

**GUJARAT TECHNOLOGICAL UNIVERSITY****MBA - SEMESTER– III EXAMINATION – WINTER 2020****Subject Code:1539321****Date:06/01/2021****Subject Name:Global Financial Management (GFM)****Time:10:30 AM TO 12.30 PM****Total Marks: 47****Instructions:**

1. Attempt any **THREE** questions from Q1 to Q6.
2. **Q7 is compulsory.**
3. **Make suitable assumptions wherever necessary.**
4. **Figures to the right indicate full marks.**

|  | <b>Marks</b> |
|--|--------------|
| <b>Q.1</b> Explain the following: (2 marks each)   | <b>06</b>    |
| (a) Capital Budgeting  |              |
| (b) Foreign Direct Investment  |              |
| (c) Risk   |              |
| <br>   |              |
| <b>Q.1</b> Explain the following: (2 marks each)   | <b>06</b>    |
| (a) Cost of Capital  |              |
| (b) Money Market   |              |
| (c) Euromarkets  |              |
| <br>   |              |
| <b>Q.2</b> (a) Explain the importance of International Financial management in the current scenario.         | <b>06</b>    |
| (b) Why are cross border mergers and acquisitions taking place?  | <b>06</b>    |
| <br>   |              |
| <b>Q.3</b> (a) Explain the financing techniques used in international trade.                                 | <b>06</b>    |
| (b) What is FDI and FII? Explain in detail.  | <b>06</b>    |
| <br>   |              |
| <b>Q.4</b> (a) Explain Letter of credit in detail with example.  | <b>06</b>    |
| (b) Explain Netting with example.  | <b>06</b>    |
| <b>Q.5</b> (a) Convert the direct quotes into indirect quotes:   | <b>06</b>    |
| (a) 1\$ = Rs.40.00 / 40.05   |              |
| (b) 1£ = Rs.82.00/82.06  |              |
| (c) 1Euro = Rs.56.00/ 56.18  |              |
| (b) What is centralized and decentralized cash management?   | <b>06</b>    |
| <br>   |              |
| <b>Q.6</b> (a) What is the difference between domestic financial management and global financial management? | <b>06</b>    |
| (b) Explain the factors affecting cost of capital in international market.                                   | <b>06</b>    |

**Q.7**

The Kellogg Company is the world's leading producer of ready-to-eat cereal and other snacks. The principal markets for these products include the U.S. and the U.K. Kellogg's operations are managed in two major divisions U.S. and International, with International further delineated into Europe, Latin America, Canada, Australia, and Asia. Net earnings for fiscal year 2000 were USD 587.7 million on sales of USD 6.95 billion. Kellogg estimated that the overall impact of a strong USD against the major currencies, especially against the EUR and GBP, on operating profits was 6%. Kellogg estimated that, by region, the impact on operating revenue was -9.1%, in Europe, and 2.0%, in Latin America.

According to Kellogg's financial statements, the company is exposed to fluctuations in foreign currency cash flows related primarily to third party purchases, intercompany product shipments, and intercompany loans. The company is also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, the company is exposed to volatility in the translation of foreign currency earnings to USD.

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|--|-----|
| (a) Explain in detail the different types of currency risk faced by Kellogg's company. | 5.5 |
| (b) Explain the international risk involved.   | 5.5 |
| (a) How can a company manage international finance.                                    | 5.5 |
| (b) Explain netting and other ways of cash management.                                 | 5.5 |

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