



Sanjay Ghodawat University, Kolhapur

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2018-19

EXM/P/09/01

Year and Program: MBA –II
2018-19

School of Commerce &
Management

Department of Management

Course Code: MMC FM611

Course Title: International
Financial Management
End Semester Examination
(ESE)

Semester – III

Day and Date
Monday 17/12/2018

Time: Max Marks: 100

10:00 to 1:00 pm

Instructions:

- 1) All questions are compulsory.
- 2) Assume suitable data wherever necessary.
- 3) Figures to the right indicate full marks.

Q.1 Attempt the following

- a) Define International Financial Management and Explain the Components of Balance of Payment.

Marks	Bloom's Level	CO FM611
07	L ₂	1

OR

- a) Discuss the objectives of International Monetary Fund.

07	L ₂	1
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b)

	Spot	1 Month	3 Month	6 Month
FFR/ US \$	5.2321/5.2340	25/20	40/32	20/26

08	L ₃	2
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Find Outright rates.

OR

- b) If exchange rate in Mumbai interbank market is US \$ = Rs. 55.2100/2200 and in London interbank market Euro 1 = US \$ 1.2745 what would be the exchange rate between Rs and Euro

08	L ₃	2
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Q.2 Attempt the following

- a) Discuss International Cash Management with the advantages of

07	L ₂	3
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centralized cash management

OR

- a) Exchange rate Can \$ 1.3170 per US \$ (Spot) 07 L₃ 3
 Can. \$ 1.2950 per US \$ (6 Month Forward)
 Interest rate = US \$- 10% and Can. \$- 6%
 Calculate possibility of arbitrage gain.

- b) Indian Pharma. Ltd. evaluating investment proposal to build plant in 08 L₃ 4
 USA. The project initial cost of \$ 100 million and expected to generate
 following cash inflows.

Year	Cash Inflows (in Millions)	Discount Factor @15%
1	30	0.869
2	40	0.756
3	50	0.657
4	60	0.571

Spot exchange rate is Rs 45 per US \$. The risk free rate in India is 11%
 and in USA 6%. Indian Pharma requires minimum 15% rate of return.
 Should company undertake this project, calculate NPV.

OR

- b) What do you understand by international capital budgeting? Explain 08 L₂ 4
 the factors considered in preparation of capital budgeting.

Q.3 Solve any Two

- a) Explain the following: 08 L₂ 1
 1) Current account convertibility in India
 2) Capital account convertibility in India

- b) 08 L₃ 2

	Spot	6 Month Forward	Interest rate per annum
Rs/US \$	Rs. 35.0020	Rs. 35.9010	Rs. -12% US \$- 7%

Calculate the Possibility of Arbitrage gain if one would like to invest 1 million of rupees.

- c) 08 L₂ 3

- d) 08 L₃ 4

A US MNC planning to install plant to produce 500000 units of automobile components. It involves an investment of Rs 50 Million. and Rs. 5 million working capital. **The cash inflows after tax and before depreciation are as follows**

Year	Cash Inflows (in Rs)	Exchange Rate	PV Factor @ 15%
0	-	Rs. 58/ \$	-
1	17000000	Rs. 59.74/ \$	0.870
2	17000000	Rs. 61.53/ \$	0.750
3	17000000	Rs. 65.80/ \$	0.658
4	17000000	Rs. 67.24/ \$	0.572
5	32000000	Rs. 69.26/ \$	0.497

Advise MNC regarding financial viability of the project

Q.4 Solve any Two

- a) 09 L₂ 5
Describe in detail the evolution of International Monetary System with phases of currency exchange rate system.
- b) 09 L₂ 5
In globalised Era, the functions of finance executive of an MNC have become complex” In your view what are the factors responsible for decision making in International Financial Management?

- c) What are your opinion on latest depreciation of Indian Rupees with US \$ and its implication on economy? 09 L₃ 5

Q.5 Solve any Two

- a) Describe the following risks, which arises in international operations 09 L₂ 6
- I) Exchange rate risks
 - II) Interest rate risk
 - III) Political risk
- b) Differentiate between accounting exposure and economic exposure. Discuss the translation method of 'foreign subsidiary account' 09 L₂ 6
- c) Critically examine following important theories with suitable example 09 L₃ 6
- I) Purchasing power parity
 - II) Interest rate parity

Q.6 Write short notes (any three)

- a) International Fischer effect 06 L₂ 5
- b) Global Financial Environment 06 L₂ 5
- c) Hedging strategies. 06 L₂ 6
- d) Currency exchange market 06 L₂ 6
