

Code No: 764AE

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV Semester Examinations, July - 2021

INTERNATIONAL FINANCIAL MANAGEMENT

Time: 3 hours

Max.Marks:75

Answer any five questions

All questions carry equal marks

1. Brief on the nature, scope of International Financial management and discuss the various international Business Methods. [15]
2. Explain the benefits and risks of international financial management and differentiate between FM and IFM. [15]
3. What are the factors affecting the international flow of funds? And explain the Indian BoP trends. [15]
4. Find the balance of trade, balance of current account and the overall balance of payments with the help of the following figures: [15]

Item	Debit Rs. million	Credit Rs. million
Trade in goods	55,383	38,285
Services, such as travel, transport and others	11,865	15,720
Statistical discrepancy	-	323
Unilateral transfer	34	12,672
Foreign investment	7,123	12,240
External assistance	2,183	3,074
External commercial borrowings	2,874	3,207
Investment	5,490	1,931
Banking capital	8,532	11,259
Dollar debt service	711	
Other capital transactions	2,510	4,018

5. Exchange rates: Can\$ 0.665 per DM (spot) Can \$ 0.670 per DM (3 months)
Interest rates: DM 7 percent p.a. Can\$ 9 percent p.a.
Calculate the arbitrage gain possible from the above data. [15]
6. Explain Euro currency market and Euro bond market. [15]
- 7.a) Compare and contrast interest rate parity and the international Fisher effect.
b) Discuss about the economic exposure. [8+7]
8. A US Multinational is planning to set up a subsidiary in India. The initial project cost is estimated to be USD 10 million. The working capital requirement would be Rs.2 million. The project is to generate a cash inflow of Rs 7 million /year in first 3 years and then a growth of 5% per year is expected up to the 8th year. Thereafter, there will be a decline of 7% in growth per year and the project will be closed down at the end of 12 years.
Consider a discount factor of 12 percent and depreciation of rupee against dollar at the rate of 1 percent per year. Is the project worthwhile? Tax rate in India is 40%. [15]

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