

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA-SEMESTER-IV-EXAMINATION-SUMMER-2025

Subject Code: 1549502**Date: 29/05/2025****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.

Q. No.	Question Text and Description	Marks
Q.1	Explain the terms: (a) SWAP (b) Hedging (c) Offshore Banking (d) Nostro Account (e) American depository receipt (f) Fisher effect (g) SDR (Special Drawing Rights)	14
Q.2	(a) Discuss the difference between international financial management and domestic financial management.	07
	(b) Discuss how a country's economic well-being enhanced through free international trade in goods and services.	07
	OR	
	(b) Explain in detail the operational and financial measures can a MNC take to minimize the political risk associated with a foreign investment project and what economic roles do they play?	07
Q.3	(a) Comment on the proposition that the Bretton Woods system was programmed to an eventual demise. What were the main objectives of the Bretton Woods system?	07
	(b) Explain the objectives of multinational cash management. If an Indian company has to manage its cash which factors should be considered?	07
	OR	
Q.3	(a) Explain the term INCOTERMS. Explain any three INCOTERMS with help of examples.	07
	(b) Discuss the major trends that have prevailed in international business during the last two decades.	07
Q.4	(a) Explain the term "FDI" and discuss its advantages and disadvantages. Also narrate the Importance of political risk analysis in FDI.	07
	(b) Discuss the implication of interest rate parity for exchange rate determination.	07
	OR	
Q.4	(a) Explain meaning and importance of foreign exchange market? Also explain in brief parties involved in foreign exchange market.	07

- (b) Explain the globalization and its impact on various countries in the world. 07

Q.5

CASE STUDY:

Nike and Sweatshop Labor Nike, a company headquartered in Beaverton, Oregon, is a major force in the sports footwear and fashion industry, with annual sales exceeding \$12 billion, more than half of which now come from outside the United States. The company was co-founded in 1964 by Phil Knight, a CPA at Price Waterhouse, and Bill Bowerman, college track coach, each investing \$500 to start. The company, initially called Blue Ribbon Sports, changed its name to Nike in 1971 and adopted the “Swoosh” logo recognizable around the world originally designed by a college student for \$35. Nike became highly successful in designing and marketing mass-appealing products such as the Air Jordan, the best-selling athletic shoe of all time. Nike has no production facilities in the United States. Rather, the company manufactures athletic shoes and garments in such Asian countries as China, Indonesia, and Vietnam using subcontractors, and sells the products in the U.S. and international markets. In each of those Asian countries where Nike has production facilities, the rates of unemployment and under-employment are relatively high. The wage rate is very low in those countries by U.S. standards the hourly wage rate in the manufacturing sector is less than \$2 in those countries, compared with about \$35 in the United States. In addition, workers in those countries often operate in poor and unhealthy environments and their rights are not particularly well protected. Understandably, host countries are eager to attract foreign investments like Nike’s to develop their economies and raise the living standards of their citizens. Recently, however, Nike came under worldwide criticism for its practice of hiring workers for such a low rate of pay- “next to nothing” in the words of critics and overlooking poor working conditions in host countries. Initially, Nike denied the sweatshop charges and lashed out at critics. But later, the company began monitoring the labor practices at its overseas factories and grading the factories in order to improve labor standards. Nike also agreed to random factory inspections by disinterested parties.

- (a) Do you think the criticism of Nike is fair, considering that the host countries are in dire needs of creating jobs? 07
- (b) What do you think Nike’s executives might have done differently to prevent the sensitive charges of sweatshop labor in overseas factories? 07

OR

- Q.5 (a) Do firms need to consider the so-called corporate social responsibilities in making investment decisions? 07
- (b) What actions could Nike’s executives have taken to avoid the sensitive accusations of sweatshop labor in their overseas factories? 07
