

CBCS SCHEME



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16MBAFM404

Fourth Semester MBA Degree Examination, June/July 2018 International Financial Management

Time: 3 hrs.

Max. Marks:80

Note: 1. Answer any Four questions from Q.No. 1 to Q.No. 7.
2. Question No. 8 is compulsory.

- 1 a. What is Licensing? (02 Marks)
b. Differentiate between Spot and Forward market. (06 Marks)
c. Prepare a BOP statement for France from the following data :
i) France exports goods worth FFrs 5000.
ii) France import goods worth FFrs 4000.
iii) Expenditure of foreign tourist in France FFrs 2500.
iv) France makes interest and dividend payment to foreigner FFrs 2000.
v) A France working in USA sent a cheque to his wife in Paris worth FFrs 500.
vi) A Bangladesh emigrant working in France remits money to his account in Dhaka FFrs 1000.
vii) France telecom invest in India FFrs 4500.
viii) IBM invest in France FFrs 2000.
ix) A French resident buy a German treasury bond FFrs 300.
x) A Swiss resident buy a French treasury bond FFrs 5000.
xi) A short term loan advanced by BMP to a British residence FFrs 4000.
xii) France borrows FFrs 3800 for short term from foreign. (08 Marks)
- 2 a. What is SWIFT? (02 Marks)
b. Why did the Bretton Woods agreement collapse? (06 Marks)
c. Write a note on the following :
i) Global Bond ii) American depository receipt iii) Zero coupon bonds. (08 Marks)
- 3 a. Explain Cross listing of shares. (02 Marks)
b. Explain the arbitrage opportunities for a trader, who wish to borrow Rs 1,00,000.
i) Spot rate 1\$ = Rs 65 ;
6 months forward = Rs 67.50.
ii) Annualised interest rate for Rupee 12%.
iii) Annualised interest rate for Dollar 7%. (06 Marks)
- c. The following information is available for the US and Europe :
- | Particulars | US | Europe |
|-----------------------|----|--------|
| Nominal Interest Rate | 4% | 6% |
| Expected Inflation | 2% | 5% |
| Spot Rate | | \$1.13 |
| One year Forward rate | | \$1.10 |
- i) Does Interest Rate parity hold?
ii) According to PPP, what is the expected spot rate of the € in one year?
iii) According to IFE, what is the expected Spot rate of the € in one year? (08 Marks)
- 4 a. Explain Multilateral Netting. (02 Marks)
b. What is Translation Exposure? Explain the methods for evaluating translation exposure. (06 Marks)



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- c. The rate of Inflation in India 8% PA and in the USA it is 4%. The current Spot rate for USD in India is Rs 46. What will be the expected rate after 1 year and after 4 years applying the purchase power parity theory? (08 Marks)
- 5 a. What is Geographical arbitrage in Forex Management? (02 Marks)
 b. From the following rates, find out Rs./DM relationship. (06 Marks)
 Rs/US \$ = 48.1000/3650 ; DM/US \$ = 1.5020/5100.
 c. French importer who is to pay \$ 10,000 and fear an appreciation of \$, he should have a Quantity of \$. The spot price FF/\$ = 5.6/\$.
 US Interest rate is 6% p.a. ; FF Interest rate is 8% p.a. 1 month contract.
 What should importer do? (08 Marks)
- 6 a. What is Country Risk Analysis? (02 Marks)
 b. Define a MNC. What are its Goals? (06 Marks)
 c. Explain the different types of International bonds. (08 Marks)
- 7 a. What is Balance of Payment? (02 Marks)
 b. You have called your foreign exchange trader and asked for Quotations on the Belgian franc spot, One – month , three – month and six – month. The trader has responded with the following : \$ 0.02479/81 3/5 8/7 13/10 (06 Marks)
 i) What does this mean in terms of dollars per Belgian franc?
 ii) If you wished to buy spot Belgian franc, how much would you pay in dollars?
 iii) If you wanted to purchase spot US dollars, how much would you have to pay in Belgian francs?
 c. Explain different internal hedging techniques. (08 Marks)

8 **CASE STUDY :**

Indus Ltd., is the wholly owned Indian subsidiary of US based company, Goft Ltd. Non – Consolidated balance sheet of both Gofts Ltd and Indus Ltd. (Only foreign operations), in thousands are as follows : (16 Marks)

Assets	Gofts Ltd (\$)	Indus Ltd (Rs)
Cash	2200	8000
Account Receivables	2400	4600
Inventory	2400	7000
Net plant and equipment	4600	9000
Investment	2000	-
Total	13600	28600

Plant and Equipment and Common stock were acquired when exchange rate was Rs 38.20/\$.

Liabilities and Net worth	Gofts Ltd (\$)	Indus Ltd (Rs)
Accounts payable	1000	12000
Common stock	4000	6000
Retained earnings	8600	10600
Total	13600	28600

The current exchange rate is Rs 43.20/\$. Gofts Ltd., translates by Current Rate Method.

- i) Calculate the accounting exposure for Gofts Ltd., by the Current Rate Method and Monetary / Non – Monetary Method.
 ii) Prepare a Consolidated balance sheet for Gofts Ltd and Indus Ltd.
