PH 351.4 Reg. No.

St Aloysius College (Autonomous)
Mangaluru

Semester IV – P.G. Examination - M.Com.(Finance and Analytics)

May – 2024

INTERNATIONAL FINANCIAL MANAGEMENT

Time: 3 Hours **Max. Marks: 70**

SECTION - A

Answer any FIVE of the following: **(5x4=20)**

1. Contrast International Financial Management and Domestic Financial Management, elucidating how they differ in terms of currency exposure, regulatory frameworks, and market dynamics.
2. Describe the significance of the Balance of Payments in understanding a country's economic health and its interactions with the global economy.
3. Discuss the meaning of the foreign exchange market and the players in the forex market, exploring the diverse range of participants, including central banks, commercial banks, hedge funds, and retail traders.
4. Calculate Cross Rates for the following:
   a) GBP:USD 1.5405; EUR:USD 1.3092
   b) USD:INR 46.5000; USD:CHF 1.8000
5. Delve into the theoretical framework of Interest Rate Parity Theory.
6. How do government intervention and currency manipulation strategies impact foreign exchange rates?
7. Explain translation exposure and its significance.

SECTION – B

Answer any FOUR of the following: **(4x10=40)**

8. Explore in detail carbon credit and its types, examining their role in fostering climate resilience, biodiversity conservation, and poverty alleviation in vulnerable communities.
9. Analyze the challenges and opportunities for India in coping up with the current account deficit, and propose actionable steps to achieve a more balanced external position.
10. Examine the mechanics of currency trading, considering factors that impact currency prices, such as economic data releases, geopolitical events, and market sentiment.
11. A foreign exchange dealer has assumed the following information for a particular currency. The quoted price CAD:EUR 0.7400, CAD:USD 0.8000, and USD:Euro 0.9200. On the basis of the above information, is triangular arbitrage possible? If yes, calculate profit by considering USD 100000.
12. Discuss the complexities and difficulties encountered in International Working Capital Management.

Contd...2

13. Ms Heley is the CFO of Kingdom Corporation (USA). She has concluded negotiations for the sale of telecommunications equipment to Hype Corporation, a British Firm for £1,000,000. This single sale is quite large in relation to Kingdom's present business. The sale is made in March with payment due three months later in June. Ms Heley has collected the following financial and market information for the analysis of her currency exposure problem:

- Spot Exchange Rate: $1.7640/£
- Three Month Forward Rate: $1.7540/£
- Kingdom's Cost of Capital 12% per annum

Three Month	Borrowing Rate	Investment Rate
UK	10% per annum	8% per annum
US	8% per annum	6% per annum

- June put option in the over-the-counter market for £1,000,000; strike price $1.75/£ (nearly at-the-money); 1.5% premium
- Kingdom's foreign exchange advisory service forecasts that the spot rate in three months will be $1.76/£
- Minimum acceptable margin was at a sales price of $1,700,000 ($1.70/£). Anything below this will cause Kingdom to lose money

Following four options are available for Kingdom to manage its exposure: Suggest which option is best.

1. Remain Unhedged
2. Hedge in the Forward Market
3. Hedge in the Money Market
4. Hedge in the Options Market

SECTION – C (Compulsory) (1x10=10)

14. Discuss the functions of the International Monetary Fund, outlining its role in promoting international monetary cooperation and exchange rate stability.

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Semester IV – P.G. Examination - M.Com.(Finance and Analytics)

May – 2024

COST ANALYSIS FOR MANAGERIAL DECISIONS

Time: 3 Hours **Max. Marks: 70**

SECTION - A

Answer any FIVE of the following: **(5x4=20)**

1. Elucidate the difference between relevant and irrelevant costs and their significance in decision-making.
2. Describe the core requirements for establishing a sound accounting system.
3. What constitutes standard costing, and how does it contribute to organizational benefits?
4. Elaborate on the distinct categories of standard costs.
5. Detail the essential components comprising Activity-Based Costing (ABC).
6. Provide an overview of the Six Sigma Quality framework and its components.
7. Explain the concept of transfer pricing.

