



**P.E.S. College of Engineering, Mandya - 571 401**  
*(An Autonomous Institution affiliated to VTU, Belagavi)*  
**Fourth Semester, Master of Business Administration (MBA)**  
**Semester End Examination; June - 2017**  
**International Financial Management**

Time: 3 hrs

Max. Marks: 100

*Note: Answer all FOUR full questions from PART-A and PART-B (Case study) is Compulsory.*

**PART - A**

- 1 a. What are the rewards in International Trade? 10
- b. What are the benefits of International Business? 10

OR

- 2 a. From the following Prepare the Balance of Statement:
- i) AB Corporations of the USA invest in India ` 5,00,000 to modernize its Indian subsidiary
- ii) A tourist from England buy sovereigns worth ` 5,000 to carry with him
- iii) A tourist also pay travel bill ` 10,000 to tourist agency
- iv) The Indian subsidiary of AB corporation, remit ` 5000 as a dividend to its parent company is USA 10
- v) The Indian subsidiary of AB Corporation sells a part of its production in other Asian countries for ` 1,00,000
- vi) The Indian subsidiary borrow a sum of ` 2,00,000 (to be paid back in years time) from the German Money Market to resolve its urgent liquidity problems
- vii) An Indian company buy a machine for ` 1, 00,000 from Japan and 60% payment is made immediately, the remaining amount is paid after 3 years.
- b. List out the causes of Disequilibrium of BOP. 10
- 3 a. Explain the functions of International Forex. 10
- b. Write a note on (ADR) American Depository Receipt. 10

OR

- 4 a. What factors affect exchange rates? 10
- b. Assume that the spot exchange rate of Danish is \$1414. How will this spot rate adjust according to PPP if the Denmark experiences an inflation rate of 8% which the US experiences an inflation rate of 2%? 10
- 5 a. What are the types of exposures which are faced by corporate entities? 10

b. An MNC has account receivables of \$1.8 billion and accounts payable of \$940 millions. It also has borrowed \$700 millions. Current spot rate is \$1.81381 /£

- i) What is the MNC's Dollar transaction exposure in dollar term 10
- ii) Suppose the pound appreciates to \$ 2.112 /£, what is MNC gain in pound terms, on its dollar transaction exposure.

OR

6 a. Explain the foreign exchange risk management frame work. What are its benefits? 10

b. Explain the various techniques to assess country risk. 10

7 a. What are the types of country risk? 10

b. What factors affect balance of payment? 10

OR

8. Write short notes on any four the following:

- a) Interest rate swaps                      b) Plain Vanilla Swaps                      c) Bretton Wood System                      20
- d) Licensing                                      e) Joint Venture.

**UNIT – B (Compulsory)**

9. **Case Study:**

Your Co. has to make a U.S. \$ 1 million payment in 3 months time. The \$ are available now . You decide to invest them for 3 months and you are given the following information. US deposit rate is 8% p.a., the starting deposit rate is 10% p.a. The spot exchange rate is \$ 1.80 per £, 3 months forward rate is \$ 1.78 £

- a) Where should your Company invest for better returns? 20
- b) Assuming that the interest rate spot exchange rate remain as above, what forward rate would yield an equilibrium situation?

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