

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER-IV • EXAMINATION – SUMMER 2014

Subject Code: 840202

Date: 26/05/2014

Subject Name: International Finance

Time: 10:30am – 01:30pm

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1** (a) Describe the balance-of-payments identity and discuss its implications under the fixed and flexible exchange rate regimes. **07**
(b) In an integrated world financial market, a financial crisis in a country can be quickly transmitted to other countries, causing a global crisis. What kind of measures would you propose to prevent the recurrence of European crisis? **07**
- Q.2** (a) How the foreign exchange transactions between international banks settled? **07**
(b) Write a short note on purchasing power parity. **07**
- OR**
- (b) Explain the concept of Fisher Effect with the help of an example. **07**
- Q.3** (a) Should a firm hedge? Why or why not? **07**
(b) What do you mean by Incoterms. Explain any three incoterms. **07**
- OR**
- Q.3** (a) General Motors exports cars to Spain, but the strong dollar against the euro hurts sales of GM cars in Spain. In the Spanish market, GM faces competition from Italian and French car makers, such as Fiat and Renault, whose operating currencies are the euro. What kind of measures would you recommend so that GM can maintain its market share in Spain? **07**
(b) What are the advantages of investing via international mutual funds? **07**
- Q.4** (a) Briefly discuss the various types of international banking offices. **07**
(b) Comment on FDI in India. **07**
- OR**
- Q.4** (a) What is triangular arbitrage? What is a condition that will give rise to a triangular arbitrage opportunity? **07**
(b) Explain in detail the three types of exposure associated with foreign trade. **07**
- Q.5** (a) Explain the concept of Letter of Credit? Also give its advantages and disadvantages. **07**
(b) Discuss the process of bringing a new international bond issue to market. **07**
- OR**
- Q.5** (a) Explain Bilateral and Multilateral netting with the help of an example. **07**
(b) Write a short note on Export – Import Bank of India. **07**
