Internal Assessment Test – I

Sub:	Global Financial Management							Code:	22MBAFM403
Date:	20-08-2025	Duration:	90 mins	Max Marks:	50	Sem:	IV	Branch:	MBA

SET - 2

		Marks	OBE	
			CO	RBT
Part A - Answer Any Two Full Questions (2* 20 = 40 marks) **Part B – Compulsory – Case Study (1*10 = 10 marks)**				
1 (a)	Describe the factors influencing the international monetary system?	[03]	CO1	L2
(b)	Examine the Importance of International Finance?	[07]	CO1	L3
(c)	Analyze the challenges faced by emerging economies in global capital markets?	[10]	CO1	L4
2 (a)	Describe the main functions of the BOT?	[03]	CO1	L2
(b)	Illustrate the difference between Fixed and Floating rate system?	[07]	CO1	L3
(c)	Analyze the Importance of Floating Rate Exchange System?	[10]	CO1	L4
3 (a)	Given are the following details **Ask Price = $50 and Bid Price = $48** Interpret the Spread Value?	[03]	CO2	L2
(b)	From the Following **Bid Price = $60 & Ask Price = $66** Determine the Spread and Spread Percentage?	[07]	CO2	L3
(c)	Given are the following details. **GBP/AUD = 1.6241/1.6587** **GBP/EUR = 1.1562/1.2121** Determine EUR/AUD Bid and Ask Rate? Determine AUD/EUR Bid and Ask Rate?	[10]	CO2	L3
	Part B - Compulsory (01*10=10 marks)			
4				
	When Bid and Ask are Given **INR/USD = 83.3456/83.9214** **EUR/USD = 1.5849/1.6214** **EUR/CNY = 2.1234/2.3456** Evaluate INR/CNY Bid and Ask Rate?	[10]	CO2	L5

| Course Outcomes (COs)		PO1	PO2	PO3	PO4	PO5	PSO1	PSO2	PSO3	PSO4
CO1:	The student will have an understanding of the International Financial Environment.	1a, 1b, 1c, 2a, 2b, 2c				1a, 1b, 1c, 2a, 2b, 2c	1a, 1b, 1c, 2a, 2b, 2c			
CO2:	The student will learn about the foreign exchange market, participants, and transactions.		3a, 3b, 3c, 4					3a, 3b, 3c, 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–Effective Communication Skills; PO3–Leadership Qualities; PO4 –Sustained Research Orientation; PO5 –Self-Sustaining Entrepreneurship

CI   CCI   HOD
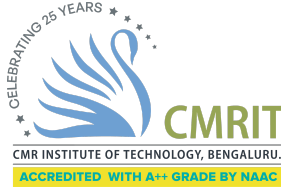
CMR
INSTITUTE OF
TECHNOLOGY

SCHEME OF EVALUATION
Internal Assessment Test 1– Aug 2025

Sub:	Global Financial Management						Code:	22MBAFM 403
Date:	20-08-2025	Duration:	90mins	Max Marks:	50	Sem: IV	Branch:	MBA

Note: Part A - Answer Any Two Full Questions (20*02=40 Marks)

Part B - Compulsory (01*10= 10marks)

Part	Question #		Description	Marks Distribution		Max Marks
A	1	a)	**Describe the factors influencing the international monetary system. [03]** • Exchange rate regimes (fixed/pegged/managed float/free float) adopted by major economies. • Reserve currencies and their dominance (USD, EUR, CNY) and associated network effects. • Balance of payments dynamics, current-account sustainability, and capital-account openness.	Any 3 points relating to what is mentioned in the description. Each Point carries 1 mark (Maximum 3 marks can be given in total)	3	20 M

| | | b) | **Examine the Importance of International Finance. [07]**

• Optimal capital allocation across borders; access to deeper and cheaper pools of capital.

• Facilitation of trade (letters of credit, trade credit, forfeiting) and supply-chain finance.

• FX risk management using forwards/futures/options/swaps; reduction of earnings volatility.

• Lower cost of capital via global listings/Eurocurrency markets; diversification of investor base.

• FDI/FPI enabling technology transfer, productivity gains, and employment.

• Price discovery and market efficiency through integrated financial markets.

• Hedging commodity/interest-rate risks; stability of cash flows and budgeting accuracy.

• Macro-stability via reserves management, sovereign borrowing, and shock absorption.

• Supports corporate internationalization—cross-border M&A, transfer pricing, treasury centralization. | Any 7 points relating to what is mentioned in the description. Each Point carries 1 mark (Maximum 7 marks can be given in total) | 7 | |

		c)	**Analyze the challenges faced by emerging economies in global capital markets. [10]**			
			 ● 1. Expected coverage (analyze with brief cause–effect): ● · Volatile capital flows and "sudden stops" leading to currency and liquidity stress. ● · Original-sin/currency mismatch—external debt in hard currency vs. local-currency revenues. ● · Shallow domestic bond markets and limited market-making capacity → higher risk premia. ● · Information asymmetry, lower transparency, and ratings constraints increase borrowing costs. ● · Contagion from global risk events; high correlation with US rates and dollar strength. ● · Regulatory capacity gaps, capital-controls trilemma, and policy-credibility challenges. ● · Terms-of-trade shocks (commodities) and imported inflation via exchange-rate pass-through. ● · Limited hedging depth/derivatives liquidity; basis risk and collateral constraints. ● · ESG and geopolitics affecting access to capital and sectoral allocations. ● · Financial inclusion/technology gaps—access costs for SMEs and households.	Any 10 points relating to what is mentioned in the description. Each Point carries 1 mark (Maximum 10 marks can be given in total)	10	