SECTION – B

Answer any FOUR of the following: **(4x10=40)**

8. Outline the key techniques utilized in Strategic Cost Management.
9. Outline the significant factors that organizations need to consider when developing pricing policies.
10. Discuss the significance of TQM within organizations and delineate the key requirements for its implementation to be successful.
11. Beign Company manufactures a product PQR by mixing three raw materials. The standard and actual particulars for the PQR product is as follows:

Materials	Standard		Actual	
	Units	Price	Units	Price
P	4040	4	4320	4.80
Q	1640	6	1520	7.20
R	1400	8	1520	7.60

Calculate

a) Total Material Cost Variance b) Material Price Variance

c) Material Usage Variance

12. The following are the details of Company B

Total sales ₹ 7,20,000, Selling Price per unit ₹ 200, Variable cost per unit ₹ 100 and Total fixed cost of ₹ 2,00,000. Calculate

i) P/V Ratio ii) Break-even point iii) Margin of safety

Contd...2

13. A Ltd produces a special kind of product which is packaged and sold in bags of 40 kgs. During December, 2023, its revenue and cost patterns were as follows:

Selling price per bag ₹ 60

Variable cost per bag ₹ 32

Fixed costs ₹ 20,000

Quantity 60,000 bags

a. What is the break-even quantity?

b. Assuming a 10% increase in production volume, calculate the percentage change in profits.

SECTION – C (Compulsory) (1x10=10)

14. A company has collected the following data for its two activities. It calculates activity cost rates based on cost driver capacity.

Activity	Cost driver	Capacity	Cost
Power	Kilowatt-hours	25,000 hours	₹ 1,00,000
Quality Inspections	Number of Inspections	5,000 inspections	₹ 1,50,000

The company makes three products – M, N and O. For the year ended March 31, current year, the following consumption of cost drivers was reported:

Product	Kilowatt – hours	Quality Inspections
M	5,000	1,750
N	10,000	2,250
O	7,500	1,500

i. Compute the costs allocated to each product from each activity

ii. Calculate the cost of unused capacity for each activity.

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Semester IV – P.G. Examination - M.Com.(Finance and Analytics)

May – 2024

FINANCIAL DERIVATIVES

Time: 3 Hours **Max. Marks: 70**

SECTION - A

Answer any FIVE of the following: **(5x4=20)**

1. Describe the types of traders under the trading process of derivatives.
2. Differentiate between Hedging and Speculation.
3. A three-month put option on TATA Steel with a strike price of ₹ 550 is selling for ₹ 60. If the spot price on maturity is ₹ 500, compute the following,
   a. Intrinsic Value of the Put option
   b. Time Value of the Put option
   c. Break Even Price.
4. Differentiate between Commodity and Financial Derivatives.
5. Explain the meaning and types of swaps.
6. Explain any 4 benefits of Credit Derivatives.
7. Examine the meaning and rules for creating butterfly spreads.

SECTION – B

Answer any FOUR of the following: **(4x10=40)**

8. Weigh different types of derivatives.
9. Mr Peter bought 20 T bill Future contracts at ₹ 125. The initial margin requirement is ₹ 8000 and the maintenance margin of ₹ 6000 per contract. The settlement prices of T bill future contracts for first five days are as follows.

Day	1	2	3	4	5
Settlement Prices (₹)	124.50	123.90	123.20	123.50	122.90

Prepare a margin account assuming that all the margin calls are honored immediately and lot size of the contract is 2500.

10. Mr. S forecasts that A Ltd share will appreciate in near future and hence decides to create a bull spread by using put options on A Ltd share with an exercise price of ₹560 trading at the premium of ₹ 3 and at ₹ 570 trading at the premium of ₹4 per stock. Design Bull spread and calculate his net gain or loss if on maturity the spot price of A Ltd shares is ₹ 555, ₹ 565, ₹ 575 per stock. Calculate Break Even point and also show the diagrammatic representation of the strategy.

Contd...2

11. IBM Inc. as American firm has its subsidiary in Japan and Suzuki Corporation a Japanese firm has its subsidiary in USA and face the following interest rates.

Particulars	IBM Inc	Suzuki Corp
USD (Floating Rate of interest)	LIBOR +0.5%	LIBOR +2.5%
JPY (Fixed Rate of Interest)	2%	2.25%

Assume Suzuki wants to borrow USD at floating rate of interest and IBM wants to borrow JPY at Fixed rate of interest. A financial institution is planning to arrange for the swap and requires 75 basis points commission. If the swap is equally attractive to both the parties investigate what rate of interest will they end up paying?

12. Two companies are offered the following interest rates on a 5-year loan of ₹ 2 million, company A is interested in floating rate and B wants fixed rate. Design an interest rate swap netting 0.5% to be intermediary is equally attractive to both A and B.

