

## MBA 3718

M.B.A. DEGREE EXAMINATION, JUNE 2007.

Fourth Semester

Finance

Paper XVIII — INTERNATIONAL BUSINESS  
FINANCE

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE out of the following.

1. What do you know about special Drawing Rights?
2. List down the popular E-banking transaction?
3. What is a multinational corporation?
4. What is an exchange rate?
5. What is a convertible currency?
6. Why do you Euro bonds appeal to investors?
7. Why might purchasing power parity fail to hold?
8. Should firms higher rates of return on foreign projects than an identical project located at home?

**Explain.**

**PART B — (5 × 10 = 50 marks)**

Answer any FIVE out of the following.

9. Discuss the role being played by the IMF in allocating the balance of payments problems in India?
10. What are the achievements and failures of the IMF?
11. Discuss the features of E-banking and bring out its merits and constraints?
12. Briefly discuss six major factors that complicate financial management in multinational firms?
13. Differentiate between spot and forward exchange rates?
14. List some key differences in capital budgeting as applied to foreign versus domestic operations?
15. What adjustment might be made to the domestic cost of capital for a foreign investment due to exchange rate risk and political risk?
16. Why does a US corporation build manufacturing plants abroad when they could build them at home?

**PART C — (1 × 20 = 20 marks)**

**Case Study — Compulsory**

17. A financial manager of a French company has FF 25 million that she can invest for one year. She is considering the possibility of either investing in France. When one year investment yields an interest rate of 9 percent or in Germany where a one year investment produces an interest rate of 12 percent. The current exchange rate is DH 3.35/FF.

- (a) Calculate the one year forward exchange rate that will make the financial manager in difference between investing in France or Germany?
- (b) Suggest where can she invest her money?

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