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CMH 554

**IV Semester M.Com. Degree Examination, September/October 2022
(Choice Based Credit System)
(Regular and Repeaters)
COMMERCE
International Financial Management**

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any four** out of seven, **each** question carries **10** marks and answer to **each** question should **not** exceed **4** pages : **(10×4=40)**

1. Explain the importance of BOP statement.
2. Differentiate and compare fixed and flexible exchange rate regimes.
3. What are the motives for using international financial markets?
4. Given the following data :
Spot rate = Rs. 42.0010 = 1\$
6 month forward rate Rs. 43.8020 = 1\$
Annualised interest rate on 6 month Rupee = 12%
Annualised interest rate on 6 month Dollar = 8%
Calculate the arbitrage possibilities.
5. Explain international Fischer's effect with example.
6. A US computer company has wholly owned British subsidiary AB computers that manufactures and sells personal computers in the UK market. AB computers imports microprocessors from Intel, which sells them for USD 512 per unit. The current exchange rate is USD 1.60 per GBP. An AB computer hires British workers and sources all the other inputs locally. AB computers faces

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50% income tax rate in UK. The company currently sells 50000 units of PCs per year at a selling price of GBP 1000 per unit. The unit variable cost is GBP 650, which comprises GBP 320 for imported input and GBP 330 for locally sourced inputs. Each year the company incurs fixed overhead cost of GBP 4 million for rents, property taxes and others regardless of output level and depreciation allowance of GBP one million. If the Great Breton Pound sterling (GBP) is going to depreciate from USD 1.60 per GBP to USD 1.40 per GBP, what are the possible effects of this depreciation of the GBP on the projected dollar operating cash flows of AB computers ?

7. "Economic unions will avoid the possible wars and spread peace globally" regarding the sentence write your opinion and justify.

SECTION – B

Answer **any two** questions out of three, **each** question carries **15** marks, answer to **each** question should **not** exceed **7** pages : **(2×15=30)**

8. Explain the measures a developing country can take to correct the BOP disequilibrium.
9. What are the techniques to assess the country risk ?
10. Explain evolution of international monetary system.
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