[5] SEAT No.________ Sc

No. of Printed Pages : 02

SARDAR PATEL UNIVERSITY
SY BBA(IB), IV Semester
Friday Date 12-04-2019
Time : 10:00 AM to 12:00
Subject Code : UM04CBBF02/B02
Subject Title: International Financial Management - II

Total Marks- 60

Q.1 Explain forward contract and Future Contract. **15**

OR

Q.1 a) The technical forecast, fundamental forecast and market based forecast of rupee vis –a – vis US dollar for the second quarter of 2005 are respectively as follow: Rs. 65.54, Rs. 67.22 and Rs. 69.61. If the forecaster assigns 20%, 30% and 40% weighted respectively to above forecast, what would be the weighted average of the forecast, often know as mixed forecast? **5**

b) Give the meaning and techniques of exchange rate forecast. **10**

Q.2 What is Translation exposure? How to manage it? **15**

OR

Q.2 Find out Translation loss/gain on the basis of the following data. **15**

Liabilities	Rs.	Assets	Rs.
Current liability	40,000	Current Assets	60,000
Long term debt	40,000	Inventory	40,000
Deferred income taxes	20,000	Prepaid expenses	20,000
Bonds	42,000	Cash	20,000
Capital stock	48,000	Fixed assets	80,000
Retained earning	50,000	Goodwill	20,000
Total	2,40,000	Total	2,40,000

(P.T.O.)

US Dollar prior to exchange rate 4 LC= $1
After devaluation of local currency 5 LC = $1
After revaluation of local currency 2.5 LC = $1

Q.3 Will Investor go for a hedge contract? If so, which of the option he will select? **15**

a) Spot rate on the date of the contract Rs.70/$
b) three month forward rate Rs. 70.50/$
c) Strike rate in three month call option 70.60/$ with 5% premium
d) Strike rate in the three month put option 70.60/$ with 5% premium
e) Spot rate on the date of payment maturity 70.90/$.
f) Interest rate on deposit and borrowing rate is 8% and 10% respectively.

An Indian importer import goods worth $40,000 to make a payment after 90 days.

OR

Q.3 What is Transaction exposure? Explain its management techniques. **15**

Q.4 ABC company is wholly owned UK affiliate of a US multinational firm. It manufacture Refrigerator in UK with 60% of its output (i.e 5,000 units) currently being sold in UK and remaining 40% exported to other countries at £ 400 per unit. **15**

XYZ use local and foreign source of raw material. Total operating expenses 8, 00,000 and overhead expenses are 5, 00,000. The effective UK tax rate on corporate profit is 35% and annual depreciation charges on plant and equipment in UK is £1, 00,000.

XYZ has outstanding £3,00,000 in debt with interest payable 10%.The current exchange rate is $1= £0.6

Assume that UK currency devaluated to $1 = £0.8. All cost and price are increase by 25% but unit volume remains the same. Calculate the Economic Exposure.

OR

Q.4 Give the meaning of Economic exposure. Discuss its management techniques. **15**

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