

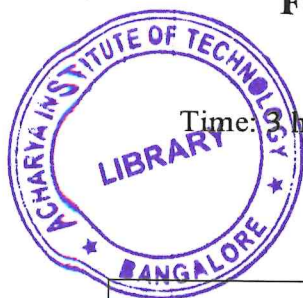
CBCS SCHEME

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22MBAFM403

Fourth Semester MBA Degree Examination, June/July 2026 Global Financial Management



Time: 3 hrs.

Max. Marks: 100

- Note: 1. Answer any **FOUR** full questions from Q.No.1 to Q.No.7.
 2. Question No. 8 is compulsory.
 3. M : Marks , L: Bloom's level , C: Course outcomes.

			M	L	C
Q.1	a.	What is Global Financial Management?	03	L1	CO1
	b.	Briefly explain the functions Foreign exchange market.	07	L2	CO1
	c.	Explain in detail evolution of International Monetary System.	10	L3	CO2
Q.2	a.	What is direct and indirect quote?	03	L1	CO1
	b.	Briefly explain the three kinds of Foreign exchange exposures with example.	07	L3	CO2
	c.	The following quotes are given by Deutsche Bank: Spot \$ 0.2479 / 81 = 1E 1 month forward = \$ 3/5 3 month forward = \$ 8/7 6 month forward = \$ 13/10 i) What does this mean in terms of \$ / E ? (much) ii) If you wish to buy Spot Euros, how much would you pay in Dollars? iii) If you wish to purchase, spot Dollars how much would you pay in Euros? iv) Calculate forward premium or discount percentage assuming you are buying Euros.	10	L3	CO2
Q.3	a.	What is Zero Coupon Bonds?	03	L1	CO1
	b.	Briefly explain the factors that affect foreign exchange rate.	07	L2	CO1
	c.	Explain the components of BoP – Balance of Payments.	10	L3	CO2
Q.4	a.	What is Foreign Exchange Rate?	03	L1	CO1
	b.	Given the following data : Spot Rate : Rs. 42.0010 = \$1 6 month forward rate : Rs. 42.8020 = \$1 Annualized interest rate on 6 month rupee : 12% Annualized interest rate on 6 month dollar : 8% Calculate the Arbitrage possibilities.	07	L3	CO2
	c.	Explain the International Banking Services.	10	L4	CO3

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Q.5	a.	What is Cross Rate of Exchange?	03	L1	CO1																																								
	b.	Briefly explain the ADR and GDR.	07	L2	CO2																																								
	c.	1) An MNC has accounts receivable of \$ 1800 million and accounts payable of \$ 940 million. It also has borrowed \$ 700 million. The current spot rate is \$ 1.8138 / pound. i) What is the MNC's dollar transaction exposure in dollar terms? In pound term? ii) Suppose the pound appreciates to \$ 2.1122 / pound, What is the MNC gain or loss, in pound terms, in its dollar transaction exposure? 2) Funky colours AUS company has net receivables of \$4,50,000 AUD in 90 days. The spot rate of AUD is \$ 0.961 and the Australian interest rate is 2.5% over 90 days period. How do you think the US firm could implement a money market hedge?	10	L4	CO3																																								
Q.6	a.	What do you mean by International Capital Budgeting?	03	L1	CO1																																								
	b.	Briefly explain the following : i) Leading ii) Lagging iii) Netting	07	L3	CO2																																								
	c.	Find out the transaction gain /loss using the current rate method and Monetary / Non Monetary method: On the basis of following data supplied by the Indian Subsidiary to its parent Unit in the USA. <table> <tr> <th colspan="2">Balance Sheet</th> <th colspan="2">(In Million. Rs.)</th> </tr> <tr> <th>Liabilities</th> <th>Amount</th> <th>Assets</th> <th>Amount</th> </tr> <tr> <td>Current Liabilities</td> <td>400</td> <td>Cash</td> <td>100</td> </tr> <tr> <td>Bonds</td> <td>600</td> <td>Marketable Securities</td> <td>100</td> </tr> <tr> <td>Share Capital</td> <td>1000</td> <td>Debtors</td> <td>200</td> </tr> <tr> <td>Retained Earning</td> <td>400</td> <td>Inventory</td> <td>300</td> </tr> <tr> <td></td> <td></td> <td>Land & Building</td> <td>600</td> </tr> <tr> <td></td> <td></td> <td>Plant & Machinery</td> <td>800</td> </tr> <tr> <td></td> <td></td> <td>Furniture and Fixtures</td> <td>300</td> </tr> <tr> <td></td> <td>2400</td> <td></td> <td>2400</td> </tr> </table> Additional information : 1) Historical rate = Rs. 40 / US \$ 2) Current rate = Rs. 46 / US \$	Balance Sheet		(In Million. Rs.)		Liabilities	Amount	Assets	Amount	Current Liabilities	400	Cash	100	Bonds	600	Marketable Securities	100	Share Capital	1000	Debtors	200	Retained Earning	400	Inventory	300			Land & Building	600			Plant & Machinery	800			Furniture and Fixtures	300		2400		2400	10	L4	CO3
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Q.7	a.	What is SDR?	03	L1	CO1																																								
	b.	Briefly explain the Purchasing Power Parity Theory.	07	L3	CO2																																								

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c.	DC Corporation is a US based software consulting firm, specializing in financial software for several fortune 500 clients. It has offices in India, U/S, Europe and Australia. In 2002, DC corporation required £ (pound) 1,00,000 in 180 days and had three options before it: i) A forward hedge ii) A money market hedge iii) No hedge Its analyst developed the following information which was used to assess the alternative solutions. Current spot rate of pound = \$ 1.50 180 days forward rate of pounds as of today = \$ 1.48 Interest rates were as follows: <table border="1"> <tr> <th>Days</th> <th>UK</th> <th>US</th> </tr> <tr> <td>180 days deposit rates</td> <td>4.5%</td> <td>4.5%</td> </tr> <tr> <td>180 days borrowing rate</td> <td>5.1%</td> <td>5.1%</td> </tr> </table> The future spot rates in 180 days were forecasted as follows: <table border="1"> <tr> <th>Spot rate</th> <th>\$1.44</th> <th>\$ 1.46</th> <th>\$ 1.53</th> </tr> <tr> <th>Probability (%)</th> <td>20</td> <td>60</td> <td>20</td> </tr> </table> Evaluate each alternative and suggest best one.	Days	UK	US	180 days deposit rates	4.5%	4.5%	180 days borrowing rate	5.1%	5.1%	Spot rate	\$1.44	\$ 1.46	\$ 1.53	Probability (%)	20	60	20	10	L4	CO3
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Q.8	Case Study (Compulsory) A US MNC is planning to install a manufacturing unit to produce 5,00,000 units of automobile component in India. Setting up of a manufacturing plant, it involves Rs 50 million cash outlay. The plant is expected to have useful life of 5 years with Rs. 10 million salvage values. MNC will follow the SLM – straight line method depreciation. To support running of business, working capital of Rs. 5 million is invested. Variable cost of production is for 20 per unit. Fixed cost estimated at Rs. 20 million, selling price is Rs. 70 per unit. MNC is subjected to 40% tax in Indian and rate of return is 15%. It is forecasted that rupee will depreciate at 3% and initial exchange Rs. 48/\$. Advice the MNC regarding the financial viability of the proposal.	20	L4	CO4																	
