MBIB 4001

M.B.A. DEGREE EXAMINATION, JUNE 2014.

Fourth Semester

International Business

GLOBAL FINANCIAL MARKETS AND INSTRUMENTS

(2012-13 Batch Onwards)

Time : Three hours   Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. Discuss the functions of financial markets.

2. Enumerate the objectives of International Monetary Fund (IMF).

3. Discuss the functions of the World Bank.

4. Explain the features of any two euro currency instruments.

5. Discuss the characteristics of European Currency instruments.

6. What are currency options? Explain its features.

7. State the features of Global Depository Receipts and American Depository Receipts.

8. What is the difference between arbitrage and speculation?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Explain the role of WTO in detail.

10. Describe the various facilities provided by IMF.

11. How euro bonds are classified? Explain.

12. Discuss the different types of money market instruments.

13. Explain the Floating Rate Notes in detail.

14. Discuss the functions of the financial intermediaries.

15. Discuss the steps involved in the issue of GDRs.

16. What is meant by syndicate credit? Explain its features, merits and demerits.

PART C — (1 × 20 = 20 marks)

Compulsory.

17. Case study:

Assume you are a trader with Deutsche Bank. From the quote screen on your computer terminal, you notice that Dresdner Bank is quoting €0.7627/$1.00 and Credit Suisse is offering SF1.1806/$1.00.

You learn that UBS is making a direct market between the Swiss franc and the euro, with a current €/SF quote of .6395. Show how you can make a triangular arbitrage profit by trading at these prices. (Ignore bid-ask spreads for this problem.) Assume you have $5,000,000 with which to conduct the arbitrage.

What happens if you initially sell dollars for Swiss francs? What €/SF price will eliminate triangular arbitrage?

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