

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA SEMESTER- IV - EXAMINATION-SUMMER-2024

Subject Code: 4549221**Date: 26/04/2024****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.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

		Marks
Q.1	Definitions / terms / explanations / short questions based on concepts of theory/practical (a) Foreign Direct Investment (b) Letter of Credit (c) International Monetary System (d) Pegged Exchange rate system (e) Arbitrage (f) Cross Rate (g) Indirect Quotation	14
Q.2	(a) Discuss the distinguishing features of international finance. (b) What is BOP? Briefly discuss the components of BOPs?	07 07
	OR	
	(b) Write a short note about ADR.	07
Q.3	(a) What is exchange risk? How can it be managed? (b) Should the world adopt a basket of the five or ten leading currencies (e.g., US dollar, Japanese yen, Swiss franc, etc.) as a global currency for international trade?	07 07
	OR	
Q.3	(a) Distinguish between a forward and a futures contract. Which of the two is more popular? Why? (b) What risks confront dealers in the Foreign Exchange Market? How can they cope with those risks?	07 07
Q.4	(a) Distinguish between transaction and economic Exposure. Give examples to elucidate your answer. (b) The following quote is given: USD/INR = 84.7250/84.7300. Identify the country in which it is direct quote. Find the mid rate, spread and spread %. Also calculate inverse quote?	07 07
	OR	
Q.4	(a) Explain the meaning of letter of credit. Explain its mechanism with the help of an example (b) Why are China and India emerging as attractive centers for foreign direct investment in recent years?	07 07

Q.5

CASE STUDY:

ABC Corporation is a multinational corporation that operates in several countries around the world. The company is exposed to currency risk due to fluctuations in exchange rates, which can impact the company's profitability and cash flow. To manage currency risk, the company has implemented a hedging strategy using forward contracts. The company uses forward contracts to lock in exchange rates for future transactions, reducing the impact of currency fluctuations on the company's financial performance.

However, the company has faced challenges in implementing the hedging strategy effectively. One of the main challenges has been predicting future exchange rates accurately, as unexpected currency fluctuations can impact the effectiveness of the hedging strategy. Another challenge has been managing the administrative workload associated with hedging, including the documentation and accounting requirements.

To address these challenges, the company has developed a risk management committee that is responsible for monitoring and managing currency risk. The committee meets regularly to review the effectiveness of the hedging strategy and make adjustments as needed. The company has also invested in new technology and systems to automate and streamline the administrative processes associated with hedging. Overall, the hedging strategy has helped ABC Corporation to manage currency risk and reduce the impact of exchange rate fluctuations on the company's financial performance.

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| (a) | What challenges did ABC Corporation face in implementing the hedging strategy, and how did the company address these challenges? | 07 |
| (b) | What benefits has the company seen from the hedging strategy, and how has it impacted financial performance and cash flow? | 07 |

OR

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| Q.5 | (a) | How can the company improve its ability to predict future exchange rates accurately and manage unexpected currency fluctuations? | 07 |
| | (b) | What lessons can other multinational corporations learn from ABC Corporation's experience in managing currency risk, and how can they develop effective hedging strategies to manage currency risk in their own operations? | 07 |
