

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER –III-EXAMINATION – WINTER-2022

Subject Code: 1539321

Date:01/02/2023

Subject Name: Global Financial Management

Time: 10:30 AM to 1:30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

- Q.1** Define following terms briefly **14**
- (a) ECB
 - (b) Euro Bank
 - (c) GDR
 - (d) Demurrage
 - (e) Syndicated Credits
 - (f) Yankee Bonds
 - (g) Netting
- Q.2** (a). Evaluate various Methods of raising Funds by an MNC. **07**
- (b). Discuss and explain in detail most widely known and accepted benchmark in Global Financial Markets “LIBID and LIBOR”. **07**
- OR**
- (b). List out and explain in detail critical dimensions of International Financial Decision Making. **07**
- Q.3** (a). Discuss Bottlenecks in FDI Flows to India. **07**
- (b). Discuss Netting Exposure with suitable example as an important advantage for Centralized Cash Management **07**
- OR**
- (a). Define cost of capital. Explain about determination of cost of preference share and equity share capitals. **07**
- (b). Explain various objectives behind cross border mergers and Acquisitions. **07**
- Q.4** (a). Discuss the approaches to project evaluation and highlight the difference between the net present value (NPV) approach and the adjusted present value (APV) approach. **07**
- (b). Explain Difference between centralized and decentralize Cash Management System. Also list out advantages and disadvantages of Centralized Cash Management System **07**

OR

- (a). Evaluate APV Technique and its framework as a tool of International project Appraisal. 07
- (b). Discuss the importance of cross-border investment. What kind of risks are involved in cross-border investments? 07

Q.5 Case study: M/S Taneja Exports, Mumbai

Mr. Gurmeet Taneja and Mr. Rahul Khatri are partners of M/S Taneja exports, Mumbai. M/S Taneja exports used to avail the export packing credit facility from International Bank of India and adjust the same by purchase or negotiation of the export bills drawn on their European buyers. Generally the bills carried a tenor period of 60 days. Most of the export bills were drawn and send for collection through international Bank of India, Mumbai Fort Branch, to the foreign buyer's bankers, based on the confirmed purchase order of the buyer. The bills were paid on the due dates and the conduct of the account on the bank's books was quite satisfactory.

On June 17, 2018, the firm submitted an export document to International Bank of India, Fort Branch, for Euro 53000.00, drawn on M/S St Lurn Fashions, Paris. The documents were drawn on 60 days DA terms as per the contract. The merchandise under the export were ladies garments in cotton and hosiery. In the covering letter of the firm to the bank, they had instructed the bank to present the documents to St Lurn, Paris, through their bankers viz, Credit Lyonnais, Paris. The exporter had submitted bills of exchange, bills of lading, commercial invoice, packing list, inspection certificate, certificate of origin and in the bill of exchange it was typed as 'to be co-accepted by credit Lyonnais'.

The International Bank of India took the documents in its books and sent the documents for collection to Credit Lyonnais, Paris. In due course, they received communication from Credit Lyonnais that the documents were accepted by St Lurn and due date of the documents were August 25, 2018. The bankers informed the due date of the bill to Taneja exports. On August 30, 2018, Taneja Exports informed the bankers that they are yet to receive the payment of the bill for Euro 53000.00 in their books. The bank sent a swift message enquiring about the fate and payment of the bill. Two days later the bank received a message from Credit Lyonnais saying that the importer, St Lurn, had become bankrupt and they were unable to pay the bill. International Bank of India informed the same to Taneja Exports. They argued with the bank that they had clearly mentioned in the bills of exchange that the documents were to be released against the co-acceptance of the French bank only. Immediately the Indian bank send a message to Credit Lyonnais that since the bill of exchange contained the co-acceptance clause by the French bank, they are liable to pay even though the importer had become bankrupt. The French bank refuted the claim of the Indian Bank and intimated that the bank's collection instruction did not contain any co-acceptance clause by the French bank and they had acted as per the provisions in the uniform rules for collection in the ICC publication No 522.

Since payments were not forthcoming, Taneja Exports filed a suit with the National Consumer Forum, New

Delhi for deficiency of services by International Bank of India, Mumbai, on November 10, 2018. They put forth the argument that the bank was deficient in not mentioning about the co-acceptance clause in their covering letter to the French bank and in case of non-co-acceptance by the French bank they would have returned the documents to India and the exporter could have arranged for an alternate buyer or re-import of the merchandise. This negligence on the part of the bank had caused them total financial loss. After hearing the arguments of both the parties, The National Consumer Forum gave the judgement, on February 6, 2019, that the International Bank of India was deficient and negligent in their services and ordered them to compensate the value of the export bill of Euro 53000.00 along with 15% interest, till the date of payment.

The bank went on appeal against the order of the consumer forum in the Supreme Court on March 20, 2019. After hearing the counsels of both sides, the Supreme Court gave the judgement that since the original agreement between the exporter and importer do not have any co-acceptance clause by the importer's banker, the co-acceptance clause on the bill of exchange cannot be binding on the French Bank as well as on the Indian Bank.

The bankruptcy of the importer is the reason for loss to the exporter and not the deficiency of service by the bank. The Supreme Court set aside the judgement of the National consumer forum and passed the judgement in favour of the bank, with costs, on March 15, 2020.

Questions:

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- (a) Elaborate the deficiency of service on the part of the bank, pointed out by the National consumer redressal forum, in the light of the uniform rules for collection ICC publication No.522.
- (b) Advise the firm about the precautions they should have taken to avoid such a colossal business loss.

OR

Questions:

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- (a) Discuss the remedial measures the bank in India should take to avoid such damaging judgements by the consumer forums.
- (b) Elaborate the Supreme Court judgement in the context of the international banking rules and practises, as guided by the ICC publications.
