

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
Post-Graduate Dept. of Commerce
M.Com Part –II (A&F), Semester –III, Semester End Examination, January 2022
COO 331: International Financial Management (0A- 18A)

Duration: 3 hour

Marks: 60

Instructions:

1. This paper consists of Nine Questions carrying **Equal Marks**.
2. Question No. 1 consists of **5 compulsory** Questions of **2 Marks Each**.
3. Answer **any 5** questions from Question 2, 3, 4, 5, 6, 7, 8, 9.
4. **Each** question carries **10 marks**. Figures to the **right** indicate full marks.

Q.1. Explain the following in about 50- 60 words each: (5 x 2 = 10 Marks)

- a. Flexible and fixed exchange rate system
- b. ADR
- c. State the objectives of cash management
- d. Purchasing power parity
- e. Transaction exposure

Q.2. Explain the various types of financial instruments used in the international market. (10)

Q.3. Explain in detail the Bretton wood system and its outcomes. (10)

Q.4. Mahima International sets up a project for manufacturing of certain electronic testing equipment. The following data is provided: (10)

The firm has domestic as well as export market for its product. The exports as well as the imports are in Euro. For transaction in Euro, the current spot rate of Rs.55 per Euro.

Particulars	Units	Rate	Rs.
Sales: Domestic	40,000	Rs200	80,00,000
Export	60,000	Euro 4	132,00,000
			212,00,000
Raw materials: Domestic			48,00,000

Imported	100000	Euro 1	55,00,000
Wages			50,00,000
Variable overhead			12,00,000
Fixed overheads			10,00,000
			175,00,000
Operating Profit			37,40,000
(-)Depreciation			900,000
(-)Interest			12,00,000
Profit before tax			16,40,000
Tax @ 30%			4,92,000
Profit after Tax			11,48,000
Add Depreciation			9,00,000
Net cash inflow			20,48,000

If the Euro appreciates to Rs 60, Export price is reduced to Euro 3.8. There is an increase in export sales by 10% with corresponding reduction in domestic sales. There is no change in costs.

Calculate the effect of the foreign exchange rate change on annual cash flows of the company.

Q.5. MNCs face various complexities in budgeting the foreign projects. Explain in detail. (10)

Q.6. There are various pros and cons of centralized cash management in MNCs. Elucidate with relevant examples. (10)

Q.7. Explain the different types of trading in Foreign Exchange Market with examples. (10)

Q.8. A. Explain the various factors influencing the exchange rates in the markets. (5)

B. Spot Rs 45/\$, return on domestic deposit 14%, return on dollar deposits 5%, investible funds Rs 1000. Calculate the forward cover after 1 year. (5)

Q.9. In the foreign exchange market traders face various types of exposure. Elaborate in detail with relevant examples. (10)