

GUJARAT TECHNOLOGICAL UNIVERSITY**MBA – SEMESTER - 3 - EXAMINATION – SUMMER 2021****Subject Code: 4539242****Date: 19/08/2021****Subject Name: International Finance Management****Time: 02:30 PM TO 05:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1** Explanation the following terms: **14**
1. Direct quote
 2. Indirect quote
 3. A. Pegging of Currency
 4. Spread
 5. ADR
 6. Dirty Floating
 7. Netting
- Q.2** (a) What is International financial management? Explain modes of internationalization of business. **07**
- (b) Mention the broad features of fixed parity system of exchange rate initiated by IMF during 1940s. Discuss factors responsible for its collapse by early 1970s. **07**
- OR**
- (b) What is international banking? Explain the process of internationalization of Banks? **07**
- Q.3** (a) Write a note on Letter of Credit **07**
- (b) Explain how Special drawing rights (SDR) are constructed? Also discuss circumstances under which SDR was created. **07**
- OR**
- Q.3** (a) The spot rate of the Indian rupee against the British Pound is 75. The interest rate in the United Kingdom is 8% and in India is 6%. What is the forward rate premium (Discount) of the Indian rupee with respect to the British Pound if interest rate parity exists? What is the forward rate (one year) of the British Pound in terms of the Indian Rupee? **07**
- (b) Explain the concept of International portfolio management. Discuss the problems of international investment. **07**
- Q.4** The following information pertains to exchange rates quoted in London for Spot and Forward **07**

| Currency | Spot | Swap Point 1 Month forward | Swap Point 3 month forward |
|-----------------|-------------|----------------------------------|----------------------------------|
| Canadian Dollar | 1.8640-8650 | 40-30 c pm | 0.90-80 pm |
| Euro | 1.4468-72 | 10-20 c dis | 44-55 dis |
| US \$ | 1.5865-70 | 20-30 dis | 25-35 dis |

Calculate the cost or Value in Sterling to a Customer, who wishes to

1. Sell Canadian Dollars 19,200 spot
2. Buy Euro 34,250 one month forward
3. Sell US \$ 93,750 three months' forward

(b) Explain meaning of currency futures. Also explain features of currency futures. 07

OR

Q.4 (a) What is meaning of exposure? Explain types of exposure. 07

(b) You propose Visiting London. You wish to carry Travellers' Cheque with you. 07

You go to your local bank. The exchange rate quoted by the bank is Buying rate 72.70, selling rate 73.25

1. Explain the quotes.

2. Compute the spread

3. How much would you pay for purchasing Pound 250 in Tcs?

4. If on your return from London you have balance of Pound 23, how

many Rupees would you receive if the bank in India quotes 73.65-73.92?

Q.5

Firm ABC provides following details regarding their business.

| Liabilities | Amount (Rs. Million) | Assets | Amount (Rs. Million) |
|----------------------------|----------------------|-------------------------|----------------------|
| Current liabilities | 600 | Cash | 150 |
| Share capital | 1,500 | Marketable securities | 150 |
| Bonds | 900 | Debtors | 300 |
| Retained earnings | 600 | Inventory | 450 |
| | | Land & Building | 900 |
| | | Plant & machinery | 1200 |
| | | Furniture & Fixtures | 450 |
| Historical rate = Rs.45/\$ | | Current rate = Rs.48/\$ | |

(a) From the above balance sheet of ABC firm, Calculate translation exposure of firm by using Current-non current method 07

(b) Temporal method 07

OR

Q.5 (a) From the above balance sheet of ABC firm, Calculate translation exposure of firm by using 07

Current-non current method if current rate is Rs.50/\$

(b) Temporal method if current rate is Rs.50/\$ 07
