SOMAIYA VIDYAVIHAR UNIVERSITY

| Trimester: V 2023-25 | | |
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| **Maximum Marks:** 50 **Examination: End Term Examination** **Date:** 13-01-25 **Duration: 3 hours** | | |
| **Programme code: 01**<br>**Programme: MBA- Finance Major. FN - 1 to 5** | **Class:** SY | **Trimester:** V |
| **College: K. J. Somaiya Institute of Management** | **Name of the department/Section/Center:**<br>Finance and Law | |
| **Course Code: 217P01C514** | **Name of the Course: International Finance** | |

**Instructions:**

1. **Question No. 1 is compulsory.**
2. **Write answers of any three questions from the rest.**
3. **Write answers of all new questions on the new page.**
4. **Write answers of all sub questions of a main question together.**

| Question No. | | Max. Marks |
|---|---|---|
| Q.1 | (a) What is disequilibrium in the Balance of Payment and why it occurs? Explain with reference to India.<br><br>(b) What are the three components in the Balance of Payment? Discuss with suitable examples. | 20 |
| Q.2 | (a) Why and how do central banks across the world interfere in the foreign currency markets? Explain concepts of Intervention & Sterilization.<br><br>(b) Explain how the interest rate prevailing in the country can influence the exchange rate? | 10 |
| Q.3 | Assume you are a finance manager in an MNC. How will you take financing and investment decisions while operating in a global financial market? | 10 |
| Q.4 | A USA based multinational is planning to set up its subsidiary in India.<br>The initial project cost consisting of plant and machinery is estimated at US $ 500 Million and the working capital requirement is estimated at US $ 150 Million.<br>The method of depreciation followed is Straight Line.<br>The finance manager has made the following estimations in US $ relating to project cost.<br>1) Variable cost of production and sale is US $ 50 per unit.<br>2) Additional fixed cost per annum is US $ 30 Million. | 10 |

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| | 3) Selling price per unit is US $ 100.<br>4) Plant Capacity in India is to produce and sell 5 million units.<br>5) Life of the plant is 5 years, and the salvage value of the plant is US$ 5 Million.<br>The firm is subject to 35 % corporate tax rate and its required rate of return is 12 %.<br>The USD/INR exchange rate during 0 to 1 year remain unchanged at Rs. 84 per USD. For the subsequent 4 years the forecast of exchange rate says that the rupee will depreciate vis-a-vis the USD by 2 percent after the first year.<br>Assuming that all profits can be repatriated without any withholding taxes.<br>Advise the US MNC about financial viability of having a subsidiary in India. | |
| Q.5 | (a) What are the limitations of FDI for the host country?<br>(b) Explain the role of IMF in handling the debt crises in any one country | 10 |
| Q.6 | Write short notes (any two)<br>(a) International Gold Standard<br>(b) Features of Global Equity Market<br>(c) Fixed and floating exchange rates regimes<br>(d) PPP & IRP theories | 10 |