

(A-61)

SEAT No. _____

No. of Printed Pages: 01

SARDAR PATEL UNIVERSITY
B.B.A. [ITM] Examination, VIII Semester

Monday, April, 8, 2019

Session: Evening Time: 2.00 p.m. To 4.00 p.m.

Subject Code: UM08EBBI03

Subject: Fundamentals of International Financial Management-II

- Total Marks: 60**
- Q-1 Discuss the following issues in foreign investment analysis: [15]
Parent Vs. Project Cash Flows, Exchange Rate Change and Inflation and Economic Risk Analysis.
- OR**
- Q-1 Explain Multinational Capital Budgeting and discuss Expropriation and Incorporating [15]
Country Risk Analysis in Capital Budgeting.
- Q-2 Discuss the discounted cash flow criteria for project evaluation of a multinational [15]
corporation with appropriate examples.
- OR**
- Q-2 A US based plastic manufacturer is considering a proposal to produce high quality [15]
plastic glasses in India. The necessary equipment to manufacture the glasses would cost Rs. 1,00,000 in India and it would last 5 years. The tax relevant rate of depreciation is 25% on written down value. The expected salvage value is Rs. 10,000. The glasses will be sold at Rs. 4 each. Fixed cost will be Rs.25,000 each year and variable cost Rs. 2 per glass. The manufacturer estimates it will sell 75,000 glasses per year; tax rate in India is 35%. The US manufacturer assumes 20% cost of capital for such a project. Additional working requirement will be Rs. 50,000. The US manufacturer will be allowed 100% repatriation each year with a withholding tax of 10%. Should the proposal of setting up a manufacturing unit in India be accepted by the US manufacturer? Spot and expected exchange rates are as follows:
- | Spot | Rs. 50/\$ |
|------------|-----------|
| Year-end 1 | 50 |
| 2 | 50 |
| 3 | 52 |
| 4 | 52 |
| 5 | 52 |
- Q-3 Discuss in detail the estimation of cost of debt, preference and equity capital with [15]
appropriate examples.
- OR**
- Q-3 Write a note on: [15]
1. Cost of equity using CAPM
2. Cost of capital across countries
- Q-4(a) Discuss the working capital policy of Multinational companies and explain the basics [15]
of managing cash and near-cash assets in an MNC.
- OR**
- Q-4 Write a note on the following in the context of international firms: [15]
a. Management of receivables
b. Management of inventory