

TILAK MAHARASHTRA VIDYAPEETH, PUNE
MASTER OF BUSINESS ADMINISTRATION (M.B.A.)
EXAMINATION: DECEMBER- 2024
SEMESTER - III
Sub.: International Financial Management (MFM307)

Date : 18/12/2024**Total Marks : 60****Time: 10.00am to 12.30pm**

Instructions: 1) All questions are compulsory.
 2) Figures to the right indicate full marks.

Q. 1. Write Short notes on (Any Three) (15)

1. Emerging challenges in the field of International Finance
2. Current Account Monetary Model
3. Strategies and Objective of Multinational Groups
4. Currency Futures and Currency Forwards
5. Macro-economic factors affecting exchange rate

Q. 2. Answer in detail (Any One) (10)

1. Why is international finance important for global economic stability and growth?
2. Discuss the role of financial institutions and corporations in the swap market.

Q. 3. Answer in detail (Any One) (10)

1. Discuss the role of technological advancements in shaping the challenges of international finance.
2. Explain the Interest Rate Parity (IRP) theory and its implications for exchange rate movements.

Q. 4. Answer in detail (Any One) (10)

1. Illustrate the main strategies employed by multinational groups to expand their operations globally.
2. Elaborate the role of the EMS in facilitating monetary cooperation among European countries.

Q. 5. Case Study (15)

Aria Textiles, an Indian exporter of high-end fabrics, secured a large order worth \$1 million from a European client. The company anticipates receiving the payment in Euros in six months. However, Aria Textiles is concerned about potential exchange rate fluctuations during this period, which could impact its revenue when converted to Indian rupees (INR).

The Chief Financial Officer (CFO) identifies this as a classic case of exchange rate risk. If the euro weakens against the INR, the company's earnings will diminish. Conversely, if the euro strengthens, Aria Textiles could benefit. To mitigate the risk, the CFO evaluates three hedging options:

1. **Forward Contracts:** Locking in an exchange rate for a future date.
2. **Currency Options:** Paying a premium for the right (but not the obligation) to exchange currency at a predetermined rate.

3. **Natural Hedging:** Using euro-denominated loans to offset exchange rate movements.

The CFO must balance cost, flexibility, and the level of risk mitigation offered by each tool. The decision is critical to safeguarding the company's profitability while maintaining financial flexibility.

Questions

1. What are the key risks associated with fluctuating exchange rates for international businesses like Aria Textiles?
 2. Demonstrate how forward contracts, currency options, and natural hedging work as tools to manage exchange rate risk.
 3. Based on the given scenario, recommend the most appropriate hedging strategy for Aria Textiles and justify your choice.
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