

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER– IV EXAMINATION – WINTER 2020

Subject Code: 4549221

Date: 04/01/2021

Subject Name: Specialization-Finance_ International Finance (IF)

Time: 02:00 PM TO 04.00 PM

Total Marks: 47

Instructions:

1. Attempt any THREE questions from Q1 to Q6.
2. Q7 is compulsory.
3. Make suitable assumptions wherever necessary.
4. Figures to the right indicate full marks.

	Marks
Q.1 Explain the Terms.	06
(a) (a) FX Brokers (b) Forward Cross Rate (c) Nostro Account	
(b) (a) Dual Currency Bond (b) LIBOR (c) Credit Risk	06
Q.2 (a) Discuss the difference between international financial management and domestic financial management.	06
Q.2 (b) What do you mean by Balance of Payments? Discuss in details with all types of Accounts involved in Balance of Payments.	06
Q.3 (a) Explain the factors influencing the foreign exchange rate.	06
Q.3 (b) Calculate the profit or loss when C\$9360000 are purchased at the rate of C\$1 = US\$ 1.4510 and sold at the rate of C\$1 = US\$ 1.4620	06
Q.4 (a) Discuss features of interbank deals used in purchase and sales of foreign currencies in detail.	06
Q.4 (b) Following data are available US\$ 1 = ¥ 123.25 £1 = US\$ 1.4560 A\$1 = US\$ 0.5420 Find out cross rates for Pound and Yen, Australian Dollar and Yen, Pound and Australian Dollar.	06
Q.5 (a) What do you mean by American Depository Receipts (ADRs)? Discuss in details.	06
Q.5 (b) Discuss various multinational cash management strategies with suitable	06

examples.

Q.6 (a) “Letter of credit is known as documentary credits” explain the statement and also discuss various types of letters of credits in detail. **06**

Q.6 (b) Write a detail notes on management of transaction exposure and management of translation exposure. **06**

Q.7 Suppose that a US computer company has a wholly owned British subsidiary. Albion Computers PLC that manufactures and sells personal computers in the UK market. Albion computers imports microprocessors from Intel, which sells them for \$512 per unit. At the current exchange rate of \$1.60 per pound. Each Intel microprocessors costs £320. Albion computer hires British workers and sources all the other inputs locally. Albion faces a 50% income tax in the UK.

The company expects to sell 50000 units of personal computers per year at a selling price of £1000 per unit. The unit variable cost is £650 which comprises £320 for the imported input and £330 for the locally sourced inputs.

The pound price of imported inputs will change as the exchange rates changes, which can affect the selling price in UK. Albion incurs fixed overhead cost of £4 Million for rents and Depreciation allowance is £1 Million.

Q.7 (a) Calculate operating cash flow in Dollar as per current Economic exposure. **5.5**

Q.7 (b) Calculate operating cash flow in Dollar if the price of imported input change as the rate of £1 = \$1.40. Other details remain same. **5.5**

OR

Q.7 (a) Calculate operating cash flow in Dollar if the price of imported input changes as the rate of £1=\$1.40 as well as selling price per unit is £1143 per unit. **5.5**

Q.7 (b) Calculate operating cash flow in Dollar if the price of imported input changes as the rate of £1=\$1.40, selling price per unit is £1080 and total selling units are 40000 units. Assume that price of locally sourced inputs increase at the rate of 8%. **5.5**
