

Code No: 764AE

**JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD**  
**MBA IV Semester Examinations, September/October - 2022**  
**INTERNATIONAL FINANCIAL MANAGEMENT**

Time: 3 Hours

Max.Marks:75

**Answer any five questions**  
**All questions carry equal marks**

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- 1.a) What factors cause some firms to become more internationalized than others? Explain.  
 b) Explain the nature and Scope of International Finance. [9+6]
- 2.a) How can government restrictions affect international payments among countries?  
 b) What are some of the major objectives of the IMF? [8+7]
- 3.a) Find the balance of trade, balance of current account and the overall balance of payments with the help of the following figures:

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

- b) Why should a corporate finance manager monitor balance of payments developments? [10+5]
- 4.a) In London a dealer quotes  
 £/CHF Spot 3.5250/55  
 £/JPY Spot 180.80/181.30  
 i) What do you expect the CHF/JPY rate to be in Geneva?  
 ii) Suppose that in Geneva you get a quote CHF/JPY Spot 51.1530/51.2550, is there an arbitrage opportunity?  
 b) Explain about covered interest arbitrage. [10+5]
- 5.a) The current \$/INR rate is Rs78 and 3-month forward is Rs.79.00. A friend offers to sell you a put on \$25,000 with a strike price of Rs.78.80 in return for your selling him a call on \$25,000 for the same strike and same maturity. Would you accept such an offer? What are the reasons for accepting the offer?  
 b) Explain about Euro currency markets. [9+6]

- 6.a) Explain the theory of Purchasing Power Parity (PPP).  
b) Assume the spot exchange rate of the Singapore dollar is \$0.70. The one-year interest rate is 11% in the USA and 7 % in Singapore. What would be the spot rate in one year according to the international Fisher effect? [7+8]
7. Calculate the weighted average cost of capital when the capital structure shows:  
a) Existing debt of \$5.0 million at 10 percent for 6 years (tax rate is 30 percent).  
b) New debt of \$3.0 million at 8 percent for 10 years with a floating cost of \$2,00,000.  
c) Existing equity shares of \$7.0 million (\$15 per share), EPS \$4, growth rate of 5 percent and dividend pay-out ratio of 50 per cent and  
d) Proposed equity share (1, 00,000 shares) to be sold at 415 with \$2, 00,000 floatation cost. [15]
8. Explain the following:  
a) The Gold Standard  
b) Bilateral Netting  
c) Economic Exposure. [5+5+5]

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