

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

## GUJARAT TECHNOLOGICAL UNIVERSITY

MBA SEMESTER-4- EXAMINATION – SUMMER 2020

Subject Code: 4549221

Date: 04/11/2020

Subject Name: Finance\_ International Finance (IF)

Time: 10:30 AM TO 1.30 PM

Total Marks: 70

Instructions:

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

| Q. No.    | Question Text and Description  | Marks    |
|-----------|--|----------|
| Q.1       | 1. Red clause Letter of credit<br>2. Dirty Floating<br>3. Covered Interest Arbitrage<br>4. Cross currency<br>5. Direct Quote<br>6. Bid- ask rate<br>7. Balance of Payment  | 14       |
| Q.2       | (a) What is letter of credit? Explain types of letter of credit.<br>(b) What is International financial management? Explain modes of internationalization of business.   | 07<br>07 |
| <b>OR</b> |  |          |
|           | (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       |
| Q.3       | (a) Calculate how many rupees ABC Ltd., Gujarat based firm, will receive or pay for its following four foreign currency transactions:<br>(i) The firm receives dividend amounting to Euro 1,12,000 from its French Associate Company.<br>(ii) The firm pays interest amounting to 2,00,000 Yens for its borrowings from a Japanese Bank.<br>(iii) The firm exported goods to USA and has just received USD 3,00,000.<br>(iv) The firm has imported goods from Singapore amounting to Singapore Dollars (SGD) 4,00,000. | 07       |

Given: 1\$ = Rs.40.00/40.05

1 Euro = Rs.56.00/56.04

1 SGD = Rs.24.98/25.00

100 Yens = Rs.44.00/44.10

- (b) Explain meaning and importance of foreign exchange market? Also explain in brief parties involved in foreign exchange market. **07**

**OR**

- Q.3** (a) What is multinational netting? How does it help in foreign exchange management? **07**

- (b) There are three currencies INR (Indian Rs.) USD (US Dollar) and SGD (Singapore Dollar). From the following details of Currencies find the cross currency rates. **07**

1 USD = Rs.40.00

1USD = 1.40 SGD

1 SGD = Rs.?

Find the currency rate between Singapore Dollar and Indian Rupees

**Q.4**

- (a) Write a note on ADR and GDR **07**
- (b) A person gets an interest free loan of \$3,00,000. Repayment is to be done in three equal – half – yearly installment. **07**

Assume following rates:

A. Today - Six-month forward rate 40/40.50

B. @ end of 6 months - Spot: 42/42.10

Forward: 42.40/42.50

C. @ end of 1 year - Spot: 43/43.10

Forward: 43.50/43.60

D. @ end of 1.5 year - Spot: 45/45.10

Q. Find the amount he has to pay in Rs. In following 3 condition.

1) No hedging      2) Rupee roll over      3) Separate contract.

**OR**

- Q.4** (a) Explain importance of International Bond Market. Also explain types of International Bonds. **07**

- (b) Describe the key factors contributing to effective cash management with a firm. Why is the cash management process more difficult in MNC? **07**

**Q.5**

**CASE STUDY:**

Find the translation Gain/ loss on the basis of following data:

| <b>Liabilities</b>                 | <b>Amount (Rs. Million)</b> | <b>Assets</b>                 | <b>Amount (Rs. Million)</b> |
|------------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Current liabilities                | 400                         | Cash                          | 100                         |
| Share capital                      | 1,000                       | Marketable securities         | 100                         |
| Bonds                              | 600                         | Debtors                       | 200                         |
| Retained earnings                  | 400                         | Inventory                     | 300                         |
|                                    |                             | Land & Building               | 600                         |
|                                    |                             | Plant & machinery             | 800                         |
|                                    |                             | Furniture & Fixtures          | 300                         |
| <b>Historical rate = Rs.40/ \$</b> |                             | <b>Current rate= Rs.46/\$</b> |                             |

**Find translation gain/loss by**

(a) Current-non current method **07**

(b) Temporal method **07**

**OR**

**Q.5** (a) **Find translation gain/loss by** **07**  
Current rate method

(b) Monetary/ non-monetary method **07**

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