Company	Fixed	Floating
A	15%	MIBOR + 1%
B	18%	MIBOR + 2%

13. Explain the features and parties involved in credit default swaps.

SECTION – C (Compulsory) (1x10=10)

14. BHEL future contracts has a contract size of 375 and on September 1 BHEL shares are selling at INR 2330. lets assume you own 750 shares of BHEL. October BHEL future with expiry on October 29 is selling at ₹ 2352. Assume that spot price of BHEL shares on October 29 is ₹ 2300. You plan to hedge your holdings in BHEL. Investigate
    i) Under above situation what kind of hedge is appropriate?
    ii) Explain how would you hedge?
    iii) What would be the result of your hedge, that is what would be the effective price at which you would sell the shares?

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Semester IV – P.G. Examination - M.Com.(Finance and Analytics)

May – 2024

CORPORATE LAW, ETHICS AND GOVERNANCE

Time: 3 Hours **Max. Marks: 70**

SECTION - A

Answer any <u>FIVE</u> of the following: **(5x4=20)**

1. Explain the Functions of National Company Law Tribunal (NCLT).
2. Describe the functions of SEBI.
3. Sketch the meaning and importance of Waste Management.
4. Discuss the circumstances under judicial decisions in which corporate veil may be lifted.
5. Describe the features of company.
6. Interpret the meaning of ethical dilemma.
7. Discuss any 4 issues involved in corporate governance in India.

SECTION – B

Answer any <u>FOUR</u> of the following: **(4x10=40)**

8. Sketch a brief note on Memorandum of Association.
9. Interpret the code of conduct followed by Stock brokers.
10. Identify ethical issues in business.
11. Design the guidelines to improve work place ethics.
12. Appraise the measures to create good corporate governance.
13. Examine the strategies in implementation of Corporate Social Responsibility.

SECTION – C (Compulsory) **(1x10=10)**

14. Demonstrate Corporate Social Responsibility Models.

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Semester IV – P.G. Examination - M.Com.(Finance and Analytics)

May – 2024

PORTFOLIO THEORY AND MANAGEMENT

Time: 3 Hours **Max. Marks: 70**

SECTION - A

Answer any FIVE of the following: **(5x4=20)**

1. Describe the components and assumptions of the constant growth model for share valuation.
2. Suppose securities P and Q have expected returns, standard deviations, and correlation coefficient given by: P - E(R)=10%; SD=55%; Q – E(R)=25%; SD=28%. r =-0.45. Allocate 60% to security P and 40% to security Q. Calculate the risk of the portfolio.
3. Explain the concept of the Capital Asset Pricing Model (CAPM) and its primary objective in investment theory.
4. Evaluate the performance of a portfolio that generated an average annual return of 12.3% over the last four years. Given a beta of 0.95 and average risk-free and market returns of 5.8% and 11.4% respectively, assess the portfolio's performance during this time frame.
5. Compare and contrast the constant rupee value plan, constant ratio plan, and dollar cost averaging as portfolio revision strategies, highlighting their respective advantages and limitations in different market conditions.
6. What is the primary objective of personal investment planning?
7. Outline the fundamental elements of effective personal financial planning.

SECTION – B

Answer any FOUR of the following: **(4x10=40)**

8. Demonstrate how to apply the six phases of portfolio management in a practical investment scenario.
9. Determine the Yield to Maturity (YTM) of a bond with a face value of ₹1000 and a coupon rate of 7% that is selling for ₹980 in the market. If the bond matures in 5 years and is redeemed at par, calculate its YTM.
10. Tranquil Motors has given 17%, 11%, and 7% returns in a boom, normalcy, and recession respectively. Skybound Airways has given 40%, 13%, and -18% returns in a boom, normalcy, and recession respectively. The chance of having a boom, normalcy, and recession are 0.30, 0.50, and 0.20 respectively. Calculate Expected Return and Risk.
11. Analyze the portfolio selection method recommended by Harry Markowitz.

Contd...2

12. The alpha of a security is 2.7%, beta is 1.9, and variance of residual returns (error term variance) is 330. The market index is expected to provide a return of 22.5% with a variance of 140. Calculate the expected return and risk of the security under the single index model.

13. Analyze how the Sharpe ratio, Treynor ratio, Fama's measure, and Jensen's measure contribute to the assessment of investment performance within the framework of the Capital Asset Pricing Model (CAPM) and their implications for portfolio management.

SECTION – C (Compulsory) (1x10=10)

14. The following data is available to you as a portfolio manager:

Security	Estimated Return %	Beta	Standard Deviation %
A	35	2	40
B	20	1.5	50
C	20	1	30
D	11.5	0.8	25
E	10	0.5	20
Market index	15	1	18
Govt Security	7	-	-

a. In terms of the security market line, which of these securities listed above are under-priced?

b. Assuming that a portfolio is constructed using equal proportions of five securities listed above, calculate the expected return and risk of such portfolio.

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