Seat N	lo.: _	Enrolment No.	
		GUJARAT TECHNOLOGICAL UNIVERSITY MBA - SEMESTER-III • EXAMINATION – SUMMER • 2015	
•		Code: 2830502 Date: 29-05-2015	
•	: 14	Name: International Finance (IF) :30 pm – 17:30 pm	
	2.	Attempt all questions. Make suitable assumptions wherever necessary. Figures to the right indicate full marks.	
Q.1	(a)	Explain the difference between Domestic Financial Management and	07
	(b)	International Financial Management. Explain various types of letter of credit.	07
Q.2	(a)	Describe the balance of payment identity and discuss its implications under fixed and flexible exchange rate regime.	07
	(b)	What is Triangular arbitrage? What is the condition that would give rise to triangular arbitrage opportunity? OR	07
	(b)	Suppose the treasurer of Microsoft has an extra cash reserve of $\$1,00,000,000$ to invest for six months. The six month interest rate is 8 percent per annum in united states and 7 percent per annum in Germany. Currently, the spot exchange rate is $\$1.01$ per dollar and the six month forward exchange rate is $\$0.99$ per dollar. The treasurer of Microsoft does not wish to bear any exchange risk. Where should he or she invest to maximize the return?	07
Q.3	(a) (b)	Write a note on: EXIM Bank Explain Contingent Exposure and discuss the advantages of using currency options to manage this type of currency exposure. OR	07 07
Q.3	(a) (b)	Suppose that you hold a piece of land in the city of London that you may want to sell in one year. As a U.S resident, you are concerned with the dollar value of the land. Assume that if the British economy booms in future, the land will be worth £2,000, and one British pound will be worth \$1.40. If the British economy slows down, on the other hand, the land will be worth less,say,£1,500,but the pound will be stronger,say,\$1.50/£. You feel that the British economy will experience a boom with 60 percent probability and slowdown with a 40 percent probability. a) Estimate your exposure (b) to exchange risk. b) Compute the variance of the dollar value of your property attributable to exchange rate uncertainty. Write a note on: International money market.	07
Q.4	(a)	Describe the difference between Eurobonds and foreign bonds. Also	07
	(b)	discuss about international bond market credit ratings. Explain Bilateral and Multilateral Netting as a part of multinational cash	07
		management. OR	

What are the factors responsible for the recent surge in the international 07

(a) Write a note on :FCA,FAS, and FOB

portfolio investment?

Q.4

Q.4

07

Q.5	(a)	Discuss the different ways political events in a host country may affect	07
		local operations of a MNC	
	(b)	Explain Interbank deals with suitable examples.	07
		OR	
Q.5	(a)	Write difference between:	07
		1) currency swap and interest rate swap	
		2) Forward contract and Futures Contract	
	(b)	You are given the following \$ Quotes:	07
		Spot Rs 40.50/40.60	
		3 months forward 020/010	
		4 months forward 025/030	
		Calculate percentage of discount /premium of Dollars on 3 months and 4	
		months forward rates. Assume that you are buying \$.	
