

Daffodil International University
Faculty of Business and Entrepreneurship
Department of Business Administration
Program: BBA
Mid Term Examination

Semester: Fall-2025
Time: 90 Minutes
Course Code: FIN 410

Full Marks: 25
Course Title: International Financial Management
Teacher's Name: DNMZ, Debashish

Answer all the following questions

1.
 - a. **Explain** the theory of product cycle theory. [CLO 01, L02, Marks: 2]
 - b. **Explain** why exchange rates may not correct a balance of trade deficit. [CLO 01, L02, Marks: 3]
2. These spot foreign exchange rates were reported on October 29, 2025. The exchange rates below represent the number of U.S. dollars required to purchase one unit of the foreign currency:

	Canadian Dollar (C\$)	Mexican Peso
US \$	0.70	0.07

Requirements:

- a. **Integrate** whether the above foreign exchange rates are direct or indirect quotes from the perspective of a U.S. investor.
 - b. **Calculate** how much of each foreign currency is required to purchase one U.S. dollar:
 - I. Canadian Dollar (C\$)
 - II. Mexican Peso
 - c. **Calculate** cross exchange rates between the following pair of currencies:
 - I. Mexican Peso and Canadian Dollar (C\$)
- [CLO 03, L04, Marks: 5]
3.
 - a. **Analyze** whether Chicago Co. could earn speculative profits considering the facts that the New Zealand dollar will appreciate against the U.S. dollar from its spot rate of \$.50 to \$.52 in 30 days, the firm can borrow \$10 million, U.S.

dollar borrowing rate is 7.20% (annualized) and NZ \$ lending rate is 6.48% (annualized). [CLO 03, L04, Marks: 4]

- b. **Analyze** how changes in relative interest rates between countries typically affect exchange rates with the aid of an exhibit. [CLO 03, L04, Marks: 3]

4.

- a. **Illustrate** how firms engage in international business with appropriate examples. [CLO 02, L03, Marks: 4]

- b. **Identify** the factors affecting international portfolio investment.

[CLO 02, L03, Marks: 4]