

CODE NO: R5-R7-44/MBA

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA-IV Semester Supplementary Examinations February -2010

INTERNATIONAL FINANCIAL MANAGEMENT

Time:3hours

Max.Marks:60

Answer any Five questions

All questions carry equal marks

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1. Explain why unfavourable economic or political conditions affect the MNC's cash flows required rate of return and valuation.
2. Explain how changes in various economic factors affect the Indian current account balance.
- 3.a) What do you know about gold standard?
b) What is the objective of the European monetary union?
4. Spot rate Rs.45.0020 = \$ 1
6-months forward rate Rs.45.9010 = \$ 1
Annualized interest rate on 6-months rupee : 12 %
Annualized interest rate on 6-month dollar : 7 %
Work out the arbitrage possibilities.
5. Explain briefly about the Euro-currency market.
6. Write short notes:
a) Purchasing power parity
b) International fisher effect.
7. A US multinational is planning to set up a subsidiary in India. The initial project cost is estimated to be 0 \$ 10 billion. The working capital requirement would be Rs.2 billion. The project is to generate a cash inflow of Rs.7 billion/year in first 3 year and then a growth of 5% 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% and depreciation of rupee against dollar at the rate 1% per year. Is the project worth while? Tax rate in India is 35%. Study the project from the Indian subsidiary view point. The current exchange rate in Rs.45/US \$.
- 8.a) Write a brief note on the management of receivable.
b) Explain how settlement of credit in a foreign currency takes place.