

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER –IV-EXAMINATION – SUMMER-2022

Subject Code: 4549221**Date: 13-07-2022****Subject Name: International Finance****Time: 10:30 AM TO 01:30 PM****Total Marks: 70****Instructions:**

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

		Marks
Q.1	Answer the followings: (a) Define “Balance of Payment Deficit” (b) Explain “Cross rates” (c) Explain “International Franchisee” (d) Describe “EURO” (e) Define role of “Money Exchanger” (f) Explain a direct quote of USD in terms of INR (g) Explain “Foreign Exchange”	14
Q.2	(a) The days are no more when civilized society used to exchange goods for goods/services. Evaluate Bretton woods agreement and the present flexible exchange rate regimes. (b) Explain “ADR” and “GDR” in detail along with examples.	07
OR		
	(b) Brief “Incoterms” with its application on international trades.	07
Q.3	(a) Explain “Cross Border Acquisition” with example. Also, evaluate the benefits and challenges of Cross Border Acquisition. (b) Define “Letter of Credit”. Evaluate characteristics of any three different types of Letter of Credits.	07
OR		
Q.3	(a) Calculate the 1 year forward and 3 years forward rate for the spot rate of USD 1 = INR 70.2450, assuming annual interest rate for currency INR as 6.5% and the same for currency USD as 2.25%. (b) You are required to identify the exchange rate of INR in terms of CHF, if it is known that USD 1 = INR 70.5650 and CHF 1 = USD 1.0250. Also, analyze the change and calculate new exchange rate of INR to CHR if the exchange rate of USD to CHF changes to CHF 1 = USD 1.0350 after certain period of time.	07
Q.4	(a) The world is passing through Pandemic situation. In line with the same, conceptualize the global and multinational firms. Also, evaluate the effect of such global crisis of such firms along with other challenges of globalization.	07

(b) Explain management of “Transaction Exposure” 07

OR

Q.4 (a) Explain management of “Economic Exposure” 07

(b) You are required to elaborate “Forward contract Extension” and “Forward contract Cancellation” 07

Q.5 Japanese Automakers Outsource to Cope with a Rising Yen. Japanese automakers have protected themselves against the rising yen by purchasing a significant percentage of intermediate components from independent suppliers. During last six months USDJPY is changed from USD 1 = JPY 112.2500 to USD 1 = JPY 109.2500. This practice, called outsourcing, gives them the flexibility to shift purchases of intermediate inputs toward suppliers with costs least affected by exchange rate changes. Some of these inputs come from South Korea and Taiwan, nations whose currencies have been closely linked to the U.S. dollar. Thus, even if such intermediate goods were not priced in dollars, their yen-equivalent prices tend to decline with the dollar and, thereby, lessen the impact of a falling dollar on the cost of Japanese cars sold in the United States.

Outsourcing in countries whose currencies are linked to the currency of the export market also creates competitive pressures on domestic suppliers of the same intermediate goods. To cope in such an environment, domestic suppliers must themselves have flexible arrangements with their own input suppliers. In many cases, these smaller firms can survive because they have greater ability to recontract their costs than do the larger firms specializing in assembly and distribution. When the suppliers are faced with the reality of an exchange rate change that reduces the competitive price of their outputs. They are able to recontract with their own inputs to reduce costs sufficiently to remain economically viable.

(a) Evaluate the advantages for outsourcing for Japanese automaker under the situation of rising Yen. 07

(b) Design any other alternative strategy (other than outsourcing) to protect against rising Yen, for Japanese automaker. 07

OR

(a) Evaluate the challenges faced by Japanese automaker due to rising Yen. 07

(b) Calculate the appreciation of Yen during last six months (On the basis of above case). Also, evaluate the impact of the same on Japanese automaker. 07
