate full marks.******Candidates are required to give their answers in their own words as far as practicable.******UNIT – I*****1. Answer any two questions of the following: 5 X 2**

- (a) Discuss the importance of International Business.
- (b) Calculate Balance of Trade, Current Account & Capital Account Balance from the following information –

Reserve in Foreign Exchange (D/r)	Rs. 8200 Crores
Export of Goods	Rs. 24000 Crores
Export of Services	Rs. 22000 Crores
Import of Goods	Rs. 28000 Crores
Import of Services	Rs. 21000 Crores
FDI (D/r)	Rs. 2050 Crores
Remittance by NRI to India	Rs. 875 Crores
Aid to Neighboring country	Rs. 120 Crores
Foreign Currency borrowing	Rs. 725 Crores
SDR issued by the Country	Rs. 644 Crores.

- (c) Write a short note on International Liquidity.
- (d) Discuss the organizational structure of International Finance Corporation. What are its functions? 2+3

(Turn over)

(2)

2. Answer any one questions of the following: 10 X 1

- a) What do you mean by International Business Environment? How do Social Issues affect such environment? Discuss the impact of Economic Factors on such environment. 2+4+4
- b) What do mean by deficit disequilibrium as regards Balance of Payment? What corrective measures can be taken to check the deficit disequilibrium in balance of payment? 2+8

UNIT – II

3. Answer any two questions of the following: 5 X 2

- a) The following are the exchange rates in three different exchanges –

Exchange 1 : Rs. 65 per \$

Exchange 2 : Rs. 85.50 per Euro

Exchange 3 : Euro 0.80 per \$

Your are required to determine the profit percentage that can be earned if any, by an arbitrage in the above situation.

- b) How does interest rate exchange in a Country affect its exchange rate with respect to another currency? Explain with the help of a diagram.
- c) What do you understand by Spot and Forward Market .
- d) Explain the characteristics of Foreign Exchange Market.

4. Answer any one questions of the following: 10 X 1

- a) (i) The following data is given to you : Spot rate : Rs. 63.80 per \$, 3 months forward rates : Rs. 64.90 per \$

You are required to compute the annualized forward premium or discount.

- (ii) The following situation is available to Mr. Kailash –

Contd..

(3)

Rate	Location 1	Location 2
Bid Rate	Rs 103.50 P/Pound	Rs 103.50 P/Pound
Ask Rate	Rs 104.70 P/Pound	Rs 107.00 P/Pound

What is the profit percentage, if any, that can be earned by Mr. Kailash in the given situation using two-point arbitrage? Give details calculation.

- (iii) How is a put option used as a hedging tool in the forex market?

3+4+3

- b) i) Find out the transaction loss / gain using current – non-current method on the basis of the following data by the Indian subsidiary of XYZ Ltd. its parent unit based in the USA.

Balance sheet of Indian Subsidiary (Rs. In millions)

Liabilities	Rs.	Assets	Rs.
Share Capital	1000	Cash	100
8 % Debenture (Maturity date 2020)	600	Marketable securities	100
Retained earning	400	Debtors	200
Current liabilities	400	Inventory	300
		Furniture & fixture	300
		Plant & machinery	800
		Land & Building	600
TOTAL	2400	TOTAL	2400

Historical rate = Rs. 60/US \$. Current rate = Rs. 66/US \$

- ii) Explain the concept of loading and lagging. 6+4

(Internal Assessment :10 marks)