

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER 3 – EXAMINATION – WINTER 2018**

**Subject Code: 3539242****Date: 10/12/2018****Subject Name: International Financial Management (IFM)****Time: 10:30am To 01:30pm****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

<b>Q.1</b>	(a) General Agreement on Tariffs and Trade (GATT) (b) Flexible Exchange Rate Regime (c) Foreign Direct Investment (FDI) (d) Fisher Effect (e) Basle accord (f) Exchange Traded Funds (ETFs) (g) Economic Exposure	<b>14</b>
<b>Q.2</b>	(a) How would you define transaction exposure? How it is different from economic exposure?	<b>07</b>
	(b) Do you think that a country's government should assist private business in the conduct of international trade through direct loans, loan guarantees and/or credit insurance?	<b>07</b>
	<b>OR</b>	
	(b) Your exporter-customer has requested you to book a fixed date TT forward contract for Swiss Francs 5,00,000 in respect of an export bill due for payment 180 days from the date of the contract. Assuming you cover yourself by sale of Swiss Franc in London Market for the corresponding delivery date when the exchange rates for Swiss Francs were as under:  Spot            USD 1 = CHF 1.6120/6165 One month            60/58 Three months            165/160 Six months            330/320 And US dollars are quoted in the local interbank market as under:  Spot            USD 1 = Rs. 48.4025/4175 One month forward            48.6550/6725 Three months forward            48.8550/8750 Six months forward            49.2550/2800 Calculate the exchange rate and the rupee amount payable to the customer bearing in mind the following: 1. An exchange margin of 0.08% is required. 2. Rupee equivalent to be nearest to the whole rupee.	<b>07</b>
<b>Q.3</b>	(a) What are the common contract terms used in the international trade? Explain the significance of these terms as far as they affect the buyer and the seller.	<b>07</b>

	<b>(b)</b>	On 15 <sup>th</sup> January you booked a forward sale contract for USD 2,50,000 for your import customer delivery 15 <sup>th</sup> February at Rs. 49.3450. On the due date the customer requests cancellation of the contract. Assuming US dollars were quoted in the local interbank exchange market as under on the date of cancellation: Spot = USD 1 = Rs. 49.2900/2975 Spot/March = 3000/3100 Spot/April = 6000/6100 Exchange margin required by you is 0.10%. what will be the cancellation charges payable by the customer, if nay?	<b>07</b>
		<b>OR</b>	
<b>Q.3</b>	<b>(a)</b>	Discuss the three major trends that have prevailed in international business during last two decades.	<b>07</b>
	<b>(b)</b>	Your forex dealer had entered into a cross currency deal and had sold USD 5,00,000 against Swiss Francs at USD 1 = CHF 1.4400 for spot delivery. However, later during the day, the market became volatile and the dealer in compliance with his top management's guidelines had to square up the position by purchasing USD 5,00,000 against CHF at the on-going arte. Assuming the spot rates are as under: USD 1 = Rs. 49.4300/4500 USD 1 = CHF 1.4440/4450 What will be the gain or loss in the transaction? Your answer should be in rupees. Ignore brokerage.	<b>07</b>
<b>Q.4</b>	<b>(a)</b>	Discuss the scheme of ECGC.	<b>07</b>
	<b>(b)</b>	General Motors exports cars to Spain, but the strong dollar against the euro hurts sales of GM cars in Spain. In the Spanish market, GM faces competition form Italian and French car markets such as Fiat and Renault whose operating currencies are in Euro. What kind of measures would you recommend so that GM can maintain its market share in Spain?	<b>07</b>
		<b>OR</b>	
<b>Q.4</b>	<b>(a)</b>	Describe the Role of Multinational Firms in global business scenario.	<b>07</b>
	<b>(b)</b>	Explain the basic differences between the operation of a currency forward market and a futures market.	<b>07</b>

**Q.5**

You take charge as the Chief of the International division of your bank on 5<sup>th</sup> August 2018. On taking stock of the division, you find that some of the bills negotiated have not been paid for by the opening banks for a long time. When you demand explanation, a note is put up as follows:

**14**

Sr. No	Name of party	Amount	Date of negotiation	Reasons
1	M/s ABC	USD 50,000	10.5.2017	Opening bank refuses payment quoting as discrepancy: "bill of exchange is dated 8.5.2017 while invoice is dated 9.5.2017"
2	M/s DEF	EUR 45,000	18.8.2017	The consignment consists of onions to UAE. The health authorities at Dubai refused permission of entry of shipment as cholera has broken at Nasik, the place of origin of onions. The importer refuses to honour the bill on presentation.
3	M/s GHI	USD 80,000	9.6.2017	The bill covers export of scientific instruments from Mumbai to Bahrain per SS Jwala. However on receipt of shipping documents, it was found that SS Jwala had neither touched Mumbai nor Bahrain and all documents including bill of lading had been forged.

- (a) Examine the validity of the contentions of the issuing bank/opener in each case refusing to pay.  
 (b) As a negotiating bank, was there any negligence on the part of your bank in each of the cases?

OR

- (a) What precautions your bank should have taken while negotiating each of the above bills?  
 (b) What responsibility lies on your customers in each of the above cases?

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