		a)	**Describe the main functions of the BOT. [03]** ● · Advise the government on export–import policy, tariffs, and trade agreements. ● · Promote exports via councils, incentives, and market access initiatives. ● · Resolve trade logistics/bottlenecks; coordinate with customs/ports/SEZs.	Any 3 points relating to what is mentioned in the description. Each Point carries 1 mark (Maximum 3 marks can be given in total)	3	
	2	b)	**Illustrate the difference between Fixed and Floating rate systems. [07]** 	Parameter	Fixed Interest Rate	Floating Interest Rate
---	---	---
Flexibility	The interest rate remains fixed throughout the repayment tenure.	The interest rate keeps changing during the tenure based on the base rate proportionate to market fluctuations.
Price	Higher than floating rates	Slightly lower than fixed rates
Prepayment Penalty	Prepayment charges are applicable	No prepayment penalties
Financing Planning	Easy to plan the financial budget due to fixed EMIs	Financial planning becomes tricky due to fluctuating EMIs
Risk Factor	Lower due to fixed EMIs	Higher due to market fluctuations
Benefit	Gives a sense of security	Helps generate savings		Any 7 differences relating to what is mentioned in the description. Each difference carries 1 mark (Maximum 7 marks can be given in total)	7	20 M

| | | c) | **Analyze the Importance of the Floating Rate Exchange System. [10]**

 • Acts as automatic stabilizer—absorbs external shocks via price (FX) rather than quantities.
 • Supports independent monetary policy (e.g., inflation targeting).
 • Reduces need for large reserve buffers to defend a peg; lowers quasi-fiscal costs.
 • Improves current-account adjustment and competitiveness during terms-of-trade shocks.
 • Disciplines fiscal/monetary excesses through market signals; enhances transparency.
 • Facilitates capital-flow management through price flexibility.
 • Encourages financial market development (FX derivatives/hedging).
 • Caveat: Volatility requires sound macro policy and hedging markets—acknowledge trade-offs.
 • Helps in generation of wealth through diversified investment options
 • Demand and supply conditions adjust the global economic patterns that can help in the formation of dynamic policies. | Any 10 points relating to what is mentioned in the description. Each point carries 1 mark (Maximum 10 marks can be given in total) | 10 | |
| 3 | | a) | **Given Ask = $50, Bid = $48. Interpret the spread value. [03]**

 Value of spread = Ask – Bid = 50 – 48 = $2. | 1.5 marks for mentioning formula and 1.5 marks for correct answer | 3 | 20 M |

| | | | b) | **Bid = \$60, Ask = \$66. Determine Spread and Spread Percentage. [07]**

Spread = Ask - Bid = 66 – 60 = \$6.

Percentage of spread = (Ask - Bid)/Ask

= (66 - 60) / 66 = 9.09%. | 2 marks for calculating spread and 3 marks for calculating spread percentage. 1 mark for mentioning spread formula and 1 mark for mentioning spread percentage formula. | 7 | |
| | | | c) | **Cross-rates GBP/AUD = 1.6241/1.6587; GBP/EUR = 1.1562/1.2121.**
Find EUR/AUD (Bid, Ask) and AUD/EUR (Bid, Ask). [10]

We require EUR/AUD = (EUR/GBP) × (GBP/AUD). Invert GBP/EUR to get EUR/GBP.

Invert GBP/EUR: EUR/GBP Bid = 1/1.2121 = 0.825014, EUR/GBP Ask = 1/1.1562 = 0.864902.

Combine:
 EUR/AUD Bid = 0.825014 × 1.6241 = 1.339906
EUR/AUD Ask = 0.864902 × 1.6587 = 1.434613

Reciprocal for AUD/EUR:
AUD/EUR Bid = 1 / 1.434613 = 0.697052
AUD/EUR Ask = 1 / 1.339906 = 0.746321 | 2.5 marks for EUR/AUD bid and 2.5 marks for EUR/AUD ask rate.

2.5 marks for AUD/EUR bid and 2.5 marks for AUD/EUR ask rate. | 10 | |

| B | 4 | | **Given:**

INR/USD = 83.3456/83.9214

EUR/USD = 1.5849/1.6214

EUR/CNY = 2.1234/2.3456

Evaluate INR/CNY Bid and Ask.

SOL:

- **INR/USD = 83.3456 / 83.9214**
  → 1 USD costs about ₹83.3–83.9

- **EUR/USD = 1.5849 / 1.6214**
  → 1 EUR costs about $1.58–1.62

- **EUR/CNY = 2.1234 / 2.3456**
  → 1 EUR costs about ¥2.12–2.35

USD/EURBid=1EUR/USDAsk=11.6214=0.6168
USD/EURAsk=1EUR/USDBid=11.5849=0.6310

- **Bid:** 0.6168×2.1234=1.309

- **Ask:** 0.6310×2.3456=1.480

So, **USD/CNY = 1.309 / 1.480** (i.e., $1 ≈ ¥1.3–1.5).

- **Bid:** 83.3456×1.309=109.15

- **Ask:** 83.9214×1.480 = 124.20

INR/CNY Bid=109.15, INR/CNY Ask=124.20 | 5 marks for INR/CNY bid rate and 5 marks for INR/CNY Ask rate. | 10 | 10 M |