



Sanjay Ghodawat University, Kolhapur  
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2018-19  
EXM/P/09/01

**Year and Program:** 2018-19 **School of Commerce and Management** **Department :-S.Y. MBA**  
**Course Code: :** MMCIB613 **Course Title:- : International Financial Management** **Semester – III**  
**Day and Date** **End Semester Examination** **Time: Max Marks: 100**  
*Tuesday 18 DEC 18* **(ESE)** *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	Solve any Two	Marks	Bloom's Level	CO
a)	Differentiate Greenfield investment Vs. Acquisition	07	L <sub>4</sub>	CO1
	OR			
a)	Examine complexities and issues in financial decisions of MNC's.	07	L <sub>4</sub>	CO1
b)	Describe International Capital Budgeting. Elaborate factors considered in International capital Budgeting	08	L <sub>2</sub>	CO2
	OR			
b)	A US based plastic manufacturer is considering a proposal to produce of high quality plastic glasses in India. The necessary equipment to manufacture the glasses would cost Rs. 1 lakh each in India and it would last 5 years. The tax relevant rate of depreciation is 25% on written down value. The expected salvage value is Rs.10,000. The glasses will be sold at Rs.4 each .Fixed cost will be Rs.25,000 each year and variable cost Rs.2 per glass. The manufacturer estimates it will sell 75,000 glasses per year, tax rate in India is 35%.The US manufacturer assumes 20% cost of capital for such a project. Additional working capital requirement will be Rs.50,000.	08	L <sub>2</sub>	CO2
	The US manufacturer will be allowed 100% repatriation each year with a withholding tax rate of 10%.Should the proposal of setting up a manufacturing unit in India be accepted by the US Manufacturer?			

Spot and expected exchange rates are as follows:-

Spot	Rs.60/\$
Year end 1	60
2	60
3	62
4	62
5	62

Q.2

**Solve any Two**

- a) Analyze different types of risks with reference to International Portfolio investment. 07 L<sub>4</sub> CO3

OR

- a) Critically examine International Capital Asset Pricing Model in view of International Portfolio Investment. 07 L<sub>4</sub> CO3
- b) Express the concept of cash management. Describe two cash management models. 08 L<sub>2</sub> CO4

OR

- b) Elaborate credit policy concept with reference to receivables management. 08 L<sub>2</sub> CO4

Q.3

**Solve any Two**

- a) State and explain the following: 08 L<sub>2</sub> CO1  
Theories of FDI
- b) With reference to cost of capital describe assessment and management of political risks. 08 L<sub>2</sub> CO2
- c) Explain different factors affecting foreign exchange rate. 08 L<sub>5</sub> CO3
- d) From the following calculate (a) Economic Order Quantity, 08 L<sub>3</sub> CO4  
(b) Number of orders per year (c) Frequency of orders  
(d) Total Annual and Carrying cost at EOQ.

Annual Consumption of Input :- 48,000 units

Purchase price of Input unit :- \$25

Annual carrying cost :- 12%

Ordering cost per order :- \$180

Q.4

**Solve any Two**

- a) Assess various techniques of consolidated financial statements. 09 L<sub>2</sub> CO5
- b) Summarize concept and Methods of Multinational Transfer pricing 09 L<sub>2</sub> CO5
- c) Enumerate and explain different sources of financing in relation to 09 L<sub>5</sub> CO5

International project financing.

Q.5

**Solve any Two**

- |    |   |    |                |     |
|----|---|----|----------------|-----|
| a) | Exchange rates:<br>Can \$ 0.665 per DM (spot)<br>Can \$ 0.670 per DM (3 months)<br>Interest rates: DM 7 per cent per annum<br>Can \$9 per cent per annum<br>Compute the arbitrage gain possible from the above data.  | 09 | L <sub>2</sub> | CO6 |
| b) | A French Exporter, named Gabriel is to receive DM1.0 million in 6 months time. The exchange rates are quoted as follows:-<br>Spot:FFr 4.4476/DM<br>6 months forward:FFr 4.4124/DM<br>a) There is fear of depreciation of DM in near future, in this situation what Gabriel should do?<br>b) In case of likely appreciation of DM, what should Gabriel do? | 09 | L <sub>2</sub> | CO6 |
| c) | In context of international business, describe different foreign exchange risks.  | 09 | L <sub>2</sub> | CO6 |

Q.6

**Solve any Three**

- |    |   |    |                |     |
|----|---|----|----------------|-----|
| a) | Outline concept and steps in Foreign Currency Translation             | 06 | L <sub>4</sub> | CO5 |
| b) | International Accounting Standards and Practices-Concept and Benefits | 06 | L <sub>4</sub> | CO5 |
| c) | Write a short note on Crypto currency                                 | 06 | L <sub>2</sub> | CO6 |
| d) | Explain the term currency options.                                    | 06 | L <sub>2</sub> | CO6 |

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