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M.Com. IV Semester Degree Examination, Sept./Oct. - 2024

COMMERCE

B. Global Financial Management

(NEP)

Time : 3 Hours | Maximum Marks : 70

Note : *Answer **any five** of the following questions with Question No.**1** is **compulsory**, each question carries **fourteen** Marks.*

1. What do you mean by Global Financial Managment ? Discuss the nature, scope and objectives of Global Financial Management. **14**

2. Translate the following balance sheets of the two subsidiaries of ABC, Inc. (a U.S. MNC) into U.S. dollars, using: (a) monetary-non monetary method, and (b) the current rate method of translation. **14**

	U.K Subsidiary (Millions of Pounds Sterling)		French Subsidiary (Millions of French Francs)	
	31-12-2011	31-12-2012	31-12-2011	31-12-2012
Cash and marketable securities	120	143	2,143	1,915
Accounts receivables	315	407	4,020	3,775
Inventories	612	750	3,950	3,850
Fixed assets (net)	1,350	1,300	7,010	6,850
Total assets	**2,397**	**2,600**	**17,123**	**16,390**
Bank loans	500	450	3,000	2,800
Accounts payable	490	553	4,873	4,658
Long-term debt	650	700	4,250	4,000
Net worth	757	897	5,000	4,932
Total liabilities and net worth	**2,397**	**2,600**	**17,123**	**16,390**

Assume the following exchange rates :

31-12-2012	£ 1.00 = U.S $1.40	U.S $1.00 = FF 7.25
31-12-2011	£ 1.00 = U.S $1.05	U.S $1.00 = FF 9.00

Show also how the parent company will reflect the exchange gains (losses) in its consolidated statements, using the monetary-non monetary method as against the current method ?

3. (a) Explain the theory of Interest rate parity in detail. **7**

(b) Explain triangular, locational and covered interest rate arbitrage. **7**

4. What is ADR ? Explain the types and procedure for issuing of ADR. **14**

5. What is Multinational capital budgeting decision ? Discuss the methods and issues of multinational capital budgeting decisions in detail. **14**

6. What is foreign exchange exposure ? Discuss the basic types of foreign exchange exposure. **14**

7. (a) A Project costing \$ 50 million is expected to generate after-tax cash flows of \$10 million a year forever. Risk free rate is 3%, asset beta is 1.5, required return on market is 12%, cost of debt is 8%, annual interest costs related to project are \$2 million and tax rate is 40%. Calculate the adjusted present value of the project. **7**

(b) Explain the sources of International Finance. **7**

8. Write a note on the followings :

(a) Interest Rate Swap **5**

(b) Foreign Exchange Market **5**

(c) Multinational Working Capital Management **4**

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