



PG-522

10326

IV Semester M.Com. (F.A.) (CBCS) Examination, July - 2019

FINANCE AND ACCOUNTING

4.3 : International Financial Management

Time : 3 Hours

Max. Marks : 70

SECTION - A

1. Answer **any seven** of the following sub-questions in about **3 - 4** lines. Each question carries **two** marks. **7x2=14**

- (a) What is Cross border finance ?
- (b) What is foreign project appraisal ?
- (c) Mention the components of International Financial Management.
- (d) Find the balance on non-factor services given in rupees in crore from the following data.
Balance of visible trade = 700, Income = 400, Transfers = 300 and Current account balance = 1100.
- (e) The K_e for company X is 9.67%. The average tax rates of the shareholders are 30% and the brokerage costs amounts to 4%. Calculate cost of retained earnings.
- (f) State the meaning of double taxation relief.
- (g) What are the attribute of an Ideal currency ?
- (h) Define SDR.
- (i) What do you understand by Autonomous transactions and Accommodating transactions ?
- (j) State the components of BOP.

SECTION - B

Answer **any four** questions in about **one** page each. Each question carries **five** marks.

2. Write a short note on International equity Investment. 4x5=20
3. Describe the techniques used to optimise cash flow.
4. Discuss the factors that should be considered when assessing country risk.
5. Write a short note on International monetary system.
6. Find the overall balance of payments from the following data :

Particulars	Cr ₹ In Crs	Dr ₹ In Crs
Imports-Merchandise		1068.02
Exports - Services	234.60	
Imports - Factor income		95.30
Import - Services		271.12
Direct investment	-13.56	100.34
Other investment	-173.34	182
Unilateral transfer	12.36	33.74
Statistical discrepancies		62.88
Portfolio investment - Equity	142.88	50.08
Portfolio investment - Debt	254.24	92
Exports - Merchandise	1231.62	
Exports - Factor income	331.60	

7. XYZ Co. has 70000 bonds outstanding that are selling at par value of \$1000. The bonds yield 9%. The company has 3 million shares of common stock outstanding. The stock has a β of 1.6 and sells for \$70 a share. The US T-Bill is yielding 7% and the market risk premium is 12%. XYZ's tax rate is 35%. What is the XYZ's cost of equity and weighted average cost of capital ?

**SECTION - C**

Answer **any three** questions. Each question carries **12** marks.

3x12=36

8. Explain in detail the various types of Foreign exchange rate regimes.
9. New Haven, a dealer based in Europe is owned by an MNC Inc. of USA. Given below is New Haven's balance sheet and the current exchange rate of 1.7\$/€.

Assets	Value in €	Liabilities	Value in €
Cash & ST securities	70,000	Account payable	1,70,000
Accounts receivables	50,000	Short term debt	80,000
Inventory	40,000	Long term debt	6,10,000
Plant & Equipment	8,00,000	Net worth	1,00,000
Total Assets	9,60,000	Total Liabilities	9,60,000

Suppose Euro depreciates by 25%, identify the impact of depreciation of the Euro on New Haven's balance sheet under C&NC, Temporal and M&NM methods. Also calculate the company's exposed assets & liabilities and net exposed assets and liabilities under each accounting translation methods.

10. Sun pharmacy Ltd, an Indian based foreign MNC is evaluating an overseas investment proposal. Sun pharmacy Ltd. exporter of pharmaceutical products is considering building a plant in USA, the project will entail an initial outlay of \$200 million and it is expected to give the following cash flow over its life of 5 years.

Year	1	2	3	4	5
Cash Flows (in million \$)	50	60	70	80	90

The current spot exchange rate is ₹70/\$, the risk free rate in India is 13% and in USA is 8%. Sun pharmacy requires a rupee return of 16% on the above project. Calculate the NPV under both Home currency and Foreign currency approach.

11. Explain the different types of instruments traded in International Financial Markets.
12. Write short notes on the following :
- (a) IFC
 - (b) ADB