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MBAS 554

**Fourth Semester M.B.A. Degree Examination, July/August 2023
(Regular and Repeater)
BUSINESS ADMINISTRATION
International Financial Management**

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any two** questions. **Each** question carries **10** marks. Answer to **each** question should **not** exceed **5** pages. **(2×10=20)**

1. "There is a growing concern about the widening balance of payment deficit". What is BOP deficit ? Explain the components of BOP and respective deficit and surplus.
2. "Foreign exchange market plays a major challenge in the economic growth of an economy". Explain the nature, scope and importance of international financial management.
3. "Finance is the art of passing money from hand to hand until it finally disappears". Explain the role of international finance manager in the MNC.

SECTION – B

Answer **any three** questions. **Each** question carries **12** marks. Answer to **each** question should **not** exceed **6** pages. **(3×12=36)**

4. ABC corporation has following information about UK and USA :
 - a) Inflation rate in USA is 4%
 - b) Current spot rate is 1£ = 2\$
 - c) Risk free rate of interest in UK = 10%
 - d) Risk free rate of interest in USA = 8%

Find the expected future spot rate after 1 year for USA dollars in UK.

5. What is country risk analysis ? Explain the significance and different factors to be considered in country risk analysis.

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6. Write a detailed note on Multinational Tax Management.
7. Why is foreign exchange risk management important for international business ? Explain the external hedging tools for foreign exchange risk management.
8. What is international cash management ? Explain the importance and advantages of centralized cash management.

SECTION – C

Note : This Section is **compulsory**. It carries **fourteen** marks. Answer to the question should **not** exceed **6** pages. **(1×14=14)**

9. A US MNC is considering a European investment opportunity. The European project has initial investment of Euro \$900 million. It provides 30% returns each year in its 7 years life span. The project would get a royalty payment of 9% of return each year which is nontaxable. With a tax rate of 35% and straight line depreciation evaluate the project acceptance. The project would be having operating cost 18% of return. Inflation in US is 4% and that of Euro zone is 2%. The current spot rate is Euro 1 = US \$1.28. Expected opportunity cost for the MNC in dollar term is 15%. Evaluate the project.

What suggestion would you give ? Accept or reject the proposal ?

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