Current spot exchange rate is 82/$. Risk free rate in India is 10% and in USA, it is 6%. XYZ International required rate of return on this project is 20%. From the above information, you are required to evaluate project by using : (CO5)

(a) Home Currency Approach and

(b) Foreign Currency Approach

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MB–402(F1)

M. B. A. (FOURTH SEMESTER) END SEMESTER EXAMINATION, May, 2023

INTERNATIONAL FINANCE

Time : Three Hours

Maximum Marks : 100

Note : (i) This question paper contains two Sections-Section A and B

(ii) Both Sections are compulsory

(iii) Answer any two sub-questions among (a), (b) & (c) in each main question of Section A. Each sub-question carries 10 marks.

(iv) Section B consisting of Case Study is compulsory. Section B is of 20 Marks.

Section—A

1. (a) Discuss the nature and scope of International Finance. (CO1)

P. T. O.

(b) What are Euro Notes and Syndicates Loans ? (CO1)

(c) Explain the process of foreign investment decision making ? (CO3)

2. (a) What issues does the financial manager face in international funding choices ? (CO2)

(b) Differentiate between spot and forward exchange rates. (CO3)

(c) Write short notes on the following : (CO2)

(i) Hedgers

(ii) Speculators

(iii) Arbitrageurs

3. (a) Explain the covered interest parity. (CO1)

(b) What are the risks involved in foreign exchange transactions and how are they managed ? (CO4)

(c) Explain the currency options and currency swaps. (CO4)

4. (a) What are the essentials for the accounting of a derivative instrument ? (CO4)

(b) What are the characteristics of loan agreements ? (CO3)

(c) Describe the nature of exposure in International Finance. (CO4)

Section—B

5. **Case Study :** (20 Marks)

XYZ International, an Indian based multinational company, is evaluating an abroad investment proposal. It has expanding its activities to such an extent that it is now considering a project to build a plant in USA. Project cost is $ 60 million and it is expected to generate cash flow for four years as follows :

Year	Cash flow ($ millions)
1	30
2	40
3	50
4	60