

II MBA - II Semester-Regular Examinations – April 2019**GLOBAL FINANCIAL MANAGEMENT**

Duration: 3 hours

Max. Marks: 60

SECTION - A**1. Answer the following:****5 x 2 = 10 M**

- a) Explain BOP.
- b) Define Gold Standard.
- c) What is International fisher effect?
- d) What is currency call option?
- e) Illustrate International capital structure.

SECTION – B**Answer the following:****5 x 8 = 40 M**

2. a) Prepare a Balance of Payments (BOP) statement with the following data. Show clearly, sub-balances such as trade balance, current account balance and capital account balance, etc., in the statement.
 - i) UFL Ltd. of USA invests in India, Rs. 3000000 to modernize its Indian subsidiary.
 - ii) A tourist from south Africa buys souvenirs worth Rs. 30000 to carry with him. He also paid hotel and travel bills of Rs. 50000 to a travel agency.

- iii) UFL Ltd. remitted Rs. 50000 as dividends to its parent company in USA.
- iv) The Indian subsidiary of UFL Ltd., sold a part of production in other Asian countries for Rs. 1000000. UFL also borrowed Rs. 2000000 (to be paid in 6 months) from the British money market for meeting its immediate liquidity needs.
- v) An Indian company buys medicine for Rs. 1000000 from Germany. 60% of the payment is made immediately and the balance to be made after 3 years.
- vi) An Indian subsidiary of a French company borrowed Rs. 500000 from the Indian public to invest for the modernization.

(OR)

b) Explain EXIM policy in detail.

3. a) Describe the exchange rate arrangements that are permitted by the International Monetary Fund.

(OR)

b) What reasons led nations to seek international monetary stability? How does such stability help promote world trade?

4. a) What risks confront dealers in the Foreign exchange markets? How can you cope with those risks?

(OR)

b) How do speculators, interest arbitrageurs, as well as government actions, affect foreign exchange rates.

5. a) Define future contracts. What are the advantages of using stock index futures?

(OR)

b) When should a firm consider purchasing a put option for hedging?

6. a) Discuss the various specific issues involved in multinational capital budgeting which are not normally relevant in case of domestic projects.

(OR)

b) Why does the cost of capital for MNCs differ across countries?

SECTION-C

7. Case Study

1x10=10 M

Tata Chemicals, leading manufacturer of Caustic Soda in the country said today that it had bought a 35 per cent stake in JOIL Pte, a Singapore based jatropha seeding company. The stake buy will help the firm gain exclusive marketing rights for technology to develop the best seed varieties of the plant which yields bio-diesel. The Mumbai-based company has committed to invest Rs 80 crore in lieu of the stake in the next 4 years. Bio-diesel is one of the many alternatives being developed globally to achieve energy security.

According to Tata Chemicals, the break even price for jatropha based biodiesel is \$ 55 - \$ 60. The price crude oil is currently hovering around \$ 52 a barral after dropping almost 65 per cent from its all time high of \$ 145 a barral in July. `No one is expecting crude to remain at this level' said Home, M. D. Tata Chemicals. `We have made the investment keeping 2-3 years in mind, when we expect crude oil to trade \$ 100 a barral. He said, Joil a joint venture of Temasek Life Science Laboratory and other investors, has developed the technology to produce seedings, which gives standardized yield and consistent output from Jatropha. Currently, the Jatropha plant used for commercial production has an irregular pattern of production. "We will have an exclusive global marketing right to the research done by Temasek Life Science Laboratory," said Homi. The company will be setting up a tissue culture lab to study the commercial potential of the project and it will take atleast a year before it is brought to the market.

Question :

- a) What is the commercial viability of Jatropha used bio-diesel?
- b) What is the profitability of this bio-diesel?
- c) What is the future of this Jatropha based bio-diesel as alternate energy security?
- d) Explain the term Joint Venture in detail.