

Internal Assessment Test - I

Sub:	Global Financial Management				Code:	22MBAFM403	
Date:	06-08-2024	Duration:	90	Max Marks:	50	Sem:	IV
						Branch:	MBA

SET- II

		Marks	OBE	
			CO	RBT
Part A - Answer Any Two Full Questions (2* 20 = 40 marks)				
1 (a)	Bid = 83.3456 Ask = 83.6782	[03]	CO2	L3
(b)	Components of BOP 1. Current Account 2. Capital Account 3. Financial Account	[07]	CO1	L1
(c)	Criticize MNC 1. Threat to Domestic Industries 2. Natural Resource Loss 3. No Advantage for the Poor 4. Inadequate technology 5. Laws 6. Loss of sovereignty 7. Misapplication of Mighty Status 8. Promotion of Foreign Culture Selfishly 9. Pollution of the environment 10. Uncertainty 11. Abuse of human rights 12. Micro-Multinationals	[10]	CO1	L2
2 (a)	Classic period of exchange First put into operation in the United Kingdom in 1821 A monetary system that ties a currency's value directly with gold. The currency is freely convertible at home or abroad into a fixed amount of gold per unit of currency. Three rules Only gold is to be used for international transactions Two-way convertibility between gold and currency at a fixed rate. Free EX-IM of Gold If the dollar is pegged to gold at USD 60 = 1 ounce of gold, and the British Pound is Pegged to gold at BP 6 = 1 ounce of gold. Exchange rate will be 60USD = 6 BP means 10USD = 1BP	[03]	CO1	L1
(b)	Give an overview of the floating exchange rate system	[07]	CO1	L1
(c)	INR/SGD = 62.5012/62.8123 SGD/CAD = 0.9714/0.9983 INR/CAD Bid and Ask Rate = 60.7137/62.7055 Determine CAD/INR Bid and Ask Rate = 0.0159/0.0174	[10]	CO2	L3

3 (a)	GBP required to buy INR 2000 if INR/GBP = 107.48/1 Answer: 18.60 GBP (2000*1/107.48)	[03]	CO2	L3																				
(b)	Differentiate Swap and Option	[07]	CO3	L2																				
	<table border="1"> <thead> <tr> <th>Aspect</th> <th>Options</th> <th>Swaps</th> </tr> </thead> <tbody> <tr> <td>Liquidity</td> <td>Generally higher due to standardised contracts and exchange trading.</td> <td>Varies based on type; liquidity can fluctuate.</td> </tr> <tr> <td>Obligations</td> <td>The seller is obligated to sell the underlying asset if the option is exercised.</td> <td>Both parties have obligations to exchange cash flows.</td> </tr> <tr> <td>Underlying</td> <td>Involves trading assets based on their true worth.</td> <td>Involves exchanging cash flows alongside the underlying asset's value.</td> </tr> <tr> <td>Trading Method</td> <td>Can be traded either over-the-counter (OTC) or on exchanges.</td> <td>Typically over-the-counter (OTC) derivatives, are customized and privately traded.</td> </tr> <tr> <td>Payment</td> <td>Requires a premium payment to acquire the option.</td> <td>Generally does not involve an upfront premium payment.</td> </tr> <tr> <td>Exchange Involvement</td> <td>Tradable on exchanges and privately.</td> <td>Primarily traded privately and not on exchanges.</td> </tr> </tbody> </table>	Aspect	Options	Swaps	Liquidity	Generally higher due to standardised contracts and exchange trading.	Varies based on type; liquidity can fluctuate.	Obligations	The seller is obligated to sell the underlying asset if the option is exercised.	Both parties have obligations to exchange cash flows.	Underlying	Involves trading assets based on their true worth.	Involves exchanging cash flows alongside the underlying asset's value.	Trading Method	Can be traded either over-the-counter (OTC) or on exchanges.	Typically over-the-counter (OTC) derivatives, are customized and privately traded.	Payment	Requires a premium payment to acquire the option.	Generally does not involve an upfront premium payment.	Exchange Involvement	Tradable on exchanges and privately.	Primarily traded privately and not on exchanges.		
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(c)	Explain foreign exchange risk with examples. 1. Transaction risk, 2. Translation risk & 3. Economic risk	[10]	CO3	L2																				
	Part B - Compulsory (01*10=10 marks) – CASE STUDY																							
4	<p>USD/INR = 0.02342/0.04824 USD/EUR = 1.2546/1.5245 AED/EUR = 3.6715/3.4730</p> <p>1. INR/AED Bid and Ask Rate = 7.4876/14.5923 2. Spread = 7.1047 3. Spread Percentage = 94.88% 4. Mid-Rate = 11.03995 5. AED/INR Bid and Ask Rate = 0.0564/0.1335</p>	[10]	CO2	L3																				

Course Outcomes (COs)		PO1	PO2	PO3	PO4	PO5	PSO1	PSO2	PSO3	PSO4
CO1:	The student will have an understanding of the	1b,	2b			2a,	1c,	1b		2b

	International Financial Environment.	1c				2b				
CO2:	The student will learn about the foreign exchange market, participants, and transactions.	1a, 1c	3a, 4		3b		3a		1a, 1c	3b, 4
CO3:	The student will be able to use derivatives in foreign exchange risk management									
CO4:	The student will be able to evaluate the Firm's Exposure to risk in the international environment and various theories associated with it.									

Cognitive level	KEYWORDS
L1 - Remember	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2 - Understand	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3 - Apply	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4 - Analyze	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5 - Evaluate	asses, decide, choose, rank, grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6 - Create	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

PO1–Theoretical Knowledge; PO2–Foster Analytical and Critical Thinking Abilities for data based decision making; PO3– Develop Value Based Leadership; PO4 –Ability to Understand and communicate various business aspects to global; PO5 – Ability to lead themselves and others in the achievement of organizational goals contributing effectively to a team environment;
PSO1- Comprehend Contemporary features of Business Management Science and its administration
PSO2- Analyze and interpret the dynamic situations for making Business Management strategies
PSO3- Handle responsibility with the ethical values for all actions undertaken by them
PSO4- Adapt and focus on achieving the organizational goal and objectives with complete zeal and commitment.

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