

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

Subject Code: 4549221

Date: 12/12/2024

Subject Name: International Finance

Time: 02:30 PM TO 05:30 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.	Explain the below terms.	Marks
Q.1	(a) Direct Quote (b) World Trade Organization (c) Nostro Account (d) Cross Hedging (e) Zero-coupon bonds (f) Transfer pricing (g) Confirmed letter of credit	14
Q.2	(a) Compare the main differences between international financial management and domestic financial management.	07
	(b) Evaluate the role of international financial management in promoting global trade and investment.	07
	OR	
	(b) Analyze the economic and political factors that contributed to the collapse of the fixed parity system of the exchange rates.	07
Q.3	(a) Evaluate the role of different market participants in the foreign exchange market and their impact on exchange rates.	07
	(b) Analyze the role of Interbank deals in facilitating liquidity in the financial markets.	07
	OR	
Q.3	(a) Suppose C\$12,50,000 is purchased at the rate of C\$1 = US\$1.3050 and sold at the rate of C\$1 = US\$1.3120. Calculate the profit or loss.	07
	(b) Classify the different types of international banking offices available worldwide for smooth transactions and assess their functions and significance in international finance.	07
Q.4	(a) Evaluate the factors that an investor must consider before investing in the emerging stock market of a developing country.	07
	(b) Classify the major types of international bond market instruments and analyze their distinguishing features in detail.	07
	OR	
Q.4	(a) Classify the types of letter of credit and appraise their differences.	07
	(b) Suppose a company has the following assets and liabilities on its balance sheet:	07

Liabilities	Amount (Rs. in million)	Assets	Amount (Rs. in million)
Current Liabilities	500	Cash	100
Long-term Liabilities	1,000	Accounts Receivable	200
Common Stock	500	Inventory	300
Retained Earnings	500	Property, Plant and Equipment	1,500

The historical exchange rate is Rs. 70/\$ and the current exchange rate is Rs. 75/\$.

Calculate the translation gain/loss by the following methods:

1. Current-non-current method
2. Temporal method

Q.5

ABC Corp is a multinational company operating in several countries around the world. Recently, the company expanded its operations to India by acquiring a local company. The company's management team is concerned about managing the economic, transaction, and translation exposure in India. The company's financial analysts have identified the following risks:

- **Economic exposure:** The Indian economy is expected to experience high inflation in the near future, which could impact the company's profitability and cash flows.
- **Transaction exposure:** ABC Corp will be making regular payments to its suppliers in India for raw materials and other supplies. Fluctuations in the exchange rate between the Indian rupee and the company's functional currency could impact the cost of these supplies.
- **Translation exposure:** As a result of the acquisition, ABC Corp now has assets and liabilities denominated in Indian rupees. Changes in the exchange rate between the rupee and the company's functional currency could impact the value of these assets and liabilities.

- (a) What is economic exposure, and how can ABC Corp manage this risk in India? **07**
- (b) Explain transaction exposure and discuss how ABC Corp can hedge against currency risk when making payments to its suppliers in India. **07**

OR

- Q.5** (a) What is translation exposure, and how can ABC Corp manage this risk associated with its assets and liabilities denominated in Indian rupees? **07**
- (b) Discuss the importance of understanding and managing economic, transaction, and translation exposure in international finance, and how it can impact a multinational company like ABC Corp. **07**
