



Seat No. : \_\_\_\_\_

# DB-101

December-2025

IMBA, Sem.-V

IMBA in Finance (FM) / IMBA in HR and Public Administration (HRPA) /  
IMBA in Business Management (BM)

DPPG-IMBA-F-DSC-C-352 / DPPG-IMBAF-F-DSC-C352 / DPPG-IMBAH-  
FDSC-C-352

International Finance (IF)

Time : 2:00 Hours]

[Max. Marks : 50

1. (i) From a Japanese point of view, which of the following pair of quotes is the direct quote ? Which is the indirect quote ? **10**
- (1) JPY/GBP 210 ; GBP/JPY 0.004761.  
(2) JPY/USD120 ; USD/JPY 0.008307.  
(3) JPY/CAD 104 ; CAD/JPY 0.009640.

(ii) Discuss significance of international finance.

**OR**

1. (i) You are given the following spot quote : DEM/CAD 2.2035-2.2070. **10**
- (1) The above quote is for which currency ?  
(2) What is the bid price for DEM in terms of the CAD ?
- (ii) Discuss factors affecting international trade and capital flows.

2. A proposed foreign investment involves a plant whose entire output of 1 million units per annum is to be exported. With a selling price of \$ 10 per unit, the yearly revenue from this investment equals \$10 million. At present rate of exchange, dollar costs of local production equal to \$6 per unit. 10% devaluation is expected to lower unit costs by \$0.30, while 15% devaluation will reduce these costs by an additional \$0.15. Suppose a devaluation of either 10% or 15% is likely, with respective probabilities of 0.4 and 0.2 (the probability of no currency change is 0.4). Depreciation at the current exchange rate equals to ₹ 1 million annually, while local tax rate is 40%. **10**

(1) What will annual dollar cash flow (after-tax) be under each exchange rate scenario ?

(2) What is the expected value of annual after-tax dollar cash flows, assuming no repatriation of profits to the United States ?

**OR**

2. Two companies A & B face the following borrowing rates : 10

	USD	Euro
A	5.50	5.00
B	7.50	5.50

A want to borrow in dollars and B prefers to borrow in Euros. Assuming the exchange rate is \$1.26/€ explain how a currency swap can be structured.

3. Write a detail note on purchasing power parity and interest rate parity in international market with suitable practical example. 10

**OR**

3. Given spot Exchange rate \$1 = FF 7.05. Complete missing entries. 10

	3 Month	6 Month	1 Year
\$ Int. Rate (Annual)	11.5%	12.25%	?
FF Int. Rate (Annual)	19.5%	?	20%
Forward Franc per \$	?	?	7.52
Forward Dollar Premium %	?	6.3%	?

4. Write a detail note on international financial instruments with suitable practical example. 10

**OR**

4. ABC has proposed to expand its operations for which it requires funds of \$4.5 million, net of issue expenses which amount to 2% of the issue size. It proposed to raise the funds through a GDR issue. It considers the following factors in pricing the issue : 10

- (1) The expected domestic market price of the share is ₹ 200.
- (2) 3 shares underline each GDR.
- (3) Underlying shares are priced at 10% discount to the market price.
- (4) Expected exchange rate is ₹ 48/\$.

You are required to compute the number of GDR's to be issued and cost of GDR to the company if 20% dividend is expected to be paid with a growth rate of 20%.

5. Multiple Choice Questions : (Any 10 out of 12) 10

- (1) Which of the following is a foreign exchange market instrument ?
 

(A) Equity shares	(B) Currency futures
(C) Bonds	(D) Debentures
- (2) Interest Rate Parity theory connects :
  - (A) Inflation and exchange rates
  - (B) Interest rates and forward exchange rates
  - (C) GDP and currency value
  - (D) Stock prices and exchange rates

- (3) Purchasing Power Parity is based on :
- (A) Interest rate differences      (B) Law of one price  
(C) Exchange rate targeting      (D) Capital budgeting
- (4) If the spot rate is ₹ 45/\$ and the forward rate is ₹ 47/\$, the dollar is at :
- (A) Discount      (B) Premium  
(C) Par      (D) Floating
- (5) Which of the following is a hedging tool ?
- (A) Currency options      (B) Lottery tickets  
(C) Mutual funds      (D) Fixed deposits
- (6) Translation exposure affects :
- (A) Future cash flows      (B) Published financial statements  
(C) Loan repayments      (D) Inventory valuation
- (7) A currency swap involves :
- (A) Buying and selling the same currency  
(B) Exchanging cash flows in different currencies  
(C) Investing in gold  
(D) Trading stocks
- (8) If inflation is higher in Country A than Country B, Country A's currency will :
- (A) Appreciate      (B) Depreciate  
(C) Stay constant      (D) Be unaffected
- (9) Which of the following is a short-term exposure ?
- (A) Transaction exposure      (B) Economic exposure  
(C) Strategic exposure      (D) Operational exposure
- (10) What is the formula for forward premium (%) ?
- (A)  $(\text{Spot} - \text{Forward})/\text{Forward} \times 100$   
(B)  $(\text{Forward} - \text{Spot})/\text{Spot} \times 100$   
(C)  $(\text{Interest} - \text{Inflation})/\text{Spot} \times 100$   
(D)  $(\text{Forward} + \text{Spot})/2$
- (11) Which instrument gives the right but not the obligation to buy or sell currency ?
- (A) Forward contract      (B) Currency option  
(C) Currency swap      (D) Money market hedge
- (12) Which of the following is a reason for using hedging tools ?
- (A) To increase profits      (B) To reduce exchange rate risk  
(C) To speculate      (D) To avoid taxes
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