

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA (IB)– SEMESTER III – EXAMINATION – WINTER 2019**

**Subject Code: 1539321****Date: 02/12/2019****Subject Name: Global Financial Management****Time: 10.30 a.m to 1.30 p.m.****Total Marks: 70****Instructions:**

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

- Q.1** Explain the terms. **14**
- (a) Euro Bank  
 (b) LIBOR  
 (c) ECB  
 (d) Yankee Bonds  
 (e) Syndicated Credits  
 (f) GDR  
 (g) Netting
- Q.2** (a) “Growth of MNCs and International Trade are responsible for growing importance of Global Financial Exposure for a Firm.” Discuss Complexities of International Financial Management compared to Domestic Financial Management. **07**
- (b) Discuss and explain in detail most widely known and accepted benchmark in Global Financial Markets “LIBID and LIBOR”. **07**
- OR**
- (b) Banker’s Acceptance is one of the widely used Financial Instrument in Global Money Market. Explain the working mechanism with suitable Example. **07**
- Q.3** (a) Evaluate various Methods of raising Funds by an MNC. **07**
- (b) Explain risk handling techniques in investment decision. **07**
- OR**
- Q.3** (a) Discuss Bottlenecks in FDI Flows to India. **07**
- (b) An MNC from India is considering the following Investment Proposals in different countries after thorough evaluation from parent perspective below result is received in terms of NPV. **07**  
 (Amt in Cr.)

Project	Indonesia	Kenya	Estonia
A	450	212	152.3
B	63.8	52.45	78.00
C	21.25	32.6	19.8
D	789.62	485.32	658.86
Tax rate	35 %	38 %	40 %

The company is certain to execute the all projects with required investment, decision is pending regarding country selection.

As a consultant **based on this information only** you need to suggest which project in which country should be opted? Why?

- Q.4** (a) List out and explain in detail critical dimensions of International Financial Decision Making. **07**
- (b) Explain Difference between centralized and decentralize Cash Management System. Also list out advantages and disadvantages of Centralized Cash Management System. **07**

**OR**

- Q.4** (a) Write a note on Project Finance as one of the major market segment to raise funds in global market. **07**
- (b) Discuss Netting Exposure with suitable example as an important advantage for Centralized Cash Management. **07**

**Q.5** **CASE STUDY:**

Hanson and Sons Inc. a U.S. based MNC is considering a capital project in India requiring an outlay of 15 million Rs. It is expected to generate 3.75 million Rs. Cash inflow for 6 years. The opportunity cost of capital is 18%. The firm can raise a term loan of 10 million Rs for the project. The term loan will carry an interest rate of 16 percent and would be repayable in 5 equal installments, the first installment falling due at the end of the second year. The balance amount required for the project can be raised by issuing equity. The issue cost is expected to be 8 percent. The Tax rate for the company is 50 %. Assume spot rate at USD/INR 50.

- (a) Based on above mentioned information from **Project perspective** calculate **14**
- NPV
  - APV
  - PV of tax Shield on debt Finance.

**OR**

- Q.5** (a) Based on above mentioned information from **Parent perspective** calculate **14**
- NPV
  - APV
  - PV of tax Shield on debt Finance.

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